

**UNIVERSIDAD ESAN**



# Entrepreneurial Financing of Micro-Small-Medium Enterprises in Haiti: Barriers and Proposed Solutions

**In collaboration with:**



Master in Management  
IESEG School of Management – Paris, France

**Thesis presented in partial satisfaction of the requirements to obtain the degree of  
Maestro en Administración by:**

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**Master Program at ESAN: International MBA**

**July 3<sup>rd</sup>, 2019**

« IESEG School of Management and Universidad ESAN do not express approval or disapproval concerning the opinions given in this paper which are the sole responsibility of the author. »

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Master's Thesis

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2019

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## **Acknowledgements**

The past six months have been an exciting journey, dedicated (in part) to the last lap of my master's marathon: writing this thesis.

I would like to start off by thanking Dr. Cheek for being a devoted advisor and mentor. He challenged my thinking and encouraged me to continue even when times were difficult. I would also like to thank all of those who provided great insights during this process.

My sincere thanks to those who helped me during this period; especially those who motivated me to go to classes while thesis deadlines were approaching.

During my interview phase, I met some wonderful people who taught me valuable knowledge about doing business in Haiti. Their wisdom and hands-on experience with my research topic have been invaluable, ranging from rich insights into entrepreneurship to passionate knowledge of the Haitian finance sector.

Finally, I would like to express my gratitude to those who are dearest to me: my family and friends. Without your love and support, this research would not have been as thorough as I hope it is.

I hope you will enjoy reading what is ahead. If you have any questions or comments, please do not hesitate to contact me.

Véronique.

## **Abstract**

This study seeks to examine the entrepreneurial sphere in Haiti with particular attention on aspects of funding for those who want to start or scale up a business. It seeks to understand the effects of the lack of financial literacy on Micro-Small-Medium-Enterprise (MSME) entrepreneurs evolving within the Haitian economy.

The literature review discusses various contextual factors that impact Haitian entrepreneurs, including the Haitian political environment, access to funding via traditional banking and micro-financing, and barriers to entrepreneurship. Additionally, it explores outcomes such as informality and discusses existing theories on poverty reduction via MFIs (microfinance institutions). It finishes with a discussion on the various roles that the Haitian diaspora, the government and the private sector might play in helping Haitian entrepreneurs to find stability as they seek to create jobs and build the Haitian economy.

This thesis includes the results of 12 qualitative interviews with experts on Haiti, finance in Haiti or on entrepreneurship conducted over a one-month period, as well as two distinct surveys targeting respectively local MSMEs and Haitian diaspora members. The goal was to understand the perceptions of financing entrepreneurial ventures in Haiti for MSMEs through interviewing participants of different backgrounds and realities in the complex world that is modern Haiti.

The findings suggest that financial literacy, access to finance, and the informality within the economy are deterrents to entrepreneurial scaling in Haiti. However, findings also indicate that the entrepreneurial sphere in Haiti is badly damaged and is in dire need of a public/private partnership in order to improve current conditions and lead to sustainably growing the Haitian economy via “solopreneurs” who would scale into more robust forms of entrepreneurs, if they are qualified to do so.

## Research Problem

Haiti is the poorest country in the Western Hemisphere with a GDP per capita of \$767.7 (USD) in 2017 vs \$9,244.4 for Latin American and the Caribbean, which is significantly less than 1/10<sup>th</sup> of the average in Latin American Countries (The World Bank, 2018). Developing countries have strong pyramid age structures, meaning that the populations are quite young (United Nations, 2016). Haiti has a wide base of young people with 58.03 percent being aged 15 to 54 years old (IndexMundi, 2018). There needs to be a constant flow of job creation in order to improve socioeconomic levels for such a young and large population base. Therefore, this thesis will attempt to rethink how entrepreneurs in the least developed countries (LDCs) such as Haiti can fund their ventures in a way that is beneficial to the entrepreneur, the affected country, and the lender; whether the lender is a public or private entity. Hence, the research topic centers on: “The importance of wealth creation via entrepreneurial ventures within the least developed countries.”

Main questions to be answered:

- How can Haiti, a least developed country, generate individual and collective wealth through entrepreneurial ventures?
- How can Haitian entrepreneurs find the necessary funding to start and maintain the growth of their entrepreneurial ventures?

In response to these problems and questions, this study investigates several options to find ways for Haitian entrepreneurs to start their ventures as well as proposing new ways for either public or private lenders to trust these entrepreneurs sufficiently so they can potentially generate wealth from targeted financing that leads to sustainable and scalable businesses and viable employment for themselves and others. This area of study is quite relevant as, to my knowledge, this research has not been conducted with the same objectives either in Haiti or in countries that are most similar to it. As such, there could be a gap concerning funding entrepreneurial ventures in the least developed and emerging markets such as Haiti. Such a gap requires new innovations that are well-informed by and highly effective within the specific challenges found in nations like Haiti. This thesis, therefore, will conduct further to contribute to existing knowledge. It will lead to the possible introduction of several process improvements that will increase the funding of entrepreneurial projects in a least developing country (Haiti), and thus help to create wealth.

## Introduction

In its recent past, Haiti has repeatedly been hit by a series of both man-made and natural disasters (with devastating effects), including political instability and slow economic growth. From 1986 to today, Haiti has had more than eighteen changes in government, and more than twenty cabinet changes. Often, natural disasters in Haiti are followed in close succession. For example, a devastating hurricane season in 2008, the 2010 massive earthquake, and the destructive hurricane Matthew in 2016 with each further depleting the resources to generate greater prosperity throughout the country as efforts focused on recovery and reconstruction (The World Bank, 2017).

A catalyst to sustainable development in Haiti could be entrepreneurship. No academic paper seems to have been written about financing or scaling entrepreneurial ventures specifically in Haiti. This thesis, therefore, aims to contribute by identifying and understanding the economic challenges that entrepreneurs in Haiti face, how they confront them, and what can be learned from comparing Haiti's entrepreneurial landscape to that of other emerging countries regarding breaking the cycle of poverty through extensive job creation.

## 1.0 An Overview of the History, Geography, and Economy of Modern Haiti

### 1.1 Haiti: Chronological Profile of Events – 1957 to Today

The below table is intended to give the reader an understanding of Haiti's complex socio-economic and political history.

Table 1

DATE	POLITICAL EVENT	SOCIAL EVENT
1957	Francois Duvalier seizes power.	
1964	Francois Duvalier self-declares "President for Life."	
1971	F. Duvalier dies. He is succeeded by son, Jean-Claude Duvalier. J.C. Duvalier declares himself "President for Life."	
1986	J.C. Duvalier flees Haiti. A governing council is put in place lead by a general.	
1988	Leslie Manigat becomes president. He is ousted in a coup led by the military.	
1990	Justice Ertha Pascal-Trouillot leads a provisional government.	
1990	Jean-Bertrand Aristide is elected president.	
1991	A military coup deposes Aristide. Aristide goes into exile.	Haiti is put under an embargo by the USA and the OAS.
1994	U.S. intervention. Military regime relinquishes power. Aristide returns.	Embargo is lifted, except for arms embargo.
1995	Rene Preval is elected president.	
1997-99	A government is installed after a political deadlock.	
1999	President Preval rules by decree.	
2000	Aristide is elected president.	
2004	<ul style="list-style-type: none"> <li>- A revolt breaks in Gonaives on February 4<sup>th</sup>.</li> <li>- Aristide is forced into exile. A temporary government is mounted in February 29<sup>th</sup>.</li> <li>- Enters U.N. peacekeeping force.</li> </ul>	<ul style="list-style-type: none"> <li>- Haiti celebrates its 200<sup>th</sup> year of Independence.</li> <li>- Severe floods in the south: 2000 dead.</li> <li>- Hurricane Jane kills 3,000 people in the North.</li> </ul>
2005		Hurricane kills at least 45 people.
2006	- Rene Preval is elected president. Jacques Edouard Alexis is Prime Minister.	UN-run taskforce starts to disarm gang members.



2008	<ul style="list-style-type: none"> <li>- Alexis is removed as Prime Minister.</li> <li>- Michele Pierre-Louis succeeds Alexis as prime minister.</li> </ul>	<ul style="list-style-type: none"> <li>- Due to very high food prices, riots break out in Les Cayes and in Port-au-Prince. Prime Minister Alexis is forced out of office.</li> <li>- Eight-hundred people are killed after Haiti is hit by many storms and hurricanes in succession.</li> </ul>
2009	<ul style="list-style-type: none"> <li>- Pierre-Louis is removed as Prime Minister, and is replaced by Jean-Max Bellerive.</li> </ul>	
2010	<ul style="list-style-type: none"> <li>- Presidential and parliamentary elections.</li> </ul>	<ul style="list-style-type: none"> <li>- January: Haiti is hit by a 7.0 magnitude earthquake, resulting in the deaths of hundreds of thousands.</li> <li>- October: Cholera outbreak claims some 3,500 lives and triggers violent protests. The source of the outbreak is allegedly a UN soldier camp.</li> <li>- December: First round of presidential election results being questioned triggers violent protests.</li> </ul>
2011	Michel Martelly is elected president of Haiti with Garry Conille as prime minister.	Cholera death toll climbs to 6,000.
2012	Conille resigns and is replaced by Laurent Lamothe.	<ul style="list-style-type: none"> <li>- October: High cost of living triggers protests asking for the resignation of President Martelly. Martelly is accused of corruption.</li> <li>- November: Hurricane causes extensive crop damage. About 20,000 people are left homeless.</li> </ul>
2013		Protests in Port-au-Prince and other major cities, with people voicing discontent about various issues including an overdue election, unemployment and corruption.
2014	December: Escalating street protests against Lamothe forces him to resign.	April: Anti-government protests begins in Port-au-Prince.
2015	Lamothe is replaced by Evens Paul as Prime Minister	
2016	Martelly ends his presidential term presidential election is postponed. Parliament appoints Jocelerme Privert as interim president.	<ul style="list-style-type: none"> <li>- August: For the first time, the United Nations acknowledges its own involvement in the cholera outbreak in Haiti in 2010.</li> <li>- October: The strongest hurricane to hit the region in a decade destroys thousands of homes and kills many.</li> </ul>
2017	<ul style="list-style-type: none"> <li>- Jovenel Moise is declared the winner of the November 2016 presidential elections.</li> <li>- Guy Lafontant is chosen as prime minister.</li> </ul>	
2018	<ul style="list-style-type: none"> <li>- July: Prime Minister Lafontant resigns after violent and deadly protests.</li> <li>- Jean-Henry Céant is the new prime minister.</li> </ul>	<ul style="list-style-type: none"> <li>- Deadly protests on July 6<sup>th</sup> and 7<sup>th</sup> due to a proposed price hike for fuel products.</li> </ul>
2019	<ul style="list-style-type: none"> <li>- March: Ceant removed from office by the chamber of deputies, being replaced by interim Prime Minister Lapin.</li> <li>- May: Prime Minister Lapin is selected official as Prime Minister by President Moise making him Haiti's 3<sup>rd</sup> PM in 2 years.</li> </ul>	<ul style="list-style-type: none"> <li>- February: dozens are injured or killed in nationwide anti-corruption protests against President Moise and other official in the "Kot kòb Petrocaribe a" movement.</li> </ul>

(Sources: CNN, BBC, LeNouvelliste)<sup>1</sup>

Haiti has been plagued by instability due to both political and climate stressors. The above table exposes how, from 1957 to today, the many governmental changes and catastrophes that Haiti has suffered, have contributed to a stagnant economy, widespread poverty, and environmental degradation that have undoubtedly affected its population.

<sup>1</sup> BBC: <https://www.bbc.com/news/world-latin-america-19548814>

CNN: <https://edition.cnn.com/2013/10/17/world/americas/haiti-fast-facts/index.html>

Le Nouvellite: <https://lenouvelliste.com/>

## ***1.2 Geographical Context***

Haiti occupies the western side of the island of Hispaniola in the Greater Antillean archipelago which it shares with the Dominican Republic. The island is located between the North Atlantic Ocean and the Caribbean Sea. Haiti was the richest French colony in the Western Hemisphere during the Colonial Era (1492-1804), and was called the “Pearl of the Antilles”(S raphin, Butler, & Vanessa, 2013).

Haiti has total area of 27,750 square kilometers with 27,560 square kilometers of land and 190 square kilometers of water. Its coastline is of 1,771 km, which is the second longest coastline in the Caribbean. The country’s climate is tropical and semiarid. Haiti has a mostly rough and mountainous terrain with its highest point, Pic la Selle, measuring at 2,680 meters. This country has many natural resources, e.g., gold, bauxite, copper, marble, and hydropower. Sixty-six percent of agricultural land with 38.5 percent of arable land, 10.2 percent permanent crops and 17.7 percent of permanent pasture (CIA World Factbook, 2016).

Finally, the topography of Haiti is a source of many challenges within the nation due to its rugged geography which makes transportation difficult. The geography shapes Haiti’s present economy directly by the physical geography of the island, and indirect geographic influences such as annual meteorological phenomena associated with the Caribbean. Haiti is positioned in the middle of the hurricane belt. Thus, the country is subject to severe storms from June to November often resulting in flooding and/or periodic droughts. Haiti is subject to soil erosion with only about four percent of forest land and extensive deforestation with much of the remaining forested land being continually cleared for agriculture or is used as fuel (CIA World Factbook, 2016).

## ***1.3 Economic Context***

In the last two decades, Haiti has been the poorest country in the Americas (\$1,814.94 GDP per capita, PPP in 2017, World Bank, 2019) with a strong economic contraction during the 1980s with an average of -2.4 percent in Haiti compared with -0.9 percent for the Latin America and Caribbean region (LAC). Increasing political instability has affected growth performance (Jaramillo & Sancak, 2009).

Per Singh and Barton-Dock (2015) from the World Bank, Haiti’s growth performance in the last four decades has been disappointing. Gross Domestic Product (GDP) growth averaged 1.2 percent a year from 1971 to 2013, which is much lower than the average of LAC (3.5 percent). The average of economies at the same level of development worldwide had a 3.3 percent GDP growth. Though there have been few periods of positive growth, they did not last as they were usually followed by a contraction in economic activity (Singh and Barton-Dock, 2015). The above *Chronological Profile of Events* can explain these contractions.

From 2010 to 2015, following the 2010 earthquake, Haiti suffered an average loss of up to 12 percent of GDP. Although an overflow of foreign aid and surges of imports were able to support a temporary increase in aggregate consumption (creating a bubble), there were large contractions at the aggregate investment and services sector output levels (Best & Burke, 2017). This type of

unstable environment seldom creates trust for those who wish to invest. The most recent household survey by the World Bank (2012) indicates that over 6 million out of the 10.4 million people forming the population of Haiti (or 59 percent) live below US\$2.41 per day or the national poverty line (The World Bank, 2019b).

In 2016, Haiti's exports totaled \$1.11B and imports totaled \$2.95B, resulting in a negative trade balance of \$1.84B. The Haitian economy mainly exports textiles, e.g., knit t-shirts (39 percent), knit sweaters (24 percent), non-knit men's suits (13 percent), scrap iron (3.8 percent), and non-knit men's shirts (2.3 percent). Additionally, it exports essential oils (2.9 percent), cocoa beans (1.6 percent), tropical fruits (0.88 percent), etc (OEC, 2016). Haiti's economy is small and undiversified (Barrau, 2013). This raises questions such as: 1) How can the economy become more diverse and grow in size?, 2) How can individual and collective wealth be increased?, 3) Where can further resources for development be obtained and how might existing fiscal resources be better used to stimulate economic growth?

By one estimate, 95 percent of Haitian businesses are informal with almost half of the Haitian population working in an industry highly exposed to risk: agriculture (Barrau, 2013). Haiti's informal economy is stratified going from small street vendors to small and medium enterprises (SMEs). For example, in the capital of Port-au-Prince, you will find many street vendors selling numerous items such as food, used clothing, home goods, etc. (Walz, 2012). The term "informality" is used in various ways, depending on actors, networks, and economic practices. The informal economy is composed of income-generating businesses, employees and activities that are outside of state regulation or are not covered by formal arrangements (Twigg & Mosel, 2018). Risk in Haiti refers to social and political instability as well as high levels of imports. For example, in the 1990s, due to rice subsidies, the local rice-growing market collapsed.

In Haiti, entrepreneurs have steep mountains to climb because of weak institutions and other factors (e.g., limited access to finance, markets, intellectual property protection, registration, and taxation procedures). The Haitian entrepreneur starts-up his or her businesses out of necessity. The risk also goes beyond social and political instability to other factors such as corruption, unpredictability of disaster scale weather, shifting market demands, etc. The Global Competitiveness Index 4.0 (2018) that covers 140 economies by calculating national competitiveness defined as the set of institutions, policies and factors that determine the level of productivity per country, ranks Haiti at 138<sup>th</sup> (Schwab, 2018).

#### ***1.4 Comparing Haiti and the Dominican Republic***

Laura Jaramillo and Cemile Sancak (2009) did a study comparing Haiti to the Dominican Republic, where both countries are very similar in terms of geography and historical development, but who have very different growth performances. For context, in 1960, Haiti and the Dominican Republic had the same per capita real GDP. By 2005, the Dominican Republic's GDP per capita (real) had tripled, while Haiti's had halved. The paper states that in general, structural policies have been the key determinants of growth in the Dominican Republic. They found that the Dominican Republic has been able to implement stabilization policies, and this has helped them to steadily outperform Haiti (Jaramillo & Sancak, 2009).

Table 2

<i>Metrics</i> <sup>2</sup>	<i>Haiti</i>	<i>Dominican Republic</i>
<i>Annual GDP - 2017</i>	8,408M.\$	75,932M.\$
<i>GDP Per Capita - 2017</i>	766\$	7,052\$
<i>Debt (%GDP) - 2016</i>	33.92%	34.99%
<i>Education Expenditure (%Bud.) - 2016</i>	13.11%	20.65%
<i>Corruption Index - 2018</i>	20	30
<i>Competitiveness Ranking - 2018</i>	138 <sup>th</sup>	82 <sup>th</sup>
<i>Fragile State Index - 2018</i>	102	69.2
<i>Innovation Ranking – 2018</i>	-	87 <sup>th</sup>
<i>Doing Business – 2019</i>	182 <sup>th</sup>	102 <sup>th</sup>
<i>Exports – 2017</i>	980.2 M.\$	10,120.7 M.\$
<i>Imports - 2017</i>	3,470.3 M.\$	17,700.3 M.\$
<i>Trade balance % GDP - 2017</i>	-29.62%	-9.96%

The Dominican Republic's recent economic performance is often attributed to the country's manufactured export boom to the spread of export processing zones and the pursuit of foreign direct investment in the 1980s and 1990s. Haiti keeps lagging the region when it comes to the implementation of structural policies which affects its growth performance (Schrank, 2010). In the Dominican Republic, small medium enterprises (SMEs) are more than 90 percent of the registered enterprises and contribute nearly 30 percent of the GDP while generating more than 2 million jobs (Compete Caribbean, 2016). Although both countries share a same island, one country has been able to develop itself and the other has not. There was not enough academic nor corporate literature available in French or in English to move forward with a more in depth-analysis. However, by looking at the annual GDPs of both nations, it is clear that the Dominican Republic is outperforming Haiti.

## **2.0 Entrepreneurship: Investing in Human Capital to Create Jobs, Alleviate Poverty, and Spur Economic Growth**

### ***2.1 Entrepreneurship for Economic Growth***

Haiti has a free market economy, and in his book entitled *Foundations of Entrepreneurship and Economic Development*, Harper (2003) expresses that an important feature of a competitive enterprise economy is the ability of people in finding and seizing opportunities for profitable new activities in both local and international markets. The economics of finding opportunities and finding solutions to problems (thus of entrepreneurship) should be the center of the economics of growth and development (Harper, 2003). A key factor in economic development is entrepreneurship as it can help to determine how fast and accurately an economic system can find and respond to income opportunities. Hence, it generates greater coordination of economic

<sup>2</sup> Metrics: <https://countryeconomy.com/countries/compare/port-au-prince/dominican-republic>

activities at one moment in time and increases the growth rate of the economy over time (Harper, 2003).

Harper (2003) studies the psychological, economic, legal, cultural and political dimensions of entrepreneurship from an entrepreneurial-discovery perspective. With the right public policies put in place by governments successful entrepreneurial ventures will follow. Harper argues that policy-makers should not neglect their role in either short-run or long-run economic activities. It is vital to better understand the institutional framework where entrepreneurial ventures can flourish as that is the key to having more economic growth by designing policies that encourage that growth. Isenberg (2010) emphasizes that innovative entrepreneurs must be directly or indirectly accompanied by members of the public sector who must help to foster entrepreneurship with the proper environments. Entrepreneurship ecosystems should be of the utmost importance for governments around the world.

Isenberg (2010) gave what he calls a prescription to create an entrepreneurial ecosystem. How do you create this system? The entrepreneurial ecosystem is comprised of a set of specific components, i.e., leadership, culture, capital markets, and open-minded customers that are all interwoven in a single ball. Most importantly, countries should stop copying what other countries are doing and should analyze themselves to shape their ecosystems based on local conditions; the government should allow other sectors to lead as well, to over celebrate successes, and be ready to tackle change management at every angle. Finally, Isenberg stresses the importance of legal reform ( Isenberg, 2010). Though both Harper and Isenberg's contributions are meaningful, and while both argue on the importance of creating an entrepreneurial sphere which includes society and new policies, is it truly indispensable to depend on synergy? One should not assume that synergy between the public and private sectors can automatically help a country's citizens to create wealth. Following the 2010 7.0 earthquake that hit Haiti, there was much hope for a newly rebuilt capital city of Port-au-Prince with dialogue between all actors of Haitian society, but nothing came of it. Haiti continually fails to jump-start its vehicle towards modernization and economic stability.

## ***2.2 Financing Growth in Haiti: A Brief Overview of the Banking Sector***

Banks are the pillars of scaling up entrepreneurial ventures and of economic development. There is little public financial support for entrepreneurs in emerging markets. Financial institutions must find solutions to the problem of financing economic growth. (Paul, Juma'hb, & Dorantec, 2018)

There are nine commercial banks operating in Haiti; five are private, two are public, one is a national branch of an international firm, and another is the regulative Central Bank. There is a high concentration in the Haitian banking sector with the three largest banks hold more than 80 percent of total banking sector assets (Paul et al., 2018). Ninety percent or more of the total assets of the financial sector can be found in the banking sector which currently manages about two million deposit accounts and about 100,000 loan accounts. Banks mainly serve formal businesses as well as public and private sector employees (Banque de la République D'Haïti, n.d.).

Even though Haiti has made efforts to modernize its financial sector, a substantial part of population remains deprived of access to basic financial services. This lack of access to appropriate financial products limits the investment opportunities and development potential of micro, small and medium enterprises (SMEs), which are an important part of the productive fabric that provides jobs and contributes to exports. Only 27 percent of Haitians have acknowledged having access to formal financial services (FINDEX, 2011). In comparison, approximately 45 percent of citizens throughout Latin America and the Caribbean have access to formal financial services. Bank credit penetration remains low, with only 17 loan accounts per 1,000 adults nationwide (Date not specified in the report), compared with, for example, 323 in Belize (Banque de la République D’Haïti, n.d.).

There is also little information on funding available to micro, small and medium enterprises (SMEs), although there is strong evidence that it is rare, given:

- a) the informal nature of the undertakings and the absence of reliable financial statements,
- b) the difficulties they face in providing title deeds and other assets as collateral,
- c) the lack of reliable credit reporting systems, and,
- d) the lack of leasing and factoring regulations that limit the provision of these services (Banque de la République D’Haïti, n.d.).

Sixty-seven percent of Haitians surveyed by FINDEX (2011) reported having taken out a loan in recent years, but only 10 percent of the total sample, and 5 percent of those at the bottom of the income scale reported having obtained a loan from a financial institution. Most loans have been made by family or friends, and private lenders. These loans are usually very expensive (Banque de la République D’Haïti, n.d.). No source seems to have reported interest rates for Haiti, which is a limitation within the literature review. Microfinance interest rates vary from one country to the next, from about 30 percent in Ecuador to as high as 80 percent in Mexico. In Bolivia, it is 13.5 percent and this rate is one of the lowest microfinance interest rates in the world. (ACCION International, 2018b). In Haiti, KOTELAM (Koperativ Tèt Ansanm for Lavi Miyò), a savings and credit union founded on November 28, 1989 with a mission of helping to provide some answers to the socio-economic problems of the disadvantaged social strata.<sup>3</sup> for example, has an annual rate between 24 to 30 percent (depending on the risk related to the loan recipient) (KOTELAM, 2014).

Domestic financial resources are limited. In the 2016/2017 fiscal year, domestic revenues barely reached 12.9 percent of GDP (Paul et al., 2018). For many institutional reasons, the Haitian productive economy is underfinanced, while the Central Bank regularly reports excess liquidity in the banking sector. As financial intermediaries, a positive perception among entrepreneurs is important for commercial banks to continually be more profitable. (Paul et al., 2018) According to a document jointly produced by the UNDP and the ILO International Labor Office as cited in Ciguino and Paul (2016), at the level of Haitian commercial banks, about 133 out of 400,000 clients hold two-thirds of the volume of loans of over 75,000 Gourdes (or ~\$860.00 USD). Ciguino and Paul (2016) state that, in Haiti, economic agents who do not have access to the formal system develop a range of local financial services that meet their immediate needs. These forms of financing known as “Sòl”, Ready to Interest (commonly called “Ponya”), pledge,

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<sup>3</sup> About KOTELAM: <http://www.kotelam.coop/apropos.php>

mortgage, etc. operate at both rural and urban levels (Ciguino & Paul, 2016). Credit at commercial banks is not widely available to small and medium enterprises (SMEs) (Marroquín, 2016).

### ***2.3 Contemporary Entrepreneurship in Haiti***

There is not one generally accepted definition of “entrepreneurship.” You could trace the theory of entrepreneurship back to 1734 when Richard Cantillon introduced the term “entrepreneurship” which stems from the French word *entreprendre* that means “to start something” (Gough & Langevang, 2017). However, schools of thought have continually challenged the meaning of entrepreneurship, creating much confusion (Guzmán Cuevas, 1994). The Austrian school has two distinct definitions: we have the *Schumpeterian entrepreneur* – the individual who innovates, creates, and in the process, destroys, and on the other hand, we have the *Kirzenian entrepreneur* who is alert to opportunities in the market and takes advantage of disequilibria to make profits. (Marroquín, 2016) Schumpeter (1934/1983) and Kirzner (1921/2012), both economic theorists had distinct views of what an entrepreneur’s mission is, and on how he or she would reach his or her goals. The Economist (2014), agrees that there are two idiosyncratic views: 1) the “the popular view” in which entrepreneurs are self-employed or small-business people, and 2) Joseph Schumpeter’s view where entrepreneurs are innovators with ideas that bring high growth to their companies (The Economist, 2014).

However, there are at least two distinct types of entrepreneurship: “opportunity” and “necessity” entrepreneurs. The ones who voluntarily choose to start a business by identifying and acting upon a good business prospect are opportunity entrepreneurs, whereas those who act on it due to a lack of choice are necessity entrepreneurs (Calderon, Iacovone, & Juarez, 2017). Of course, there are other views that have been articulated over time, e.g. Marx, Knight, Schultz, Mises or Weber. This study adopts the approach that there are two distinct types of entrepreneurship (opportunity vs. necessity) as the motivations behind entrepreneurial endeavors relate to those two major types in Haiti since most entrepreneurs are capitalists wishing to prosper or to make ends-meet. Haiti, being a country overshadowed by various threats, both its opportunity and necessity entrepreneurs arguably are risk takers.

Marroquín (2016) examines Haiti’s entrepreneurial sphere, and initially looks at where Haiti stands in terms of “Doing Business.” This yearly World Bank publication explores the level of difficulty to start a business in different countries. In 2015, Haiti was number 188 out of 189 with only Myanmar behind it (study conducted in 2014). Today, Haiti is ranked at 182 (The World Bank, 2019). This shows improvement, but it is not enough. Seventy-seven percent of the Haitian population is living below the poverty line with many Haitians earning low wages, which has led to a survival situation with unproductive forms of entrepreneurship (as cited in Séraphin and Gowreesunkar, 2016). Forty-seven percent of the labor market works in the informal sector with these entrepreneurs not having formal training, contrarily to those in formal sectors (Gowreesunkar & Séraphin, 2016). Does education determine an entrepreneur’s probability of success? Could a model that is built to accompany necessity entrepreneurs who are informal to formalize to lead to economic growth? The question to be answered here is why Haitian businesses decide to be informal likely knowing that informality hinders growth.

Marroquín (2016) argues that there are barriers to entrepreneurship that affect one another: political instability affects the investment climate and weakens economic institutions. One of the main barriers to entry is the lack of electricity with some entrepreneurs having to use several expensive alternative sources of energy (e.g., generators, solar panels, invertors) to generate their own power to meet their needs. Confirming that investing is not easy in Haiti due to a poor investment climate. The climate is vulnerable due to many challenges including the business environment, land ownership rights issues, lack of access to basic infrastructure, logistic, and financial services, and lack of skills (International Financial Corporation, 2012).

Again, Haiti's history has been overwhelmed with political instability and conflict for power among political incumbents and various opposition groups. Without peace, as Adam Smith said, there is no solid foundation on which to base prosperity. As a result, the interaction of the supply and the demand for good institutions in Haiti is much lower than other countries in the region. Sparse entrepreneurial activity is an important result (Marroquín, 2016).

Marroquín (2016) quotes Hernando de Soto who first convincingly articulated the vital importance of property rights throughout Latin America, but specifically in his home country of Peru, as being essential for sustaining economic growth. De Soto (2003) stated that the lack of clearly defined property rights limits the capacity of land and other tangible assets to serve as a guarantee for formal credit in the financial sector (De Soto 2003). In Haiti, property rights are a systemic problem that started in the aftermath of the Haitian Revolution and has never been adequately resolved. Property rights are linked to other aspects of an economy such as credit, investment, and, of course, entrepreneurship. Which brings us to access to credit. Institutional weakness has negative consequences in other markets, such as the loanable funds market. In Haiti, property rights are not clearly defined, and there are tensions on land ownership and in general, there is no certainty of who owns what. It is important for entrepreneurs to be able to give guarantees to lenders or else they won't be able to scale. However, this would depend heavily on state intervention. A key ingredient for scaling business activities in Haiti to figure out a way to secure property rights.

Marroquín cites work on assessing female entrepreneurship in Haiti by Nedjé, Etzer, and Bénédique (2013, 64) where they argue that financing a business is a significant restraint for entrepreneurs in Haiti. The lack of credit is a key problem for scaling small and medium enterprises (SME) according to existing or aspiring female entrepreneurs. To the barriers mentioned above, we should add a complicated tax system, high transaction costs, and lack of trust (Marroquín, 2016).

Since the late 1980s, per capita income in Haiti (2013) dropped by nearly 50 percent. Haitian entrepreneurs need foresight ability in order to invest in opportunities that carry both risk and reap significant rewards. This will lead to economic progress. (Barrau, 2013). Between the desire to grow Haitian small and medium enterprises (SMEs) and what is happening in reality, there is often a gap. More than 9 in 10 Haitian businesses are sole proprietors, according to the latest census of the Ministry of Trade and Industry (MCI, 2017). At the Forum on Competitiveness and Investment organized and hosted by the Haitian government in 2017, Daniel Isenberg stressed the need for the Haitian ecosystem to consider the necessity and the urgency to help small and medium enterprises (SMEs) to grow, to arrive at the creation of many more jobs and more



wealth in the Haitian economy, but to also be scalable (Le Nouvelliste, 2017). Haiti's economy depends on small medium-enterprises (SMEs) as they employ the most people locally. Often, these SMEs cannot scale because their entrepreneurs and managers do not have the required skills to improve their performance. (IFC, 2013). It is thus important to grow these businesses as it could have a catalyst effect on economic development.

Entrepreneurship is one enabling condition for sustained economic growth – it is not the only one and economic growth is not inevitable when you have a large amount of entrepreneurial activity. There are many (internal and external, intrinsic and extrinsic) factors that affect economic growth. Lack of policy in Haiti could be currently be a deterrent to growth. Access to credit is burdensome because of a lack of tangible assets to serve as guarantees. It is important to find ways to fund entrepreneurial ventures in Haiti in order to create wealth. How do we educate entrepreneurs to increase the likelihood that they will scale their micro-businesses into small and medium enterprises that are sustained for some portion of time?

#### ***2.4 Entrepreneurship Financing***

According to the GEM (Global Entrepreneurship Monitor), entrepreneurial financing has significantly changed in recent years. Several of the previous models of entrepreneurial finance continue to be relevant. This includes informal investment through the founders and receiving loans from friends, family and fools. In developed economies, venture capital (VC) investments in entrepreneurial firms promising high rewards remain important. However, there are many new financing models ranging from business angels to microfinance to small business accelerators to crowdfunding. Internationally, when creating a start-up, 95 percent of entrepreneurs use personal funds per GEM. Personal savings are an important source of financing for most entrepreneurs in Latin America and the Caribbean (LAC). Banks continue to be important sources of finance worldwide (Daniels, Herrington, & Kew, 2016).

#### ***2.5 Incubators in Haiti: The BANJ Example***

In Haiti, accelerators and incubators are being founded by young entrepreneurs. Haiti's premiere incubator "Banj" is an entrepreneurship hub, international exchange program, coworking space and incubator that was founded in 2017. "Banj" in Haitian Creole means "genius" (Banj, 2019). The incubator encourages to exchange of ideas in order to create or to innovate. Haiti's capital's entrepreneurial ecosystem is being reinforced by Banj who provides support networks that aim to stimulate entrepreneurial activity. Banj hopes to help entrepreneurs (at all stages) to increase their visibility in order to scale (Coworker.com, 2019).

Entrepreneurs in Haiti lack technical, logistical and financial support systems and access to networking even though Haitians are known to be quite the creative people. Banj organizes at least three events per month, including Startup Grind by Google, and Facebook Developers Circles (LeNouvelliste, 2017):

“We are therefore seeking to strengthen the capital's entrepreneurial ecosystem by providing modern workspaces that stimulate creativity and drive the search for tangible

results for all entrepreneurs who want to increase their visibility and move to a higher stage.” Marc-Alain Boucicault, Founder of Banj.

Further, according to the Banj website (2019), the Banj Labs Accelerator, implemented in partnership with Google Launchpad, is a tool to help startups grow by giving them access to appropriate resources for four (4) months. The selected startups will receive personalized support that will allow them not only to solve the problems they are facing but also to quickly achieve their growth objectives (Banj, 2019). Every step to figure out one’s eligibility to join the program is clearly listed on their website. However, the website does not mention how an entrepreneur may have access to funding.

## ***2.6 Entrepreneurship as a Potential Alleviator of Poverty***

Encouraging entrepreneurship is commonly observed as a good policy agenda to lower poverty levels by creating new jobs and leveraging new opportunities. In the study entitled *Entrepreneurship programs in developing countries: A meta-regression analysis*, the authors (Cho & Honorati 2014) demonstrate that a good business environment with the right macroeconomic conditions, including infrastructure and legal environment, have typically helped to increase entrepreneurial activities. They examine the effectiveness of different entrepreneurship programs in emerging markets.

Cho & Honorati (2014) conducted a meta-regression analysis using 37 impact evaluation studies that were in the public domain by March 2012. What they found is that as long as self-employment will be the substitute to salaried employment, entrepreneurial programs will be essential policy tools in emerging markets. A question to be answered then is how do we enable the impoverished to begin and grow their businesses via the proper interventions and programs? Likely, it will depend on the different skills of the population and on their capital constraints (among other factors), which of course vary depending on the individuals and the policy environment. This study found that the impacts on both the labor market and business outcomes are considerably higher for younger populations. As stated in the problem statement, Haiti is a very young country in terms of population age range with over 53.4 percent being under 25 years of age (CIA World Factbook, 2016) and it is important to inspire this young population by providing them with meaningful opportunities and an entrepreneurial mindset.

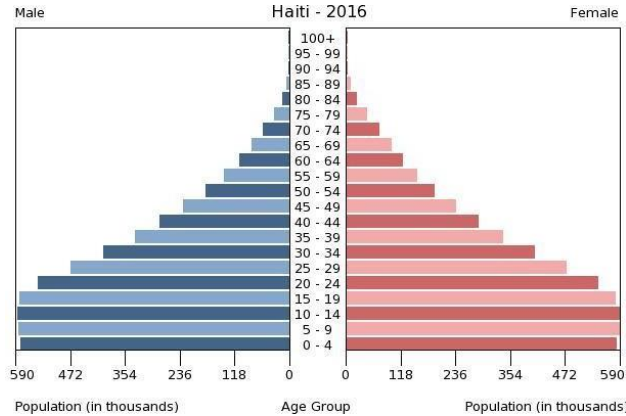


Figure 1 (CIA World Factbook, 2016)

This thought-provoking paper especially emphasizes the importance of financing support and counseling on the success of self-employment businesses. Business training, in particular for entrepreneurs, is somewhat economical. Moreover, with a short intervention time, business training promotes better performance and growth. Nevertheless, improving an entrepreneur's knowledge via training does not always result in higher incomes. In terms of financing, grants (in cash or in-kind), especially when combined with training, can be more effective than microcredit. (Cho & Honorati, 2014).

From Schumpeter's perspective, Galindo and Méndez-Picazo (2013) argue that entrepreneurs are vital to introducing new technologies that will help improve profits, and this innovation plays an important role in economic growth. Financial institutions need to facilitate entrepreneurs in obtaining the necessary resources that will develop their activity. Expansionary monetary policy would be a signal to small and medium enterprises (SMEs) that a central bank favors their activity. Social climate is as important as giving a favorable signal because less social stress stimulates entrepreneurs to carry out their activity and take risks (Galindo & Méndez-Picazo, 2013).

Data from 20 island economies over a period of 22 years (1980-2002), including Haiti, shows it is important for governments to generate appropriate policies. Policymakers should try to develop the financial sector, and ironically, a first step is to have less government involvement in the system. This includes less public ownership of financial institutions and reducing the financing of budget deficits. In Haiti, this is a non-issue as most banks are private (Seetanah, Ramerssur, & Rojid, 2009). What is needed is indeed a stronger and more transparent legal framework to consolidate the sector, which Seetanah, Ramerssur and Rojid (2009) suggest. An important factor to accompany the financial sector's development process is the investment in human capital. This study does not help us identify how to help finance entrepreneurial ventures in Haiti as most Haitian banks are indeed already private, but can private and local banks play a more important role in economic growth?

Continuing with this theme of entrepreneurship as a poverty solution, scholars such as Abor and Quartey (2010) imply that small and medium enterprises (SMEs) particularly promote economic growth in emerging markets. The World Bank (2015) observes that SMEs contribute up to 45

percent of the total employment worldwide, and 33 percent of the national income in emerging markets (Okello Candiya Bongomin, Mpeera Ntayi, Munene, & Akol Malinga, 2017).

A lack of access to financial services from formal financial institutions has limited the role of small medium enterprises (SMEs) in economic development because SME owners and managers have low levels of financial literacy. Training these managers to become more literate in finance is critical. Managers make better strategic investment decisions when they understand finance which can enable their firms to prosper (Okello Candiya Bongomin et al., 2017).

Morris et al. (2013) suggest a structure of a training program related to increasing knowledge and skills among potential entrepreneurs. Scholars repetitively fail to distinguish business skills from entrepreneurial skills. The study which employed a, Delphi methodology, indicates that traditional training apparently fails to raise the likelihood to success versus the development of competencies. Although traditional skills of accounting, finance, marketing, etc., are vital for day-to-day operations of a business, Morris et al (2013) emphasize that they do not address the unique requirements of the entrepreneurial context. In general, business people work in already existing organizations, entrepreneurs start new ventures and they need to understand how to guide routines and how to structure the organization (Morris, Webb, Fu, & Singhal, 2013). As such, Morris et al (2013) propose a core set of 13 entrepreneurial competencies, they are: “Opportunity recognition, opportunity assessment, risk management/mitigation, conveying a compelling vision, tenacity/perseverance, creative problem solving/imaginativeness, resource leveraging, guerilla skills, value creation, maintain focus and yet adapt, resilience, self-efficacy, and, building and using networks” (Morris et al., 2013).

The International Finance Corporation or IFC (a World Bank organization), partnered with SOFHIDES (a private development finance corporation) in 2009 to train entrepreneurs, and small and medium enterprises (SMEs) owners in Haiti. By 2013, SOFHIDES trained more than 2,750 SME owners, employees, and entrepreneurs (IFC, 2013). One trainee indicated an increase in sales by 25 percent post-training. As well, in 2011, The Center for Entrepreneurship and Innovation (CEI) created by UNIQ (a Haitian private university) trained a thousand young academics in business plan development. It helped to formalize nearly 200 companies and has provided managerial assistance to nearly 2000 SMEs. Finally, CEI has trained 138 business consultants and 500 trainees (Lumarque, 2019). No additional information could be found on the center or on the success rates of these entrepreneurs and their new ventures.

In accordance, F. Campos et al. (2017) tested whether a psychology-based personal initiative training approach attempts to instill entrepreneurial behaviors, could have more success than the traditional business training programs with the objective of boosting the income of self-employed business owners in emerging markets that teach basic financial and marketing practices. Via a randomized controlled trial in Togo with 1500 participants over two years, F. Campos et al. (2017) had positive outcomes where personal initiative training increased firm profits by 30 percent, compared to 11 percent for traditional training. The results show that developing an entrepreneurial mindset is crucial, and the importance of how learning the business practices of successful entrepreneurs is taught to trainees. (F. Campos et al., 2017).

The importance of the financing side in promoting entrepreneurship and thus economic growth has received a lot of attention in the literature. All in all, there is a consensus that entrepreneurship stimulates the economy, which generates wealth and thus can help out of a country out of the poverty cycle. The literature emphasizes the constraints that can be faced by entrepreneurs such as financing their ventures due to the lack of policy and social stability.

## ***2.7 Learning from Other Successful Emerging Markets Stories***

In the developing world, we face complex problems, but some countries have found success and have been able to grow their economies via the implementation of simple solutions. The below emerging markets (India, South Korea and Rwanda) were selected based on their similarity to Haiti as compared to either the problem faced, the solution found, or of the country's resemblance to Haiti – either in terms of geography, political or social turmoil, and/or the lack of with then an implementation of an entrepreneurial ecosystem.

### ***2.7a India***

In the last few decades, India has had impressive economic growth. Kalyanaram (2009) analyses how India achieved this result by comparing India's growth to that of China. In several economic and market metrics, China is drastically ahead of India. For example, China has had an economic annual average growth rate of 10 percent for the last 20 years. The average annual growth rate of India was between six and seven percent during the last 20 years. (Kalyanaram, 2009) But 6-7 percent per year for 20 years is significant! How has India achieved its growth? Simply put, through a combination improving skill sets, diversification of the economy, stimulation of consumer demand, entrepreneurship and increasing competition among firms (Todd & Javalgi, 2007).

In 1991, a government reform relaxed import restriction to promote the growth of trade in order to improve India's economic standing in the world. In a complex global environment where small medium enterprises (SMEs) survive, develop and prosper, policymakers should have the objective to support SMEs in both developed and emerging economies globally. Since SMEs contribute to national and international economic growth, support for SMEs is a common theme. SME support translates into the support of entrepreneurial ventures. Policymakers in India facilitated the entrepreneurial orientation of SMEs (Todd & Javalgi, 2007).

Thus, a main cause of India's rapid growth is the fact that its government recognized the importance of SMEs in the global and national economies. A change in state control of imports helped to promote innovation, support entrepreneurs, and provide necessary finance in the early stage of business development. These essential steps boosted India's SMEs global presence (Todd & Javalgi, 2007).

### ***2.7b South Korea***

South Korea is a success story. Korea's complex history helps us to understand the surge that happened after the year 1961, leading to economic growth. South Korea already possessed a semi-developed economy which had been jumpstarted by U.S. and global investments after the

cessation of military actions in the Korean Conflict (War), in terms of human capita, financial institutions and infrastructure. As such, it already had an advantage as compared to many Least Developed Countries such as Haiti. Then, due to how small the country is with the scarcity of natural resources, policymakers understood that the main source of economic growth was the Korean working population. First, South Korea's body of energetic entrepreneurs was growing. Second, industrious workers; skills rapidly improved via training. As such, South Korea invested heavily in education and training, i.e., human capital development (Müller, 2003).

Müller (2003) recognizes the South Korea's population was open to change with the desire to modernize. The want of modernization was influenced by foreign countries, including Japanese colonization, the Second World War, the post-war American presence in South Korea, and the Korean War. The population became aware that "both personal and national survival depended on rapid industrialization." South Korea's rapid growth was triggered when, as a core public policy, the country moved away from import-substituting to being export-oriented (Müller, 2003). Today, South Korea is one of the fastest growing economies in the world. The example of South Korea shows that economic growth, though complex, is accomplished by developing human capital accompanied by the right policies including banking regulations, stable political systems and access to adequate financing.

### **2.7c Rwanda**

In *How to start an entrepreneurial revolution*, Daniel Isenberg (2010) reveals his thoughts on how a country can emerge with what he calls "the entrepreneurial revolution." Throughout this article, he takes Rwanda as an example given the country's extraordinary economic progress which was possible in his opinion thanks to the strengthening Rwanda's entrepreneurial ecosystem. Isenberg quoted Rwanda's President Paul Kagame in saying that entrepreneurship is the safest path to economic development.

Isenberg (2010), mentions Rwanda's remarkable leap from 143rd on the list to 67<sup>th</sup> in 2010. In the *Doing Business 2019*, Rwanda was ranked and is cited as an example for its access to credit policies by the authors of the *Doing Business 2019* report.<sup>4</sup> Per Isenberg (2010) a key to President Paul Kagame's agenda has been the promotion of entrepreneurship. President Kagame launched the Rwanda National Innovation and Competitiveness initiative in 2011, where the country developed a "national coffee strategy" focusing on the development of the Rwandan Bourbon Specialty Coffee brand. Isenberg emphasizes that the Rwandan government, along with the OTF Group consultants, identified over \$100 million worth of investments to improve coffee washing, production, capacity, and marketing. The Rwandan state and its agricultural institutes partnered with Texas A&M and Michigan State Universities who connected local growers to American and European coffee buyers (Daniel Isenberg, 2010).

In 2006, two notable events further propelled Rwanda's coffee trade on the international market: Starbucks introduced Rwanda's coffee brand in its stores, and on a visit to the United States of America, president Kagame met with the CEO of Costco to promote Rwandan coffee. Purchasing an estimated 25 percent of Rwanda's premium coffee crop, Costco became one of the

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<sup>4</sup> Doing Business: <http://www.doingbusiness.org/en/data/exploreconomies/rwanda#>

two biggest buyers of Rwandan coffee. Considering its past history, Rwanda’s current standing in business circles is impressive (Daniel Isenberg, 2010). According to National Public Radio (NPR), Haiti used to produce half the world's coffee. See Figure 2 below. Due to trade embargoes, deforestation, climate change and the rise of global coffee powerhouses Haitian coffee barely registers in global surveys today (Granitz, 2014). Clearly, Haiti once was a leading exporting country of coffee but could once again capitalize on the demand of coffee on the international market by defining a strategy to gain market share once more by adapting Rwanda’s policy as the opportunity is there, and we have previously been successful in exporting this good.

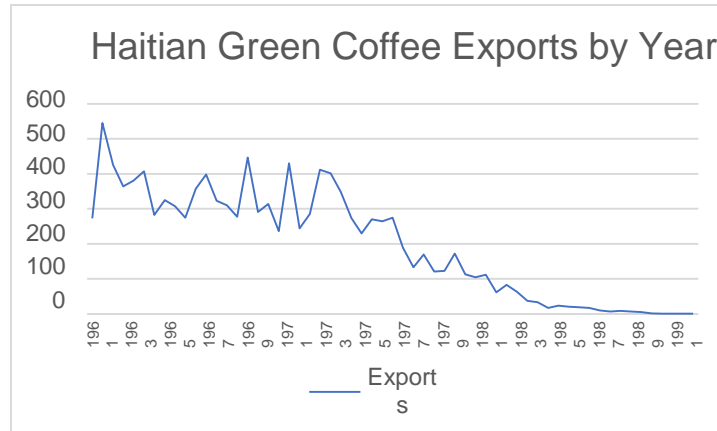


Figure 2

Source: IndexMundi<sup>5</sup>

## 2.8 Limitations of Entrepreneurship as a Poverty Solution

Measuring how entrepreneurial a society is, is not simple. Some try to measure the number of small medium enterprises, the number of self-employed people, or the number of new business within a country. However, this can produce a highly distorted picture of entrepreneurial activity. For example, Egypt often seems to be more “entrepreneurial” than the United States (The Economist, 2014). The amount of self-made billionaires a country has, adjusting for size, can provide a better measure of its entrepreneurial robustness vs. the number of small medium enterprises (SMEs) (Magnus Henrekson and Tino Sanandaji, 2013).

In the paper *The Entrepreneurship Paradox: More Entrepreneurs Are Not Always Good for the Economy – The Role of the Entrepreneurial Ecosystem on Economic Performance in Africa* by LaFuente, Szerb, and Acs (2019), the authors discuss that entrepreneurship is not a one-size-fits-all. The Global Entrepreneurship Monitor (GEM, 2018) and empirical studies (Block *et al.*, 2017; Naudé, 2011) reveal that the rate of business creation is consistently higher in less developed economies over time, while developed countries show low levels of entrepreneurship as cited in LaFuente, Szerb, and Acs (2019). Of course, there are exceptions and many different measures should be used and held in dynamic tension with one another. There is a paradox called the “entrepreneurship paradox” where authors identify two closely related tensions that underlie

<sup>5</sup> Coffee Haiti: <https://www.indexmundi.com/agriculture/?country=ht&commodity=green-coffee&graph=exports>

and fuel the entrepreneurship paradox, they are the “development tension” and the “policy tension.”

Comparably to Henrekson and Sanandaji (2013), note that Lafuente, Szerb, and Acs (2019) argue that in the development tension emerges that entrepreneurship is good for the economy, but less developed countries are ‘more entrepreneurial’ than developed economies. Then, the second element of the entrepreneurship paradox, the “policy tension” they say that many researchers and policymakers consider entrepreneurship as a general remedy that can solve many economic problems; however, public policy oriented to improve entrepreneurship often leads to unexpected and disappointing results, in terms of business creation rates, survival rates or contribution of entrepreneurship to the economy (Acs et al., 2016; Desai, 2011; Shane, 2009) as cited in Lafuente, Szerb, and Acs (2019).

The entrepreneurship paradox shows the connection between economic performance and countries’ entrepreneurship ecosystem based on a sample of 81 economies in Africa, America, Asia and Europe. Economic performance is not linked to high rates of entrepreneurial entry (quantity-led metrics), but rather to a healthy (quality-led) institutional setting, i.e., entrepreneurial ecosystem measured via the GEI index—that supports entrepreneurial activities (Lafuente, Szerb, & Acs, 2019). Haiti is not mentioned in the GEI website and is not indexed whereas the Dominican Republic is ranked 82 out of 137.<sup>6</sup> Haiti is listed on the Global Entrepreneurship Network website, but its section is empty. This could be due to the fact that Haiti has never self-organized an internal team to meet the GEI criteria to participate in the Global Entrepreneurship Monitor. This may also mean that the Haitian government is not actively monitoring the entrepreneurial ecosystem of the nation.

Countries with mostly small businesses are often stationary as those who start their own companies do so since they have no other opportunity or choice. Those businesses remain small. As successful entrepreneurs take their businesses to scale, they expectedly extent smaller competitors. By finding new ways of operating or by innovating, entrepreneurs create new companies that create important amounts of jobs. This also includes jobs for those who would have otherwise been self-employed or “solopreneurs.” Successful entrepreneurs, by scaling, concurrently boost a country’s economy overall, raise productivity levels and reduce levels of self-employment (The Economist, 2014). Haiti is a nation of self-employed entrepreneurs that needs to find ways to nurture these entrepreneurs to scale into growing businesses.

In order to exploit entrepreneurial opportunities, we must understand how human capital, property rights, and financial capital affect job creation and economic growth. We limit the impact of entrepreneurship on the reduction of poverty when we misinterpret what self-employment is. Self-employment opportunities are seldom sources of employment for anyone other than the founding entrepreneur these opportunities are rarely scalable. For example, opportunities in micro-retail or street-vending sales in South America (Alvarez & Barney, 2014).

More entrepreneurship, meaning higher rates of business creation, is not statistically associated with greater levels of economic development. Less developed and developing economies do not need more entrepreneurs. Instead, the presence of a healthy entrepreneurship ecosystem is

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<sup>6</sup> GEDI: <https://thegedi.org/global-entrepreneurship-and-development-index/>



essential to successful entrepreneurial actions that subsequently promote economic growth in countries, regardless of their stage of development. Importantly, the development of start-up skills, human capital, risk capital, and internationalization are the main weaknesses of the entrepreneurial ecosystem of the 14 African countries analyzed in the study by Lafuente et al. (2019). In this sense, the prescription for policymakers is to prioritize and re-direct policy efforts towards the development of a solid entrepreneurial ecosystem (Lafuente et al., 2019).

Daniel Isenberg introduced the "Scale-Up movement" which is a catalyst that stimulates public sector actors, local authorities, businesses, support entities, and others, to work for growth in the future level of companies (Le Nouvelliste, 2017). Thus, can we conclude that entrepreneurship may not be a poverty solution in itself unless the projects themselves are scalable? These experts and their studies suggest that Haiti does not need more entrepreneurs, but I beg to differ as developed nations were built by "mom and pop" shops that understood the necessity to grow with a thirst for wealth (think of the Gold Rush in the United States). Survival entrepreneurship alone does not produce economic growth. Survival entrepreneurship keeps the participants afloat while meeting basic economic needs. Jobs are not generated for others, and it does not produce company growth as most companies in Haiti are family operations years after they started, and it does not successfully anticipate changing market conditions.

### **3.0 Microfinance as a Poverty Solution**

Microcredit is often defined as the endowment of small loans to underserved entrepreneurs, has been both vilified and glorified as a development tool (Banerjee & Zinman, 2015). To alleviate poverty, Lysander Spooner, 19<sup>th</sup>-century philosopher and entrepreneur, hypothesized that lending to farmers and entrepreneurs with microcredits could be the solution to creating wealth or to alleviating poverty. Although microfinance has existed since the Middle Ages, microfinance's modern structure took shape in 1961 when Americans for Community Cooperation in Other Nations (ACCION) was launched. ACCION started as a community development organization and first operated in Venezuela then in Brazil. In 1973, ACCION started giving loans to small businesses. By the 1980s, ACCION began to provide microcredit in Venezuela and Brazil (EMID, 2017).

One hundred years after Spooner, microfinance pioneer Muhammad Yunus put his theory into practice with the introduction of the Grameen Bank that extended loans to underserved people in Bangladesh. Over 20 years later, the World Bank (2015) estimated that the microfinance industry is worth between \$60 billion and \$100 billion with over 200 million clients (Garrity & Martin, 2018). Even though microfinance institutions target the poor, they charge high interest-rates.

Emid (2017) states that because microfinance both wishes to lower poverty rates with finding realistic financial products for the underserved, it has flourished since its launch. Although its successes have been less far-reaching than hoped-for by some of its supporters, it indeed provides an answer to the problem where the poor had fewer access to financial services with the goal of increasing the poor's incomes and become financially stable (EMID, 2017).

Initially, people believed that microfinance would release the entrepreneurial spirit of the poor and lead to the alleviation of poverty, but it has not. Why? Because, on average, it costs more

money to make smaller loans, and lenders then charge borrowers higher interest rates. The market is segmented with microfinance institutions catering to different targets. Non-governmental organizations (NGOs) and non-bank financial institutions target the poorest market, and banks target those who are more commercially viable. Most private micro-lending institutions do not turn a profit and should find ways of being more innovative in order to do so (The World Bank, 2015).

Although microfinancing seems to be a good option to motivating entrepreneurship in developing markets, there is evidence that it more often motivates self-employment over entrepreneurship. It was challenging for Marroquín (2016) to find one case in Haiti where a microloan generated innovative business practices with high growth potential. However, this could be due to the limited number of cases studied. The credit gap in Haiti has been partially covered by microfinance organizations. However, microcredit goes to retail and not production (Marroquín, 2016).

Many Haitians receive international transfers from Haitians living abroad making Haiti a large recipient of remittances. Haitians living in the United States and Canada, for example, number about 2 million (N. M. Campos, 2010). In 2017, remittances to Haiti represented 33.6 percent of its GDP or 2.772 Billion U.S. dollars (Maldonado & Hayem, 2014). In 2018, remittances represented 39 percent of Haiti's GDP compared to 1 percent for a country like Venezuela (Orozco, 2019). The growth in remittances is thus likely driven predominantly by migration to Chile between 2016 and 2018 with more than 100,000 migrants making transfers to Haiti (Orozco, 2017). In 2018, there was a growth of nearly ten percent in family remittances to Latin America and the Caribbean. The region had a 1.9 percent economic growth rate – there is a plain contrast. In 2018, Haiti, Brazil, Paraguay and Guatemala had the greatest growth in remittances (Orozco, 2019). Even though remittances from family members living abroad can be seen as microloans, it is difficult to identify how these “microloans” could produce innovative businesses, services or products (N. M. Campos, 2010). On average, migrants send money to their home countries 13 times a year with the average amount of money sent back to Haiti in 2017 being of \$143 per transfer (Orozco, 2017). By this estimate, the average yearly transfer from family and friends living abroad to Haitians in Haiti is of \$1,911.00.

### ***3.1 Microfinance in Haiti***

Microfinance was first introduced in Haiti in 1946 with the creation of the first credit union. This sector has seen an important growth over the past few years. Economic activity has lost its dynamism in the country due to the high unemployment rate and to low-level economic growth in the formal circuits of the economy. Microfinance then provides financial services to the most disadvantaged, especially those living in rural areas, outside of banking services (Banque de la République D'Haïti, 2018).

Among microfinance institutions (MFIs), we can differentiate between mutual or cooperative microfinance institutions, non-cooperative microfinance institutions, and solidarity mutual institutions. For the purpose of this thesis, we will further discuss Cooperative Microfinance Institutions and Non-Cooperative Microfinance Institutions. The cooperative-type microfinance institutions constitute of groups of legal persons, forming a non-profit organization and

renowned on the principles of cooperation, solidarity and mutual aid with object for the collection of savings of its members and/or the granting of credit. They provide loans to members and also to individuals. By way of example, we can mention KOTELAM, a non-cooperative microfinance institution that receives credit from the borrowed fund of the banking system or from an international financial organization or have received a grant from an NGO. This is the case of ACME, the Association for Cooperation with Micro Enterprise. This type of MFI has a financial asset and thus touches a large population. The diversification of non-cooperative actors ranges from local associations to international organizations to banks and private companies. For example, the NGO initiative has been significant (Banque de la République D’Haïti, 2018).

In 1984, the Foundation for International Community Assistance (FINCA) was established around a concept of village banking programs. FINCA launched in El Salvador in 1986 and then in Mexico, Honduras, Guatemala and Haiti in 1989 (EMID, 2017). In Haiti, the low-income population is not the target market of the traditional bank system. The best structure to support the Haitian citizens’ business efforts for their very small companies is through the microfinance system. Microfinance, by being more flexible with collateral requirements, and by providing products that are precisely designed for low-income people, is much more available to them (“5 Questions for FINCA Haiti ’s CEO,” 2016). The Central Bank, in the exercise of its supervisory role, deems it essential to improve the legal framework of financial cooperatives (credit unions) and to set up a legal framework for non-cooperative MFIs because the supervision of microfinance in Haiti is part of the actions of the monetary authorities to fight against poverty and all forms of exclusion. Indeed, microfinance institutions are essential for the success of the national strategy of financial inclusion, considering their characteristics and implementation strategies (Banque de la République D’Haïti, 2018).

The below table is from the Microfinance Information Exchange, Inc., a non-profit organization that provides market intelligence on financial service providers that cater to low-income people for stakeholders committed to financial inclusion in emerging markets.<sup>7</sup>

Table 3

Financial Service Provider (Fsp)	Reporting Period	Gross Loan Portfolio (Usd) M	No Of Active Borrowers '000	Deposits (Usd) M	No Of Depositors '000
ACME	2016	17.36	30.53	0.00	0.00
FINCA - HTI	2011				
Fondespoir	2011				
Fonkoze Financial Services, S.A. (SFF)	2017	19.36	70.42	26.09	207.64
MCN	2017	34.05	38.72	0.00	0.00
Palmis Mikwofinans Sosyal	2015	1.63	8.49	0.46	50.77
SOGESOL	2017	35.84	36.19	0.00	0.00
<b>TOTAL</b>	<b>—</b>	<b>108</b>	<b>184</b>	<b>27</b>	<b>258</b>

Source: TheMix.org<sup>8</sup>

<sup>7</sup> The Mix Table: <https://www.themix.org/who-we-are>

<sup>8</sup> The Mix Table: <https://www.themix.org/mixmarket/countries-regions/haiti?order=title&sort=desc>

### ***3.1a Mobile Money and Financing***

ACCION, an NGO that works in Latin America and the Caribbean began in Venezuela's low-income neighborhoods in the early 1960s. They were first dedicated to community development projects (i.e., roads, houses). However, they soon found a common element that was crippling the economic growth of their target market, which was access to financial services. They then created microfinance programs at affordable rates, so that poor populations could start and grow businesses. The programs were adopted throughout the region, and then in the world. There are two billion adults in the world who remain excluded from access to financial services. ACCION states that governments are interested in financial inclusion via technological improvements because cash is expensive. It costs governments an average of one percent of their GDP to print and deliver monetary bills and coins (ACCION International, 2015).

Mobile money services were initially set in motion in Haiti to facilitate the distribution of grant payments to victims of the 2010 earthquake (CGAP.org, 2018). The level of financial inclusion in Haiti is low compared to other economies in the region. The institution sites FINDEX (2014) which states that as of 2014, 19 percent of Haiti's 10.6 million adults held transaction accounts through a bank, a microfinance institution (MFI), or a telco. Consequently, there is also a scarcity of access points for formal financial services. As of mid-2014, the country's banking system consisted of 157 branches and 53 ATMs (66 percent of which were located in metropolitan Port-au-Prince), while cooperatives and MFIs operated a total of 270 branches across the country. Mobile money represents a great opportunity in the country since, as of 2015, 69 percent of the population has mobile cellular subscriptions (CGAP.org, 2018). Portable phone penetration is more than 100 percent in Latin America since some of its citizens have more than one phone (ACCION International, 2015).

Haiti has undergone extensive reform measures in recent years. In 2014, the Central Bank and the Ministry of Finance launched a National Financial Inclusion Strategy (NFIS). This NFIS aims to promote a more financially inclusive society, and to empower individuals and small businesses, principally those in disadvantaged groups. One of the strategy's vital sections is improving physical access to financial services through non-bank agents and developing e-money and digital finance. Another vital section is empowering consumers and consolidating consumer protection efforts, along with financial education and understanding.

In line with overall national financial inclusion efforts, Digicel (one of two Telco companies in Haiti in 2010) offered a Peer-To-Peer (P2P) payment service to its clientele that remained unsuccessful until 2016 due to several factors, including low levels of customer education and agent liquidity issues. It is important to state that the services offered through MonCash (Digicel's P2P system) are P2P payments, merchant payments, and bill payments. Mobile recharge is also an important service offered, with 6 percent of mobile recharge done through MonCash. However, MonCash does not offer savings, lending, or other financial services as yet. Financial services beyond payments, such as remittances and digital credit, are planned for future roll-out. At the time of the case study, MonCash had 540,000 active customers on a 30-day activity basis with \$32 million worth of transactions per month over the same period.

As the service developed, it became progressively important to leverage external partners that were strategically aligned with the MonCash vision and would allow the brand to grow further. MonCash started a partnership with Sogebank, which is among Haiti's three largest commercial banks. The partnership opens the door to new products such as ATM withdrawals, bank-to-e-wallet transfers, nano loans, and international money transfers. As well, MonCash further partnered with FINCA, the nonprofit microfinance organization: this partnership began based on customer surveys and focus groups which revealed that 93 percent of FINCA customers had access to a Digicel sim-card and who wanted to be able to repay loans via their mobile phones. The partnership allows MonCash customers to easily and securely do so; now, FINCA customers can transfer "cash" to their e-wallet via a MonCash agent to repay their loans via mobile phone. Customers no longer bear the monthly cost of a long, expensive, and sometimes risky journey to a FINCA branch.

MonCash answered a need in Haiti's market as, per CGAP (2018), in order for this mobile payment system to be successful, the country and its population must have low availability of an alternative, non-cash options for informal payments; a large, unbanked population; and a high need to transfer or exchange cash frequently over short or long distances, to name a few (CGAP.org, 2018).

### ***3.1b ACCION and SOGESOL***

SOGESOL is a microfinance subsidiary of the Sogebank Group, Societe Generale de Solidarite SA (SOGESOL) is a private company that launched its operations in November 2000. Its shareholding is 50.18 percent owned by Sogebank, 9.12 percent by ACCION International; other outstanding shares are owned by individuals. SOGESOL has the primary mission of boosting Haitian entrepreneurship by adapting traditional banking services to the needs of small employees of the private sector, micro and small entrepreneurs, and agricultural producers while respecting the standards of profitability and efficiency. SOGESOL offers financial products on the Haitian market to mostly low-income and informal clients. It is present in the metropolitan area and in different provinces (Groupe Sogebank, 2019).

Per ACCION (2018) SOGESOL was created using the service company model, which does all the work of marketing, evaluating, approving, and collecting loans, but the loans themselves are on the books of the bank. This model seeks to draw from the best elements of bank involvement while avoiding its drawbacks. The institution has grown more than tenfold since its inception, and with 18 branches located across urban and rural areas, it has become the largest MSME lender in the country (ACCION International, 2018a).

Initially, SOGESOL focused exclusively on the urban areas of Haiti, but as the institution has become national in scope, one-third of its current clients are from the agricultural sector and in rural areas. As of 2017, SOGESOL had over 36,000 clients vs. 3,546 in 2001. The institution's agricultural loan products are in high demand because they are adapted to the farmers' seasonal cash flows and financing needs (ACCION International, 2018a). To compare, BancoSol in Bolivia serves almost one million clients, nearly half of which are women (ACCION International, 2018b).

### ***3.1c LEAD USAID and PADF: Leveraging Remittances***

Leveraging Effective Applications of Direct Investments (LEAD) is a USAID-funded project with an objective to attract investments in small and medium enterprises (SMEs) in Haiti. As well, their aim is to increase the development impact of remittances. The LEAD project operates in major cities of Haiti: Port-au-Prince, Cap-Haitien and Saint Marc (PADF, 2017a). The program is funded by USAID and executed by the Pan-American Foundation for Development (PADF). Since 2011, LEAD has provided grants ranging from \$ 50,000 to \$ 200,000 to 45 Haitian SMEs, enabling them to expand their activities and create more jobs (Ambassade des États-Unis en Haïti, 2017). This program has helped to create 13,700 jobs, with more than 300 firms receiving technical assistance, 45 firms receiving matching grants, and most importantly for this study: more than \$12 million in private funds leveraged via LEAD. LEAD has been able to engage the Haitian Diaspora effectively through events, road shows, competitions, surveys and a white paper (PADF, 2017b). LEAD targets to Haitian diaspora to grant them access to information about investment opportunities in Haiti. The Haitian diaspora through LEAD can invest directly in a business, or can offer their technical expertise to nascent entrepreneurs (PADF, 2017a).

## **4.0 GEI Table**

According to the Global Entrepreneurship and Development Institute (GEDI), the Global Entrepreneurship Index (GEI) is a composite indicator calculated on how well the entrepreneurship ecosystem is performing in a specific country, and on 134 specific countries to be exact. The GEI analyzes the quality of entrepreneurship and how much support the entrepreneurial ecosystem receives. The GEDI has identified the 14 parts that they believe are important for the health of entrepreneurial ecosystems. The identified data captures each of the 14 parts and is used to calculate three levels of scores per country: the overall GEI score, scores for individuals and institutions, and pillar level scores. These parts are opportunity and perception; startup skills; risk acceptance; networking; cultural support; opportunity perception; technology absorption; human capital; competition; product innovation; process innovation; high growth; internalization; and, risk capital (Ács, Szerb, & Lloyd, 2018).

Below is a GEI Table with the 2018 scores which include the countries mentioned in this literature review.

Table 4

<b>COUNTRY</b>	<b>Global Rank 2018</b>	<b>GEI Index 2018</b>
<i>South Korea</i>	57	32.90%
<i>Belize</i>	63	30%
<i>India</i>	68	28.40%
<i>Mexico</i>	75	26.40%
<i>Dominican Republic</i>	82	24.30%
<i>Rwanda</i>	91	21.5%
<i>Bolivia</i>	97	20.40%
<i>Bangladesh</i>	134	11.80%
<i>Haiti*</i>	-	-

\* Haiti is not a part of the GEI Table because the GEDI depends on different sources of data that must be reliable across countries. They say that if your country is missing from the GEI, it is because that country lacks data in one of their major index data sources (Ács et al., 2018).

## 5.0 Reframing Problem and Identifying the Gap for Analysis

In this literature review, several articles, books and empirical papers were synthesized to understand how entrepreneurship helps in stimulating economic growth in poor countries. However, the literature is not rich enough to answer how we can finance these entrepreneurial ventures to scale in Haiti as data on entrepreneurship in Haiti itself is scarce as evidenced (for example) by its absence from the GEI index.

Haiti has a high level of self-employed individuals (or “solopreneurs”) with little possibilities to scale their businesses, and thus to the creation of wealth. By understanding how to scale entrepreneurship in Haiti, we can (in time) ensure capital formation, the creation of wealth, innovative products and services, the balance of trade, increasing the standard of living and optimally Gross Domestic Product (GDP) growth.

As such, in order to further develop on the issue, a strategy aiming to answer the following primary question will hopefully emerge:

- If finance is a deterrent to entrepreneurial venture growth in Haiti, what can be done to lower the perceived risk for Haitian entrepreneurs?

Secondary questions to be answered are:

- What is Haiti’s entrepreneurial ecosystem?
  - o How can we improve Haiti’s entrepreneurial ecosystem?
- How can Haiti scale-up these micro-entrepreneurs to have an impact on economic growth?
- How can Haiti leverage remittances in order to promote entrepreneurship?
  - o How could we convince members of the Haitian diaspora that a contribution to a Haitian fund is a worthwhile investment in their home country?

## 6.0 Methodology

The methodology used is a mixed-methods using a convergent parallel design since the quantitative and qualitative elements of the study are independently performed. Then, in the overall interpretation, the results will be evaluated together. In order to have the best possible results given the limitations that will be discussed later, a QUAL + quant interpretation from Morse and Niehaus (2009, p. 25) has been used where the fundamental section is qualitative, and the additional section is quantitative. This has been done to heighten knowledge and validity.

## 6.1 Qualitative Results

The participants have a direct relationship with the financing entrepreneurial ventures in Haiti, sufficient and relevant work experience in the field of banking, are entrepreneurs themselves, or have an active involvement in Haitian society. They are exclusively bankers, economists, finance specialists, and entrepreneurs. Interviews were conducted with 12 people, 4 females and 8 males. Three of the interview participants were foreigners with substantial knowledge on Haiti (25 percent). Thus, 67 percent male, 33 percent female with a mean age of 49.9 (median of 51). All are senior leaders of various entities in Haiti or abroad with substantial knowledge on Haiti, and everyone holds a graduate degree from esteemed institutions.

Table 5

Participant	Gender	Age	Field Of Work	Highest Degree Earned	Hierarchy
1	Male	54	Economics	PhD	Lead
2	Female	59	Economics	Masters	Director
3	Male	63	Banking / Entrepreneur	Masters	CEO
4	Male	54	Manufacturing / Entrepreneur	Masters	CEO
5	Male	41	Entrepreneurship	PhD	Professor
6	Male	46	Finance	Masters	CEO
7	Female	50	Microcredit	Masters	Director
8	Female	50	Microcredit	Masters	General Manager
9	Male	31	Economist / Entrepreneur	Masters	Founder
10	Male	52	Finance / Entrepreneur	Masters	Professor
11	Female	40	Economics / Trade	Masters	Director
12	Male	59	Economics / Finance	PhD	Former Minister

### 6.1a Interview Framework

An interview framework was created based on the questionnaires with the same questions being asked each time. More information was solicited via extemporaneous questions during interviews. The questionnaire included a series of questions on their perceptions and experiences of finance and entrepreneurship in Haiti. Therefore, the interviews were in-depth and semi-structured which allowed for emergent information.



Primary data was collected through 12 qualitative interviews throughout the month of April 2019. Participants were contacted either via e-mail or via WhatsApp messaging. Participants received a description of the study and the reason why it was being conducted. The times of the interviews were then coordinated; interviews were done via audio conversations, but not recorded due to technical difficulties. Proper notes were taken and recorded. Eight interviews were conducted in English. Four interviews were conducted in French but translated into English. Interview length ranged between 30 to 75 minutes depending.

Each interview was analyzed separately and coded separately using NVivo software into segments. These coded segments were then drawn into themes. It is to be noted that during the interview phase, themes began to emerge. A limitation is that the information was collected mostly coming from the participants' perceptions and experiences, thus the study relies on personal opinions. The interest of the research was to get a comprehensive view of financing entrepreneurial ventures in Haiti.

### ***6.1 b Findings***

#### **Barriers to Entry for a New Entrepreneur**

Of the twelve people interviewed, one recurring theme was access to credit having been referenced 11 times by our 12 interviewees:

- Access to seed capital,
- High Interest Rates,
- Lack of Innovation Funds.

“In general, I do not have the impression that the real starts-up would have access to funding from banks.” - Participant #8.

“When I listen to people, they tell me the following: an entrepreneur does not think to come to my institution because of our rates. We do not really work with start-ups.” – Participant #8.

“The number one is access to reliable capital, outside of capital from family members. Securing the financing needed to grow the business.” – Participant #10.

“When you are a start-up, you have to have 100% collateral.” – Participant #12.

Banks in Haiti are conservative and do not take risks, but that could be due to the fact that the Central Bank requires a 45 percent mandatory reserve:

- Invest in less risky businesses with those known to the institutions,
- Lack of investment culture,
- Lack of qualified human resources to assess risk.

“There are several (barriers). One could be funding: usually, from what I understand from my field work years ago, banks fund existing companies. They don't invest in start-ups. I don't think banks take the risk.” – Participant #5.

“Money is hard to find in Haiti. Anything under \$1M is not really looked at by banks. Banks are not really interested in SMEs.” – Participant #9.

“The financial sector is always moving towards less risky investments instead of taking risks in agriculture, crafts, etc. There is a very high reserve requirement for banks meaning that there is a 45% deposit required where the banks keep a reserve surplus in the Central Bank instead of (perhaps) lending it.” – Participant #12.

The lack of information that new entrants have on the Haitian market is the third barrier:

- Mentorship is needed,
- Building networks to discuss past success and failures,
- Lack of technical support.

“I would say (also) that access to mentorship is a main barrier. There are very few ways for small entities or new entities to get access to mentors or entrepreneurs who either have succeeded or failed, and to share their path or findings.” – Participant #6.

“People returning from university studies who have learned the theory, need more practice and this is what ‘Banj’ and ‘Alpha’ come in (but we need more incubators). Capital is important, but networking is important too. The coaching should precede the financing.” – Participant #8.

“In Haiti, a barrier to entry for new entrepreneurs is definitely having access to innovation fund. There is a lack of support, and of access to people with experience [...] Networking.” – Participant #9.

Overall, for the barriers for entry, we can say that financing would not be the first barrier, but access to credit is indeed seen as being problematic for start-ups. The most constantly repeated barriers were conservative banking institutions who take little risk and ask 100 percent cash collateral if you are unknown to the system; lack of information; lack of the rule of law; and an unpredictable government.

Why is access to credit problematic? From the interviews, we understand that credit is expensive, and this is mainly due to some of the following factors:

- 1- Difficulty of entrepreneurs to present bankable projects due to lack of financial literacy.
- 2- Difficulties for entrepreneurs to be formal, competitive and profitable in a mainly informal market in which the majority of companies have a "creative" accounting
- 3- Difficulty of financial institutions to evaluate the risk tied to lending money to start-ups or MSMEs
- 4- High interest rates due to country risk and restrictive measures taken by the Central Bank to counter the excess liquidity generated by the State's budget deficit.
- 5- Instability, chronic insecurity and unpredictability.

Other notable barriers mentioned were:

- Lack of infrastructure: proper roads and electricity mentioned.
- Lengthy process for opening a new business: between 3 to 6 months average mentioned.

- Lack of rules and the application of the law.
- Unpredictable State: Lack of foresight, for example minimum salary raised in the middle of the fiscal year, and that is beyond your control.
- Chronic informality.
- Lack of security.

“There are so many (barriers). The first barrier is the level of corruption and informality in the business environment. Most new entrants in business, approach it as a legal tax-paying, law-abiding entity, and very quickly they find themselves in a situation where corruption and informality are considered a competitive edge, and very quickly become semi-informal and semi-corrupt... or they fold.” – Participant #4.

### Risks Faced by Entrepreneurs

Entrepreneurs in Haiti face many risks, with political risk being the most mentioned by our participants:

“The two major risks are this: climatic risk and political risk (for example: burning of markets).” – Participant #3

“I think political risk is one. Every other month you have protests. Everything becomes unstable.” – Participant #5

“Political risk. The biggest problem is your capacity to predict the future here which is essential to investment. Your capacity to predict things.” – Participant #9

“You have the issue of political risk: 10 days of ‘lock-down’ in February, for example, is not good for any entrepreneur especially the small merchants. The political risks have increased. Things seem to be getting more volatile.” – Participant #11

“Legal risk: the government raises the minimum wage without warning. The uncertainty is vast.” – Participant #12

The macroeconomic risk was then the most referenced:

“The second is the depreciation of the currency. Because SMEs in Haiti are virtually inexistent, the value chains don’t exist. So, we have to import most of the raw material.” – Participant #4.

“Exchange rate risk is also a huge one here. [then] The market risk because people are having less and less money to buy.” – Participant #9

“There’s also the macroeconomic risk: inflation is high right now in Haiti.” – Participant #11

“[Risks include the] Volatility in the macroeconomic framework.” – Participant #12

Then comes the endemic one of climate risk:

“Compared to everything else, the rest is so endemic, that catastrophes are temporary.” – Participant #4

“There’s obviously climate risk: climate change is making it more difficult for crops like coffee because it’s getting warmer. Threat of hurricanes. And it takes a long time to recover.” – Participant #11

Other notable risks include:

- Informality:

“The biggest risk is falling or losing the fight against an informal competitor. I invest and produce locally, and my biggest problem is contraband. Instead of seeing me as fostering wealth in Haiti... products who already have huge economies of scale coming from China, for example, without paying duties.” – Participant #4

- Country Risk:

“Then, you have the country risk which leads to higher interest rate for everyone.” - Participant #9

- Unpredictable Market:

“Lack of pre-visibility: example minimum salary over your control.” – Participant #3

Overall, for risks faced by entrepreneurs, we can say that endemic risks are not the most important, but political risk and country shocks are indeed quite high. Entrepreneurs in Haiti operate in a market that is volatile at all levels, but a volatility that is linked to a lack of predictability of its macroenvironment.

### Risks Faced by Financial Institutions When Lending to Entrepreneurs

The participants from financial institutions mentioned that their biggest risk when lending to MSMEs entrepreneurs is the vulnerability of this clientele:

“These clients are very resilient, but they are also very vulnerable: natural disasters, riots or demonstrations. This is a category that, for example, does not have access to insurance.” – Participant #8.

“Our customers are not covered by insurance. With too much sun, comes drought.” – Participant #9.

Then comes the risk that they are lending to an informal customer base:

“Different types of risks because you are in business with people who are in the informal, and there are not many levers to deal with the informal. The informal has a risk because the client can, for example, move and there is no recourse. They can disappear. This also explains why the interest rate is high. The risk is very high on someone is in the informal

if they decide not to pay their loan. The fact that there is no framework with rules is the biggest risk.” – Participant #8

Other risks mentioned are:

- Financial illiteracy of MSMEs.
- Political Risks.

Interestingly, two of the financial institution experts insisted that the usual default risk is not important for this category as:

“But credit risk, it’s good. They pay back. Micro and Small Medium Business owners borrow money in a recurring matter and understand that their timely repayment is what sustains them.” – Participant #2

“The most important risk is not that of non-payment which may seem odd since they are vulnerable but with a good year, it's good.” – Participant #9

#### Products Specifically Designed for MSMEs

Even though the above stated that banks are virtually uninterested in working with start-ups, they do work with MSMEs where there are microcredit and SME subsidiaries or sections at all of the local banks in Haiti, as well as cooperatives and microlending institutions, with specific products targeting MSMEs.

The financial institution participants indicated that the current market is quite small, but not insignificant:

“[When it comes to the MSME client-base size] It’s not a big market. All institutions, put together, it’s about a \$20,000,000 USD market.” – Participant #2

“There is not really a number to estimate the size. The total portfolio of 1.8 Billion Gourdes. Our institution has 35,000 customers. I don’t have all of the data.” – Participant #7

“In terms of customer numbers, it is estimated to be 1,000,000 customers, but this study is 10 years-old. I think we currently have a market with 1,500,000 to 2,000,000 potential customers.” – Participant #8

The institutions explained that lending to MSMEs is quite expensive as the clients take short-term loans, are not financially literate (for the most part), and this causes them to have expensive operational costs with a high number of human resources:

Relationship and Follow-Up as a theme:

“They don’t have any accounting, so you try to help them do a balance sheet based on the information. [...] To do this, you need to have credit officers who closely work with the micro and small enterprises. That has a very high cost, as you can expect.” – Participant #2

“They are closely followed. Relationships are very important in this sector, and our credit officers basically become like family to our clients. [...] Clients usually don't have a balance sheet or an accounting system. We have to follow-up with the clients to make sure they can pay back.” – Participant #7

“Our credit officers are practically the accountants of these MSMEs.” – Participant #8

Cost of doing business with MSMEs as a theme:

“You have to structure your division so that it caters to those kinds of customers. It requires a lot of human resources.” – Participant #2

Loan sizes vary greatly at MSMEs and the length of time is usually very short for micro vs. a little longer for small and medium enterprises:

“Our experience shows that the customers become permanent and recurring customers where every 6 months, they take another loan.” – Participant #3

“It ranges from 6 months to 24-month loans. Depending on many factors such as the nature of the business.” – Participant #7

“The average loan time is about 6 months and goes up to two years for small and medium businesses.” – Participant #8

The interest rates charged reflect the length of time on the loan and the operational cost of lending:

“We charge 55% to 60% rates, about 5% a month. They are high risks.” – Participant #3

“We charge 4.5% per month, but it's regressive if the customer is in his 10th cycle, for example.” – Participant #7

“The interest rates are shorter, thus more expensive. SMEs have larger loans, less vulnerable, and risky months. It varies from 0.75% the month to 5.5% the month.” – Participant #8

All of the experts insisted that their mission is not to train the client-base, but they do follow-ups post-loan to lower the risk of default. Loan sizes vary from 5,000 Gourdes (~\$58 USD) to 22,000,000 Gourdes (~\$250,000 USD). That is quite a wide spread. For one institution, SMEs accounted for 80 percent of the portfolio in terms of value with 800 clients, while the remaining 20 percent was shared among 34,200 micro clients (with significantly smaller loans).

Scaling-up clients from micro to SMEs is a challenge for financial institutions due several factors, but the recurring one is the informal nature of the micro entrepreneurs:

“In the beginning we wanted to scale up the micro-enterprises, but they are so informal that they want to go back to micro-credit because they don't want to be a part of the

formal structure. They don't have the required documents to be formal. Scaling could happen, but it's not an option. They rather pay a high rate, than to be formal." – Participant #2

"The DGI (the tax collecting agency) requires financial institutions to obtain financial statements signed by chartered accountants. We are not subject to these requirements. We are a little freer. Our procedures are a bit lighter... They must all have a CIN; that's it." – Participant #8

### Chronic Informality on the Haitian Market

All twelve participants, when asked if they agreed with a statistic that revealed that 90 percent of Haitian companies are informal, agreed:

"It is indeed 90%. Limits economics of scale. Issues with accounting and taxes." – Participant #1

"I don't know the statistic, but what I can say is that informality is becoming more of an issue than 10 years ago. Every business in Haiti has a part that is informal because they have to survive a difficult environment because of the inequality or non-application of the rule of law. Informality in Haiti is becoming a high issue: contraband for example affects the commercial and agricultural sector. To survive, you look for an advantage and take the advantage where it is. You have to be very prudent when you use statistics in Haiti. You have more informal every day than formal people... even when you want to be formal. For example, in Haiti you have two financial statements: the formal and the informal. Some companies have even three statements. Informality is becoming more and more visible in Haiti. To be informal is the rule, and it's the rule in any sphere that you go." – Participant #2

"It's probably true. [That 9 out of 10 businesses in Haiti are informal]." – Participant #3

"I always thought it was 7 of 10, but 9 of 10 makes sense." – Participant #4

"That sounds right. I don't know the source of this, but I wouldn't be surprised. Informality is more of an outcome." – Participant #5

"It's difficult to bring a judgement on how accurate this statistic is. But we know for a fact that most businesses, especially the merchants in the streets, are informal. We are all losing by keeping the businesses informal. Businesses themselves by being informal, they restrict themselves to more resources. Obviously, by being informal they avoid some tax burdens which, the government is losing." – Participant #6

"Maybe it was not done in a scientific way, but I think the statistic is correct. The mindset is: "Why do I want to pay taxes? What am I getting in return?" – Participant #7

“I'm sure that it's true. And even those that look formal are not. You are going to find companies that are publicly visible with branding, that have licenses and that are informal. There is a need for connection between the customs and the DGI: it is very important. For example, some informal companies are importers who pay the customs duties, but the turnover is not taxed, for example. The customer tells you to pay these taxes why? For which service? It goes under the radar.” – Participant #8

“Since there is no incentive to be formal to begin with. In other countries, you pay tax and that will bring you back a better infrastructure or service, so why would you want to be formal? Here it's more of a cost for entrepreneurs. The government is not doing anything for this. Not everybody deals with government, the government is the only structure that requires your tax information to work with you.” – Participant #9

“It sounds high, but depending on the definition of informal, it sounds credible. I would define informal if there are sporadic payments, if the business model shifts, if the business is seasonal, if the business is taking advantage of a very specific opportunity. That to me would be informal. And also, the money is being run through personal bank accounts and not through a business bank account. Is that business filing annual paperwork with the government?” – Participant #10

“I don't think I have an opinion; I think it's just the truth, right? It is something that to me that fits in with you know about the country. But then you wonder “ok, what can be done about this?”” – Participant #11

“According to me 9.9 / 10 even! Even so, in the so-called "formal" companies, some have three accounting books: what formality are we talking about? In Haiti, I believe that there is only 5% of jobs in what we could identify as being “formal” in the western sense and this in both the public / private sectors. The only really formal sector is the banks which are heavily regulated by the BRH.” – Participant #12

Informality is thus a barrier not only to scaling up a micro business into a small business or a small business into a medium business, but actually a barrier to economic growth in Haiti. It is interesting to understand.

#### Public vs. Private Sector

It is primordial that there is a synergy between the public and the private sectors so as to have a stable and then a flourishing economy. In Haiti, the Public Private Partnership or PPP is defiant with roles being blurred, misunderstood or simply: there is no collaboration.

The participants evoke several issues that affect the PPP, these issues are:

#### Corruption as a theme:

“So today in Haiti, politics is not at all influenced by the needs of the formal tax-paying sector. It is influenced by the corrupt politicians and businessmen, which is why you have no laws passing.” – Participant #4



Lack of Confidence as a theme:

“Coming from both public and private sectors, I can tell you that there is a lack of confidence. The public sector sees the private sector as only thinking of the bottom line.” – Participant #2

“The public sector is not doing much. I’m not sure they understand private investment.” – Participant #3

“There is a spirit of me myself and I: trying to solve their own problems from energy to supply chain and not putting in the middle of the thinking all the benefits of neutralizing costs or improving efficiency and opportunity, and not giving missions to the public sector.” – Participant #6

“We in the private sector are suffering from the public sector’s inefficiency. But when we meet them, we realize that they understand the problem very well, but there is a paralysis in the public sector.” – Participant #7

Lack of a Legal Framework as a theme:

“I think it's really important that we have a public and private partnership. The state must set the framework at the macro level: public policies. The state should do this with the support of the private sector.” – Participant #7

“They [Public and Private Sector Members] know that they must be facilitators. But what is done? We do not even have the legal framework.” – Participant #8

The participants all raised that the environment for doing business in Haiti needs much improvement, and agreed that this improvement should be possible via PPP:

“The setting, the environment to be improved largely depends on the state with a private support.” – Participant #7

This lack of PPP synergy directly affects entrepreneurs:

“I think one of the biggest problems is the lack of a legal framework basically being able to allow entrepreneurs to create agile structures to operate legally instead of informally, for example. Haitian law doesn’t recognize entrepreneurs. No incentives for being entrepreneurs. Zero. All incentives are really towards manufacturing or agriculture.” – Participant #9

Several participants suggested that private sector chambers have a focus on MSMEs:

“Private sector chambers should not only defend big companies, but also see how developed tools with established centers or grants to ensure that companies are strengthened with institutions like the IDB, the World Bank, etc.” – Participant #7

“It costs money to join chambers. These facilitators or groups should find ways to include entrepreneurs and start-ups. [...] Having the right policy in place is important for facilitation, for example: you don't pay tax for the first two years, or you are automatically member of a business chamber for example. The private sector should create access to investment, knowledge and market [...] I think they should start by creating an angel investor network maybe tied with the business chambers. Chambers should be more proactive at leveraging their power and be more innovative. Create hubs, provide with mentors. That could be a cool solution to find investment opportunities. Create structures to collaborate with start-ups and entrepreneurs to share their networks and ideas.” – Participant #9

Haiti must improve its public private partnership according to the participants:

“They [public and private sectors] need to work together to create an adequate environment. You need a vision that both public and private sector work towards, to reach. It's not enough to get out of the poverty cycle. You need education. You have a third partner: the social one. We need a mindset change [...] We need to have behavioral education.” – Participant #2

“A country is developed by business. The business and the politics in consultation together decide the political and development policy.” – Participant #4

“We need to change our approach. This is where we talk about the entrepreneurial ecosystem. This requires a sustainable approach to sustainable development through microenterprise capacity building. The state needs to have a policy that cannot be ignored by the private sector. Legal framework through an economic policy where the state focuses on the development of MSMEs because they are often said to represent 90% of the economy, for example. For me this is the reason that I always come back by PPP (Public / Private Partnership) where the private must help the state to create synergy.” – Participant #7

“The private sector, the public sector must create platforms where entrepreneurs who have ideas can find technical support before even talking about funding.” – Participant #12

From the above, we can infer that the classic entrepreneurial ecosystem design needing a common vision between the public and the private sectors in Haiti is presently problematic. It is clear that participants understand the roles of both sectors, but the question still remains on how to achieve shared objectives between two fragmented sectors.

### Entrepreneurship in Haiti at the MSME Level

To develop or scale-up MSMEs, these entrepreneurs need to be known from the system as they themselves are not seen as being high-risk, but rather as being unknown by traditional lenders:

“We work with the Central Bank in order to have more financial inclusion. We ask entrepreneurs to create a banking history by opening a bank account so that they are in the system. The biggest problem of entrepreneurs in Haiti is that they are not known by the system and are thus risky. They need to be known, and this can be how they do it.” – Participant #1

“They are seen as high risk by conventional lenders, but not by those in the microfinance world. Microfinance lending is a very lucrative business with sometimes lower delinquency rates than the traditional lenders. Today we can see so many experiences in terms of crowdfunding or B2B funding where things are done with lower costs which are more dedicated to small businesses. I'm convinced if the system doesn't rethink itself, there will be a system that will replace it. I don't think that this sector is that risky, it's a matter of how you approach it and what system you put in place.” – Participant #6

The question of formality vs. informality reemerges:

“Listen, for the past 30 years, the goal of microfinance [in the world] has been to lift people out of poverty. Now the goal is to strengthen the middle class. The people we are serving should migrate to the middle class. It should be the role of a microfinance institution. You have to think about it right away. You have to know that we are transforming people's lives on a different scale. Otherwise, it's going to be a drag. You should also note that to formalize people, you need accountants. There are only 400 chartered accountants in Haiti. It is not enough. We must influence young people to go towards that kind of career path. Formalization goes through the reliable financial statements. The Ministry of Commerce and the World Bank had a project like that, but I do not know what has become of it. It was in 2009 but with the earthquake, priorities have changed. For example, cohorts of accountants should be created.” – Participant #8

“A bank would probably be the first to want to lend money to a small guy who wants to start a business, but there are two problems: the small guy doesn't have land papers to give as collateral. They can't leverage to get loans to get the population going. It's a huge deficit. The guy who comes in formally, will go bankrupt fast because of the competition that will not be formal. We need a fundamental overhaul in Haiti, and it starts with the politics. As long as the politics will be dictated by the informal, we won't be going anywhere. We need to elect people who understand that.” – Participant #4

When discussing financial inclusion, participants understood that the problem in Haiti has to do with lack of information (benefits of having a bank account), lack of access (distance to a banking station for brick and motor, or access to electricity to charge mobile phone for cell-phone transactions), and perhaps cost of operations:

“Financial inclusion is access to a bank account. Mobile banking has helped to make progress in this direction. It took a while before it started working, but now there is progress in the usage of mobile banking in Haiti. The Haitian banking system is characterized by a very small number of people who have access to financial loans. It's something we have to work on... a lot. Mobile banking is a solution. Commercial banks

or development banks should use more technology. There are more than 1 million depositors in credit unions. These people must be given access to become bank account owners, for example.” – Participant #12

Then came the question of whether or not Haitians are entrepreneurial or not, and how to foster entrepreneurship:

“William Bupal says that there’s entrepreneurship everywhere: what changes are the rules of the game that determine where people will spend their time. In Haiti, there are many talented people. But it’s about where can you make the money. [...] Something that could be interesting is to expose children and young people to entrepreneurial ideas so that the mentality is not that we’re going to work for somebody, the government or an NGO. Maybe that’s what an institution like the World Bank could do thinking long term instead of trying to fix problems (firefighting). That takes many directions: self-reliance, financial literacy, markets, economics: how these things work. Supply and demand. How wealth is produced. A clear understanding of markets.” – Participant #5

#### Fostering a Relationship with Haitian Diaspora

When discussing if any considerations have been made in working with the Haitian diaspora for investment purposes, participants had diverging viewpoints, but all agreed that the diaspora can be an influencing force in Haiti:

“Haiti’s diaspora sends the most money back home in the region (LAC) due to sentimental attachment. Private money sent to particular people. But not just used for consumption, also used for investment mostly health, for example. Not sent to use on partying, for example. Diaspora is a difficult crowd to convince because they know the country and its risks. Need to convince other investors to invest as well so that diaspora can follow as all investors ask themselves, who else is investing? [...] Haiti is a tough nut to crack.” – Participant #1

“No. Because I don’t know them, and I don’t think that they’re organized in a way that is inviting. I don’t know how to. What would they be able to do for us? But I am open of course. I think they are part of the solution in Haiti to tell you frankly. They have been exposed to a system that works in the USA, for example. They need to be humble enough to know that they don’t know much about Haiti. They have a high level of education.” – Participant #4

“The diaspora is currently interested in building in Haiti for their old age. The youngest who left 10 years ago, do not want to send any more transfers but want to invest. So, they want to get through financial institutions. But we do not know them. But it’s interesting. Sogebank has done a lot of focus groups with the diaspora to understand their needs.” – Participant #8

“I think the Haitian diaspora is an important source of ideas and innovation. We’ve talked to many people from the diaspora regarding health care, and they have very innovative ideas. Another young Haitian who has ideas about training people with respect to

business processes operations and things like that. We need to find better ways to harvest them. I wish I had contact with more.” – Participant #11

“The Haitian diaspora is a very diverse world. There are associations of the diaspora, but it will depend...Fonkoze has done crowdfunding with the Diaspora. You have LEAD where people from the diaspora invest in entrepreneurial projects...but it is not systematic. We tried to mobilize the diaspora through USAID for investment projects in Haiti with competitions. There is no state initiative that targets the Diaspora. It is mostly USAID that does it.” – Participant #12

Other answers from participants were vague or not directly related to the Haitian diaspora. However, from the above, you will notice that the experts' views on working with the diaspora do not necessarily meet with some believing that the diaspora does not know the country well enough, and others thinking that they do know the country very well. One recurring theme is that the local experts and banks do not have records on members of the diaspora so it would be hard to create a database of interested investors from that segment.

#### Program Tied to Training

Then, when asked if they would consider sponsoring or creating a lending program for MSME Entrepreneurs that only lent money to those entrepreneurs who follow strict training on financial literacy and management, overwhelmingly, all participants said yes with two claiming that the public might not be open to learning:

“Yes. Helping entrepreneurs to spell out a business plan. Doing market research. Understanding value chain. Financial literacy. Basics of accounting with a system that tracks your cash flows.” – Participant #1

“Yes. Because entrepreneurs generally in Haiti don't all have the capacity to transform an objective into a business model. You need to be adaptable to modifications for success. Pre and post installation of a business. So, you need that training: a continuous accompaniment. Ability to analyze these projects. You cannot leave them like that. Don't forget that there's a lack of confidence in Haiti. In general, Haitians when they go borrow money at the bank, don't give you 100% of the project for the fear that the daughter or the son of the bank's chairman will copy your project. Confidentiality in Haiti is not an insurance factor.” – Participant #2

“I have my doubts that they would want to go through that because it's asking them to change their way of living and working. You would have to spend a lot in order to convince them. Thus, I don't see the value. Like I said, the risk for us is not the ability of the MSMEs to pay back his or her loan: the risk is either climatic or political where the client's business is flooded or where the client cannot go to work because of gang violence due to political turmoil.” – Participant #3

“Absolutely. The level of education is so low. You have people borrowing money, but they have no idea how to manage it.” – Participant #4

“I don’t know how it would be received on the Haitian market, but there is some literature on that. They make an experiment and give training to entrepreneurs with a control group and see what happens if they are successful or not. I think they are kind of positive for the most part.” – Participant #5

“Would we be interested in building a specific structure with specific goals and different criteria, I would say: why not? We want to do finance differently in Haiti. If companies are stronger, they can create a leverage. In order for SMEs to scale, first you need good entrepreneurs. They are those who can learn, go through difficult times and stay strong. Entrepreneurs that can learn from others.” – Participant #6

“That might be something to consider. The public should be open to learning. Most customers do not think they need to follow training - they don’t have the means to, they manage to make it and make a profit. There is a form of intelligence that allows them to escape. But it's something to encourage.” – Participant #7

“Oh, why not? 3 or 4 years ago with the Ministry of Commerce there was such a program, but the implementation of the program was so slow that the grant of the World Bank expired. In my opinion, people are intuitive: they have a sense of business. But generally, they have no knowledge of financial education. [...] There are packages that are already ready. We must use them.” – Participant #8

“Training for entrepreneurs is important because there’s such a wide interpretation of what an entrepreneur is, and what is a successful entrepreneur. People equate entrepreneurship with gambling: the bigger the risk, the bigger the reward and that’s not entrepreneurship – that’s gambling. Entrepreneurship is allocating an investment for an opportunity that has a reasonable chance of succeeding.” – Participant #10

“Yes. I think we’ve tried that model in other countries with women entrepreneurs in Nicaragua where they are connected to networks, formalize their businesses and then after having gone through that program there’s a credit worthiness. [...] It’s hard to pick winners. We don’t always get it right. I’m not sure. You want to try to select the business you think would be more successful.” – Participant #11

“Yes, with good ideas and with people who are really entrepreneurs. Yes. Supervision over a period of time is fundamental. It takes a follow-up for a certain period.” – Participant #12

When asked what should be included in the training program, participants mentioned the below:

Table 6

	Basic Accounting	Financial Literacy (Cash Flows)	Marketing	Sales	Basic Management	Banking (Access to Funding)	Write and Adapt a Business Plan	How to Network
Mentioned by x/12	12/12	4/12	3/12	2/12	10/12	4/12	6/12	5/12

## 6.2 Quantitative Results

The data collected via the two surveys were designed as being cross-sectional as they were collected at a single point in time, with no manipulation in order to give us a snapshot of the reality in Haiti for entrepreneurs. For pragmatic reasons, the participants in both samples were located in the West Department of Haiti at the time of the surveys. The capital city of Port-au-Prince and its surroundings has an estimated population in 2015 of 4,029,705 people (IHSI, 2015), which represents roughly 40 percent of the total population and is located in the West Department. Though the information collected is accurate, the results cannot be generalized to the entire Haitian population.

As well, the surveys were done by a third party, on the ground (locally), as it would have been unmanageable to reach MSME owners and managers via an online survey. The questionnaires were mounted by me and administered by the local team. The local team is a professional team<sup>9</sup> of researchers who gathered the answers to the structured questionnaire at the following locations: the international airport in Port-au-Prince (for diaspora participants), and at the places of businesses of the Micro Small Medium Enterprises (MSMEs) in various sectional communities of Port-au-Prince, for example Carrefour, Delmas, Pétion-Ville.

The sample for the MSMEs was done via simple random sampling in order to ensure that each element in the population of the Port-au-Prince population had an equal chance of being included in the samples.

The sample for the diaspora participants was done via convenience sampling at the Port-au-Prince international airport with the agreement of the local authority (*Autorité Aéroportuaire Nationale*), where we surveyed individuals from the Haitian diaspora who were traveling back to their country of emigration as it ensured that the targeted individuals would be conveniently available to answer the questionnaire while awaiting for their respective flights.

These survey interviews are thus primary data. The interviews lasted between 5 -7 minutes and followed the structured questionnaire form. After gathering the data, the team sent me the data on an Excel sheet that I then coded in SPSS and analyzed.

Due to the ordinal nature of the data, parametric techniques could not be used to analyze Likert type data. As such, I first started by looking at the descriptive statistics and by doing frequency analysis for both sets of data.

### 6.2a Results for MSMEs:

N = 56

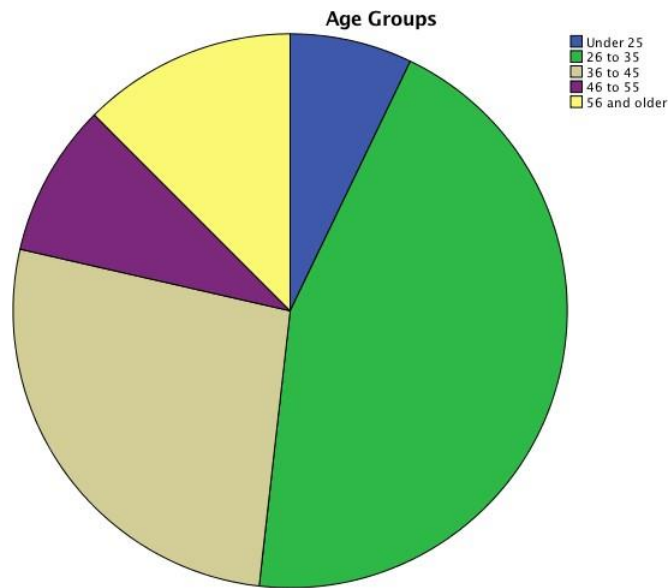
Ninety-one percent of the companies surveyed have less than 6 full-time employees, qualifying them indeed as being MSMEs. Forty-five percent of those surveyed owned the business, and 55

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<sup>9</sup> Local team that gathered the survey data: <http://hafors.com/>

percent were general managers. The mean number of full-time employees was 3.34 with a median of 2.50. The mean of part-time employees was 1.91 with a median of 1.

Seventy-seven percent of participants were male.  
Twenty-three percent of participants were female.

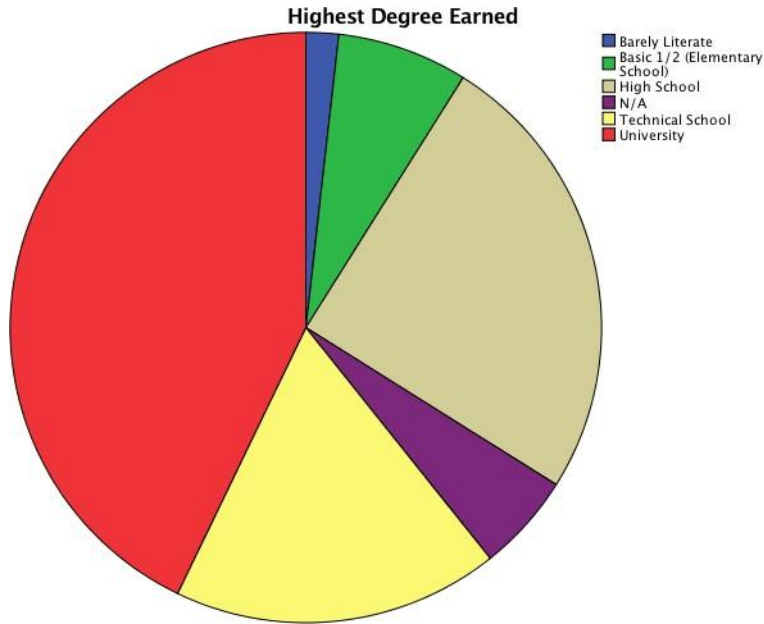


Graph 1

The mean age at the time of the survey 37.63, and the median age was 34 with a standard deviation of 11.145.

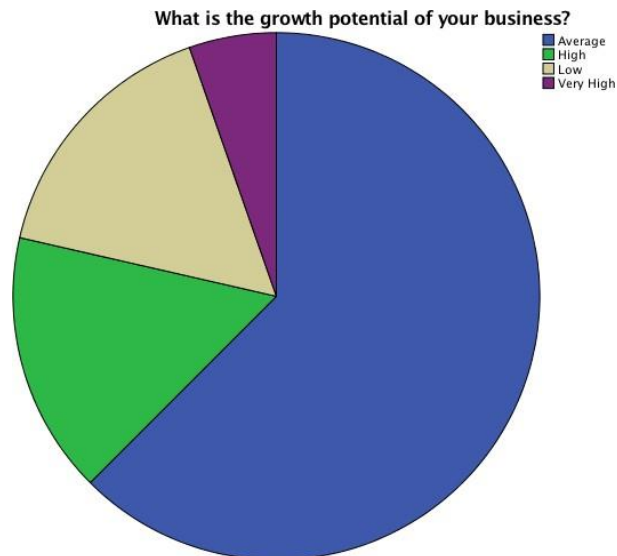
When asked about the source of funding for starting the business, an overwhelming 71 percent self-funded, 25 percent used “other” means (when asked what the other means were, they mentioned micro-credit, and varying informal funding methods such as “ponya”), and only 4 percent funded via a bank loan.





Graph 2

Forty-one percent of participants believe that these businesses have a less than 25 percent chance of growth within the next 5 years, and 39 percent agreed that they wished they could grow their business but do not know how to.



Graph 3

When asked what the barriers to starting a new venture in Haiti are, 43 percent access to finance 41 percent mentioned the political context, 38 percent mentioned lack of energy, 23 percent mentioned lack of security, and 16 percent mentioned corruption.

Fifty percent of those surveyed agreed or strongly agreed that they started their business out of necessity. Thirty-nine percent agreed to having no financial training with 89 percent agreeing that they do not know how to calculate their ROI, and 66 percent not knowing of local programs

that find financing for entrepreneurs or teaches them how to manage their business. Yet, 80 percent of those surveyed believe to have ideas on how to grow their business to create more jobs for their communities with 71 percent wanting to learn how to better manage their company finances. Yet, 30 percent are willing, and 43 percent are not willing to give company equity or a share of profits with investors.

Table 7

	Opened out of necessity	Financed via a bank of other recognized financial institution.	Wants to grow his or her business, but does not know how	Often receives cash transfers from family members or friends living abroad (diaspora)
Mean	3.32	1.96	3.00	2.11
Median	3.50	2.00	3.00	2.00

(Likert Scale where 5 is strongly agree, 4 is agree, 3 is neutral, 2 is disagree and 1 is strongly disagree).

What does this mean? While we cannot infer much based on the above frequencies, we do see a pattern that the participants are either not aware of the financing programs available to companies like them to scale, or do not have the know-how.

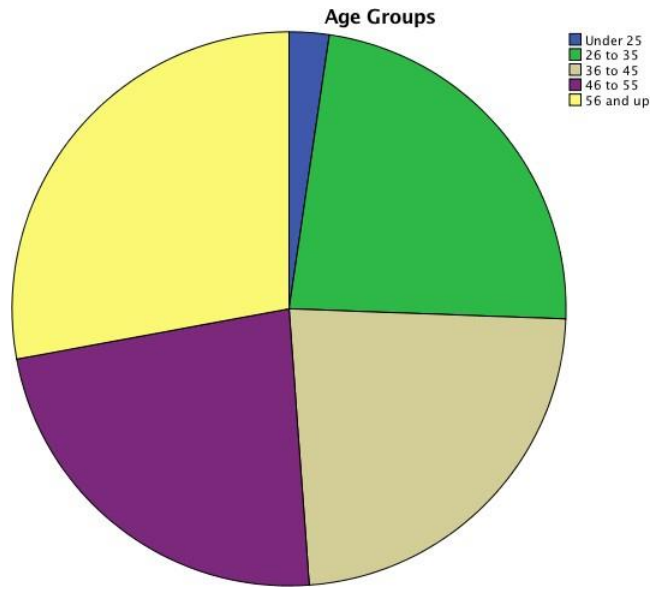
Only 14 percent of those surveyed agreed that they often receive cash transfers from family members or friends living abroad. Overwhelmingly, 71 percent of those surveyed would attend a four-week program accompanied by training on the management of their finances in exchange for being financed by the diaspora.

**6.2 b Results for Diaspora:**

N = 43 (we had a high level of rejection of consent to answer to the questionnaire)

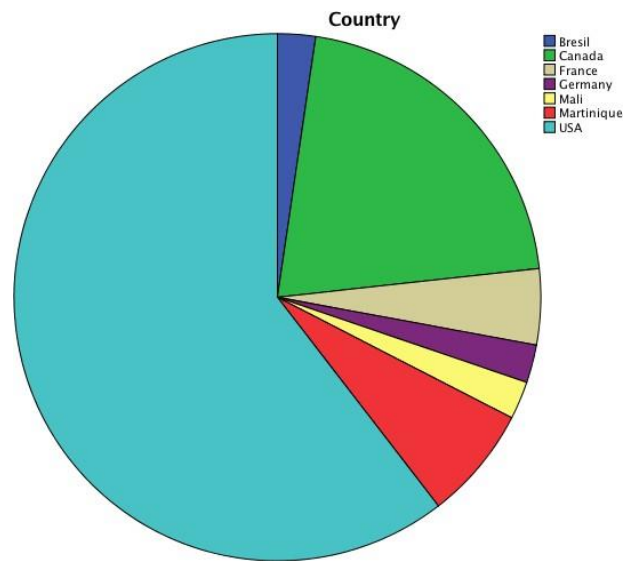
72 percent of participants were male

28 percent of participants were female



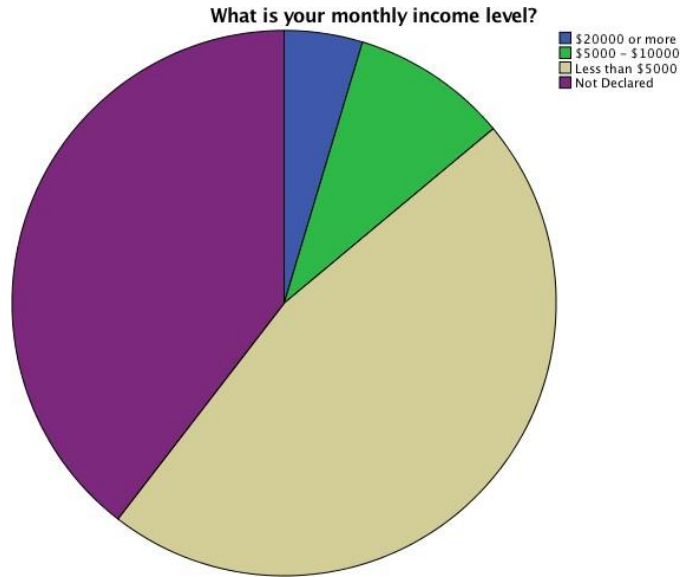
Graph 4

The mean age at the time of the survey was 47.3, and the median age was 47 with a standard deviation of 14.67.

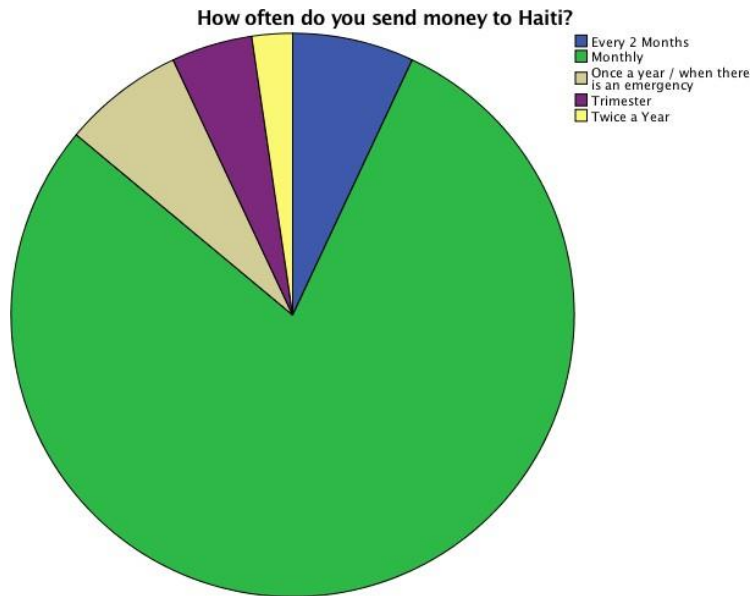


Graph 5

One-hundred percent of the participants send cash transfers regularly to family and friends in Haiti with 79 percent sending cash transfers on a monthly basis, and 28 percent sending more than \$2,000.00 a year as a minimum amount, 67 percent sending between \$500.00 and \$1,000.00 as a maximum amount. The mean minimum amount sent was \$771.80 with a mean maximum amount of \$2,774.40. The median minimum amount sent was \$100.00 with a median maximum amount of \$1,000.00.



Graph 6



Graph 7

Sixty-five percent agreed that they wish to create jobs in Haiti, and 79 percent said they would like to transfer funds that would be used as charitable investments in Haiti with 91 percent agreeing that it is better to teach someone to fish than to fish for them. Fifty-two percent would invest in a fund that helps MSMEs to scale in Haiti with 61 percent saying they would especially invest in a fund if it guaranteed jobs for their family or community members. Interestingly, 58 percent believe that at least one person in their family has the proper knowledge to run a successful business. Sixty-seven percent would want to receive equity or a share of profit if they invested in Haiti.

Table 8

	For me, it’s better to teach someone to fish.	I wish one day to return to Haiti.	Many members of my family are struggling to make ends meet.	I want to invest in Haiti	I do not trust Haitian Institutions.	I would invest in a fund if it ensured members of my own extended family or community found a job.
Mean	4.42	4.05	3.00	3.09	2.51	1.09
Median	5	5.00	3.00	3.00	2.00	1.00

(Likert Scale where 5 is strongly agree, 4 is agree, 3 is neutral, 2 is disagree and 1 is strongly disagree).

Overwhelmingly, 71 percent said they would keep sending cash transfers to family and friends even if they also participated in an investment fund. Although there are programs currently targeting the diaspora to use remittances for local investment, only 7 percent of those surveyed were aware of those programs.

Overall, 79 percent of those surveyed would be interested in participating in a fund that would finance local entrepreneurs who would receive training in managing their finances with 32 percent who would be willing to both want to donate but also to train those entrepreneurs.

### 6.3 Convergent Parallel Results

To get a more complete understanding of the research problem, I obtained different but complementary data. As such I looked for convergence, divergence, contradictions, or relationships of the qualitative and quantitative data collected.

The below table puts forth the findings related to the barriers to entrepreneurship in Haiti, the willingness to train or be trained and the willingness to invest in time or money in training entrepreneurs:

Table 9

Comparisons of Qualitative and Quantitative Results	Qualitative	Quantitative			
	Participants	n1 (SMEs)	%	n2 (Diaspora)	%
Those who think that there are more than 4 barriers to entrepreneurship in Haiti (Access to Finance, Insecurity, Political Context, Energy/Infrastructure + others)	N= 12 P1, P2, P3, P4, P5, P6, P7, P8, P9, P10, P11, P12	22	39%	N/A	N/A
Those who would agree to a training program for entrepreneurs to raise likelihood of success	N=11 P1, P2, P4, P5, P6, P7, P8, P9, P10, P11, P12	40	71%	34	79%
Those who are willing to invest in training or financing MSMEs	N=10 P1, P2, P4, P5, P6, P7, P8, P9, P11, P12	N/A	N/A	25	58%

From the above table, we could say that the pillars of failure, or the barriers of entrepreneurship in Haiti are indeed access to finance, insecurity, political context and lack of infrastructure as those themes were raised by the experts who were interviewed (qualitative side) at 100 percent, and the SMEs who answered the survey at 39 percent.

Then, we can agree that SMEs are willing to be trained in financial literacy or business management, and the diaspora is willing to either sponsor via donations or time in doing the training themselves with the proper structured program with the experts agreeing that training is a necessity.

## **7.0 Secondary Data**

In April 2019, the Central Bank of Haiti organized a financial forum where they published a document by the firm FinScope with data gathered in 2018 that is relevant to this study and was thus included prior to the discussion section as secondary data.

The data reveals that Haiti has an adult population of 7.67 million people being aged 15 and up, with 49 percent being men and 51 percent being women and with 55 percent being aged 15 to 34. Forty-seven percent of this adult population has received a reached secondary school. Sixty percent of them have a cell-phone with 35 percent using a smartphone and 15 percent having internet access.

In the agricultural sector, 34 percent mention a lack of access to financing. When asked how often they cannot purchase basic products due to a lack of funds, 25 percent said always, and 33 percent said often. When asked if they manage their spending, 44 percent said they have no control, 35 percent said they control entirely, 11 percent said they do not know, and 10 percent said they control it with the help of a someone else.

When asked to whom they go to ask about financial advice, only 2 percent said they go to a finance professional or a bank and 32 percent said they don't go anywhere for financial advice.

An overwhelming 53 percent of these adults believe they in fact need more information of personal finance, with 51 percent needing information on how to save, 50 percent on how to invest, 37 percent on how to budget, 27 percent on how to take out a loan, 13 percent on which financial products are available and how to read the terms and conditions, and 12 percent on how to use these financial products and how to choose them.

When it comes to financial inclusion, related to the number of people using the services of financial and non-banking institutions, the "excluded" population is 46 percent. Only 1 percent of the population solely uses banking services, and 26 percent using solely formal mechanisms. Sixteen percent use a combination of banking, formal and informal mechanisms. Ten percent of the adult population rely solely on informal mechanisms such as informal savings groups and credit groups to save or borrow money or to hedge risks. The Central Bank of Haiti estimates that 19 percent of the population aged 18 and up uses informal mechanisms.

Only 11 percent of adults in Haiti have a bank account with 3 percent with a commercial loan and 1 percent with a business loan. Sixty percent of those with a bank account uses it to save, and only 3 percent to have access to credit or a loan someday.

Of the 89 percent who do not have a bank account, 34 percent confirm to being unemployed, 28 percent to not having a steady income, 19 percent to not having enough revenue to save, and 7 percent say they do not trust banks with 3 percent saying they do not understanding the banking system. What's more is that 86 354 adults (or 1.1 percent) confirm that they use someone else's bank account.

Six percent of Haitian adults currently use micro-finance institutions with a 33 percent concentration in the metropolitan area of Port-au-Prince and 15 percent in Artibonite, and 9 percent in the South (agriculture centers of Haiti).

Seventy-three percent of Haitians do not save. Fourteen percent save via informal services. An overwhelming 87 percent of Haitians do not take out loans, 4 percent take out formal loans, 5 percent take out informal loans, 5 percent take on loans from friends and family and 3 percent take out loans from a formal non-banking institution.

Of the 13 percent who take out loans, 21 percent do it to start or expand their business or household business activities, 19 percent for medical planned or urgent situations, 10 percent use it for living expenses when they do not have money, 5 percent to purchase agricultural inputs or fertilizers for example and 1 percent for real-estate purposes.

When asked why they don't like to take a loan, 27 percent said they do not like to be in debt. Ninety-six percent of Haitians are not insured. Twenty-three percent of adults are registered as users of mobile money with 49 percent indicating that it is more practical.

The data suggests that 261,868 people have informal loans, 619,709 people have informal savings and 202,774 people admitted to transferring money in an informal manner with 300,000 jobs being informal (FinScope, 2018).

Another important finding found post-literature review and interview discovered in a project summary from the IDB is that it is estimated that formal MSMEs face an average financing gap of slightly above \$6,000.00 with SMEs seeking \$23,000.00 on average to satisfy their financing needs. Therefore, Haitian MSMEs face a financing gap of about US\$1.9 billion (IDB, 2019).

There is indeed a financing gap in Haiti, but that gap can be filled if financial literacy is raised. The key to financing entrepreneurial ventures in Haiti could be training the population on the necessity to both formalize and to understanding the basics of financial management.

## **8.0 Discussion**

In this thesis, aspects of financing entrepreneurial micro, small and medium ventures in Haiti were observed. The study was at first focused on the availability of funding in Haiti due to socio-economic inequalities, but quickly shifted to lack of scaling MSMEs due to informality and an

inadequate entrepreneurial ecosystem. The investigation proceeded through the study of the existing literature, the collection and analysis of primary and secondary data.

No private sector can flourish without the public sector's backing, and no public sector can flourish without the private sector's initiatives. Backing means the establishment of rules and the enforcement of laws. Initiatives means the systematic and routine establishment of meeting market demands and needs via innovation and job creation. Informality is a key deterrent to economic growth in Haiti as those who are informal cannot scale up their businesses due to being outside of the "legal" system. Taxes cannot be paid for services by those who are not recorded/known to the system. Taxes are not paid by even those who are formal due to a lack of incentives by the government or simply basic access to reliable public infrastructures. We find ourselves in the middle of the chicken and the egg conundrum.

A problem with public and private sector collaboration is that we repeatedly start projects that do not reach completion. From the discussions with the various experts mentioned in the findings, there have been good ideas and plans that systematically end up in a desk drawer once a new government is in place, or after a catastrophe. Haiti needs to plan long term instead of planning short-term. Haitians and those invested in Haiti need to understand that the goal to prosperity, thus of poverty reduction and of job creation via entrepreneurial ventures, is in fact, a common one. Those who are informal do not necessarily choose to be but find themselves being forced to be as the system is flawed. Starting a new business in Haiti is burdensome, i.e. it takes too long and costs too much. Since most businesses start out of necessity (to survive), taking 3 to 6 months to receive a patent is frankly too long. Could you survive without income for 6 months? Thus, the "solopreneur" is forced to start-up outside of the "legal system."

It is important to understand that these "solopreneurs" also do not have access to information on how and when to register their businesses. It is not an obvious need when being a buyer and seller of basic consumption goods. The need arises when the solopreneur turns into a small boutique, for example, after hiring 2 to 3 staff members and finding himself or herself "needing" to have access to working capital. To get that, he or she will need a patent. These data induce me to think that in order to have a fostering entrepreneurial ecosystem in Haiti, members of Haitian society need to accept that the current system is beyond flawed, needs to be overhauled and needs to include all members of society.

The main conclusion of the thesis is that we can find ways to incentivize informal entrepreneurs to formalize in Haiti by using examples from other countries, but by adapting the methodologies in a Haitian cultural aspect. The results presented in this thesis indeed clearly show that, even with many barriers to entrepreneurship in a country plagued with uncertainty due mostly to political instability, there are products and contests in place for MSMEs, and many of these MSMEs are sustaining – even in difficult times. The issue that arises is the near impossibility of these MSMEs to scale and create more jobs due to informality.

As such, a well-structured program could promote formalization practices to strengthen these MSMEs to then help them to grow. The absence of a clear entrepreneurial policy as a risk can be lessened by the promotion of synergies among the various actors in the private sector, i.e. incubators, financial institutions, cooperatives, entrepreneurs. There are many opportunities in



Haiti, but we must focus on the foundation by laying one brick at a time. Thinking that Haiti could be successful by being too diverse at once, is a mistake: one project at a time.

Next, in this thesis, I will humbly present my suggestion of a program outline to add a small brick to building an entrepreneurial ecosystem in Haiti so that entrepreneurs go from necessity entrepreneurs to opportunity entrepreneurs.

## **9.0 Recommendations to Foster an Entrepreneurial Ecosystem**

In this subsection I will share a potential strategy to improve the implementation of a functioning entrepreneurial ecosystem. This strategy will be presented in two ways: with short-term goals and long-term recommendations. Since the Haitian Entrepreneurial Ecosystem is in a fragile state without the proper synergy between public and private sectors, and with what seems to be a constant stream of political instability in the last few years, the short-term solutions proposed would not deem to include a partnership between the public and private sectors. Rather, it would be to adapt a strategy that has been used in other countries in recent years through the use of technology.

Being able to prove your identity underlies the ability to access basic financial services in Haiti. This is especially true for marginalized segments of society and extends to MSMEs (The World Bank Group, 2018). The APB (*Association Professionelles des Banques*), Haiti's banking professional's association, should create a digital footprint for all Haitians who wish to be known by their respective banks systems, and reach commonality with the shared objective of reaching more potential clients for scaling micro to small, small to medium and medium to large enterprises. Filling the \$1.9 Billion Dollar financing gap should be an automatic motivation for financial institutions. This has been done in other countries as the digital future requires digital solutions when branches and brick and mortar cannot move fast enough. According to The World Bank Group (2018), Digital ID lowers barriers by: 1) simplifying the process for the unbanked to open a transaction account while simplifying the requirements for documentation, 2) making it more cost-effective to onboard customers as it can be done remotely and 3) having a causal effect on the financial sector by enabling the sale of additional services to the newly banked (The World Bank Group, 2018).

### ***9.0 a Short-Term Recommendations (Span of 3 years):***

- APB should be a self-regulated body with a focus on scaling-up entrepreneurs in Haiti.
- A solution to possible borrowers not being known to the system would be to create a digital record with a formal APB identification number via Open Banking practices.
- There are a few good examples of using Digital IDs to foster financial inclusion:
  - o India's universal digital ID named Aadhar, which provides a biometric verification for various services via digital authentication platforms. It was set up taking the Prevention of Money Laundering (PML) Rules into account with a common database that seeks to facilitate inter-usability of the records across the financial sector. The main objective to make it simpler for both individuals and the financial institutions when obtaining and verifying documents each time a

- customer becomes a new client of a financial entity. (The World Bank Group, 2018) This form of an eID requires the backing of the government.
- A grouping of Swedish banks introduced BankID, an electronic identification for Swedish citizens. In 2018, it had an estimated 7.5 million active users. First issued in 2003, citizens use their eID not simply for identification but also as a digital signature for signing documents remotely [...] a signature via this system is legally binding (The World Bank Group, 2018). Instead of having one government-issued e-ID card, with the private sector, Sweden created an eID system (Castro, 2011).
  - A solution to businesses remaining informal would be for APB to incentivize formality with an incubator for members who become formal, with mentorship, networking, and lower rates to access credit via an online application platform similarly to what has been done by FIDO Solutions in Ghana and in the Philippines:
    - Once all Haitians using the formal financial system's Bank eID, loans for entrepreneurs can be defined via a similar platform to Fido Solutions' online application to foster financial inclusion.
    - To qualify for an APB eID Loan, you will need a valid APB eID and Mobile Money or Bank Account and must be a resident in Haiti over 18 years of age. No proof of address would be mandatory.
    - The APB eID Loan would emulate FIDO by being cashless, by working with a different electronic payment channels, i.e.: over-the-counter and payment centers, and mobile wallets. It would be accessible with collateral and guarantors not being required to complete the easy application.<sup>10</sup> The APB eID platform should be created by professionals who will estimate the cost, analyze the possible privacy concerns and establish the needed parameters for success.
      - Recommendations for Haiti:
        - Private Sector via APB creates e-ID plan.
        - Build e-ID framework with current technologies (i.e. blockchain).
        - Design e-ID that can be scaled to a global system.
        - In 5 years, use government to scale or increase supply of e-IDs.
    - The purpose would be to bring new opportunities for micro-entrepreneurs to get access to credit and build a financial history that is sharable to all institutions who are members of the APB.
    - After having built trust with the APB and its financial institutions through the proper repayment of these micro-loans, individuals will be eligible to take on bigger loans at these institutions to scale.
  - As a first way to include diaspora involvement, seeing that a high level of those surveyed would like to train fellow Haitians on business-related matters, programs could be put in place at the incubator where diaspora members would volunteer a week of their time a year to train local entrepreneurs on their field of expertise.
  - The diaspora members will likely prefer to see their initial involvement as charity rather than as an investment.
  - The training program should include:

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<sup>10</sup> FIDO Solutions : <http://fido-solutions.com/philippines/>

- Training on basic accounting and financial literacy, especially on cash-flow and the discipline of managing a company's money.
- Training on writing, but most importantly, on adapting a business plan.
- Training on marketing and sales with the distinction of what both are and can do for the MSMEs, i.e.: marketing is people know about you, and sales is people buy from you.
- Training on how to build networks with mentorship from past failures and success stories which will help the MSME entrepreneurs to execute their business model.
- Any other training that would be identified in a more scientific matter with the various actors of the entrepreneurial ecosystem where we would define the necessary competencies needed by entrepreneurs in Haiti using a Delphi methodology similarly to Morris et al. (2013).

***9.0b Long-Term Recommendations (Span of 20 years):***

- Share the database of APB eIDs with the governing body responsible for recording Haitian citizens identities and create a legal framework where both the CIN and the APB eID are valid identification on a national basis as a legal framework is a prerequisite for widespread use of eIDs to create legally-binding signatures. Legislation creating the legal framework for electronic signatures must balance both efficiency and security (Castro, 2011).
- Public and Private Sectors agree on a common vision to focus on scaling MSMEs over a 20-year period because most start-ups never start-up, as such focus on scaling those that have turning them from solopreneurs to legal-tax paying businesses.
- Create long-term training programs teaching entrepreneurs that they must focus on the winning idea that can scale-up, instead of thinking of new ideas.
- Have a common vision with the government and a social contract for the next 20 years to entice entrepreneurship in Haiti by passing the proper laws and incentive programs.
- Similarly, to what is done in developed countries such as in the United States, new companies should have a grace period to pay income taxes and flexible human resources policies.
- Create social impact bonds with the government, funders and diaspora similar to what has been done in Israel with its Diaspora Bonds but adapted to Haiti.
- A diaspora bond is a debt instrument issued by a country or potentially by a private corporation with the objective of gathering funds from its overseas diaspora. Using diaspora bonds, Israel and India have raised between \$35-40 billion (Ketkar & Ratha, 2007).
- Rather than doing a remittance scheme, the Haitian diaspora bond would be long-dated securities (20 years+) to be redeemed only upon maturity and would appeal to the Haitian diaspora's sense of patriotism and need to help Haiti develop with a fixed-rate of return.
- These funds would be used by the government and local financial institutions to decrease the finance gap for entrepreneurial investment in Haiti, where:
  - Using government or intermediary guarantees to balance the risk reward: a VUCA environment (volatility, uncertainty, complexity and ambiguity) like Haiti would benefit tremendously from balancing the risk reward.

- A matching scheme where if you invest a dollar, the government will donate a dollar to that entrepreneur.
  - The Central Bank would guarantee these loans up to 70% and financial institution would take a risk on 30%.
- In order for entrepreneurs to be eligible for these loans, they would have to own a formal, law-abiding, business.
- In the next 20 years, have a social contract where the direction comes from the private sector, the alignment comes from the public sector and both are committed to developing the economy via entrepreneurial ventures.

## 10.0 Future Research Directions and Limitations

The results of this thesis raise some important points concerning how informality and financial literacy are the main barriers to growth of the Haitian economy. However, this study has numerous limitations that must be taken into account when interpreting its results. Considering that the Haitian population has around 11 million people, we cannot generalize the results based on small samples for both the quantitative studies and the qualitative study.

The interviews were done via voice conference instead of in-person, and the surveys are not generalizable as we had too few participants. Indeed, due to time and resources constraints, I only analyzed specific areas, that, even if they allow to obtain a reasonable common dynamic that nicely fits with the secondary data of the Central Bank's finance week, the national trends and the theoretical literature, should be seen as raising a question, and not as a definitive result about the dynamics of the entrepreneurial sphere in Haiti. In the best case, this thesis could be used to start a discussion and act to improve the access to funding for those currently unknown to the financial system in Haiti and be a humble guide to rethinking our entrepreneurial ecosystem in Haiti.

In mid-April 2019, a team of Haitian diaspora based in Florida and local Haitians launched a nonprofit organization entitled "Ven pou Ven" with the goal of building a more sustainable Haiti via The Ayiti Community Trust (ACT) a 501 (c) 3 (an endowed fund). Ven pou Ven is driven by the local needs of the population and hopes to provide resources for sustainable solutions in the following areas: civic education, environment, and entrepreneurship. ACT is registered in Haiti and operates as a grant-making community foundation.<sup>11</sup> Due to a limitation in time, I was not able to find out more about their goals or interview related key people.

Finally, the main message of this thesis is that the complexity of the Public and Private Partnership (PPP) requires a more complete analysis that incorporates socio-cultural and institutional aspects. An analysis along this line of other countries with improved PPPs to align an entrepreneurial ecosystem before implementation and after a set amount of years would be required to really try to positively impact the environment change that is needed in Haiti for wealth creation.

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<sup>11</sup> Ven pou Ven: <http://venpouven.org/about-us/>

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## **Appendix**

### **Methodology**

A mixed methodology using both qualitative and quantitative methods will be used in this study because the combination will create a better understanding of the topic at hand: finding an innovative way to fund at scale, new entrepreneurial ventures in Haiti. I will attempt to answer questions posed by the literature review through conducting interviews, inspecting documents, analyzing survey responses via regression analysis and analyzing data of enterprises in Haiti.

I will interview executives from the banking sector and owners of larger companies. I will also interview owners of SMEs and members of the Haitian diaspora. These interviews will provide a complex portrait of the current situation in Haiti and help me assess the potential viability of involving members of the Haitian diaspora in future SME development.

Below, you will find three sets of questionnaires for three different sets of participants: owners of SMEs in Haiti, CEOs and Bankers of larger companies, and the Haitian diaspora. The questionnaires will have open-ended questions (which are intended to allow those who will be interviewed to express their knowledge on the subject while expressing themselves fully based on both their academic knowledge or on their experience), and survey questions.

Data collection will involve the use of structured questionnaires (see below), which will be used as an interview guide by the research team. The questionnaires to SMEs and the Haitian diaspora will be administered locally by a team set-up by the thesis research student; the thesis research student will interview the CEOs and Bankers and thus extemporaneous questions could be included during those interviews.

This combination of interviews should help us get a deeper understanding of the prospects for financing future entrepreneurial ventures in Haiti.

### **Sample Selection**

Regarding the CEOs and the Bankers, the method of purposive sampling will be used to develop the sample of this thesis study so as to gather primary data. The sample participants who were selected have a direct relationship with the financing entrepreneurial ventures in Haiti, sufficient and relevant work experience in the field of banking, are entrepreneurs themselves, or have an active involvement in Haitian society.

Within this context, the participants of this study are executives of banks and large companies, namely, in no particular order:

- Economist and founder of an incubator in Haiti.
- CEO of Haiti's first governmentally recognized investment promotion institution.
- Consultant and former Minister of Finance in Haiti.
- Lead economist on Haiti at the World Bank.
- Chairman of a private bank in Haiti and owner of distribution company.
- Entrepreneur and CEO of manufacturing company.
- Executive Director of private sector consortium; former public sector actor.

- Professor and expert on entrepreneurship with knowledge on Haiti.
- Business development at an MFI.
- Investment officer at IDB Labs, based in Haiti.
- General manager of an MFI.
- Professor and expert in Scale-Up.

Regarding the SMEs and the diaspora, the method of simple random sampling will be used to develop the sample of this thesis study. The sample for the MSMEs was done via simple random sampling in order to ensure that each element in the population of the Port-au-Prince population had an equal chance of being included in the samples.

The sample for the diaspora participants was done via convenience sampling at the Port-au-Prince international airport with the agreement of the local authority (AAN), where we surveyed individuals from the Haitian diaspora who were traveling back to their country of emigration as it insured that the targeted individuals would be conveniently available to answer the questionnaire while awaiting for their respective flights.

The interviews will last for 5 -7 minutes and follow the structured questionnaire form. The interviews will be conducted in a week's time. The questionnaire that will be used is in the same format as the one to be used in the in-depth interviews with CEOs and Bankers.

### **Questionnaire SMEs**

As a part of my master's thesis research study at IESEG School of Management in Paris, I am conducting a survey that investigates the levels of funding available to Small Medium Enterprise and Micro entrepreneurs in Haiti, and the forms of support given by the lenders to these SMEs.

Any information obtained in connection with this research study that can be identified with you will remain confidential.

#### **Respondent Details**

Age:

Gender:

Highest Degree Earned:

Socio-Economic Level: (*Include Income Level Brackets*)

Commune:

#### **Open-ended Questions:**

- 1- How big is your company? I.e. number of locations, annual revenue?
- 2- How many full-time employees do you have?
- 3- How many part-time employees do you have?
- 4- What services or products does your company provide?
- 5- Does your company have a high growth potential? What do you project your (revenue? profit, sales?) growth to be over the next five years? Stay the same, double, triple, more than triple?

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6- What motivates you as an owner?

7- What are the barriers facing new businesses in your sector of the economy?

For the next 5 questions, please answer from a scale of 1 to 5 where 1 is strongly agree and 5 is strongly disagree:

1- I opened my business out of necessity:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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2- I funded my business via a bank or other recognized financial institution:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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3- I have no financial training, and learned what I know day by day:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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4- I find myself wanting to grow my business, but I do not know how:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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5- I often receive a cash transfer from family or friends who live abroad (diaspora):

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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For the next 5 questions, please answer with yes, no or unsure:

6- I know how to calculate my return on investment:

Yes  No  Unsure

If yes, how? \_\_\_\_\_

7- I know about a local program that helps entrepreneurs both find money (funding) and that teaches these entrepreneurs how to manage it:

Yes  No  Unsure

If yes, which program? \_\_\_\_\_

8- I often have ideas on how to grow my business to create more jobs for my community:

Yes  No  Unsure

9- I want to make more money:

Yes  No  Unsure

10- I want to learn how to better manage my company's money:

Yes  No  Unsure

11- I know an exact amount of money I would need in order to grow my business:

Yes  No  Unsure

12- I am willing to give a percentage of my company or share its profits with investors:

Yes  No  Unsure

If a four-week program existed where you would be funded by the Haitian diaspora, accompanied by training on how to manage your finances, would you participate?

### Questionnaire for Diaspora Participants

As a part of my master's thesis research study at IESEG School of Management in Paris, I am conducting a survey that investigates the willingness of the Haitian diaspora to invest in Haiti in innovative ways.

Any information obtained in connection with this research study that can be identified with you will remain confidential.

#### Respondent Details

Age:

Gender:

Highest Degree Earned:

Socio-Economic Level: (*Include Income Level Brackets*)

City and Country:

#### Open-ended Questions:

- 1- Do you or have you sent money to family and friends in Haiti?
- 2- How often do you send money to Haiti? Give them a frequency choice, e.g., never, once a year, twice a year, about once a quarter, once a month, every two weeks, weekly
- 3- What is the most and the least money you have sent at any one time?
- 4- Do you want to help create jobs in Haiti?
- 5- Would you want to send money that would be invested in projects in Haiti as a charitable contribution?
- 6- What structures would need to be in place for you to want to invest some of your personal money in Haiti?

For the first 5 questions, please answer from a scale of 1 to 5 where 1 is strongly agree and 5 is strongly disagree:

1- I would rather teach a person to fish than to give a person a fish:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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2- I want to one day move back to Haiti:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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3- I have a lot of family members struggling to make ends meet in Haiti:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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4- I find myself wanting to invest in Haiti:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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5- I do not trust institutions in Haiti:

Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
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For the next questions, please answer with yes, no or unsure:

6- I would invest in a fund that helps scale small and medium businesses (SMEs) in Haiti:

Yes  No  Unsure

7- I would invest in a fund if it guaranteed members of my own extended family would find work:

Yes  No  Unsure

8- I would continue to send money to family members even if I invested in a fund:

Yes  No  Unsure

9- I know of a current program that uses fund transfers in Haiti to support and guide local entrepreneurs:

Yes  No  Unsure

If yes, please share the name of the program:\_\_\_\_\_.

10- At least one person in my extended family has the proper training and knowledge to own a successful business:

Yes  No  Unsure

11- I am willing to invest if I receive a percentage of profit or ownership from a business in Haiti:

Yes  No  Unsure

If a program existed where you would fund local entrepreneurs who also receive training on how to manage their finances, would you participate? Do you mean participate as a donor or participate in such a program?

## Questionnaire CEOs and Bankers

As a part of my master's thesis research study at IESEG School of Management in Paris, I would like to interview you to investigate your views on Haiti's entrepreneurial sphere, including the levels of funding available to Small Medium Enterprise and Micro entrepreneurs, and the accompaniment given by the lenders to these SMEs.

Any information obtained in connection with this research study that can be identified with you will remain confidential.

### Respondent Details

Age:

Gender:

Highest Degree Earned:

Socio-Economic Level: (*Include Income Level Brackets*)

Commune:

For Bank Owners or Board Members:

- 1- Briefly describe yourself, including your professional background
- 2- What are your functions and responsibilities at your company?
- 3- What do you think are the barriers of entry for new entrepreneurs in Haiti?
- 4- Many researchers believe that to get out of the poverty cycle, a country needs to have a certain synergy between public and private sectors that motivates entrepreneurial ventures with the correct policies put in place. What is your understanding of the role of public and private sectors and of regulations or procedures to motivate entrepreneurial ventures in Haiti?
- 5- Does your bank have a product that targets SME or Micro Entrepreneurs?
  - a. If yes, what is the potential total market size for your product today?
  - b. What continuing services or support do you provide to these entrepreneurs' post-loan?
- 6- What risks are you facing when lending to entrepreneurs in Haiti? How have these risks varied over the past decade or so if at all?
- 7- By some estimates, 9 out of 10 businesses in Haiti are informal, what is your opinion on this statistic?
- 8- Have you considered any alliance or partnership with members of the Haitian diaspora?
- 9- PADF currently has a program that uses remittances to finance entrepreneurial ventures in Haiti, has your bank considered mounting such a program to leverage transfers for job creation? Why or why not?
- 10- Would your bank consider putting in place a lending program for SME Entrepreneurs that only lends money to these SME Entrepreneurs that follow a strict training program? Do you think that such an approach would increase its likelihood of success?
- 11- What can be done to develop more reliable microfinancing for Haitian entrepreneurs who are viewed as high risks for conventional lenders?
- 12- Could you tell me something else that you think might be important for my investigation?

For CEOs of Large Companies:

- 1- Can you briefly introduce yourself, including your professional background?
- 2- What are your functions and responsibilities at your company?
- 3- What do you think are the barriers of entry for entrepreneurs in Haiti?
- 4- Many researchers believe that to get out of the poverty cycle, a country needs to have a certain synergy between public and private sectors that motivates entrepreneurial ventures with the correct policies put in place, do you agree? If yes, why and if not, why not?
- 5- Do you know of a bank that has a product that targets SME or Micro Entrepreneurs?
  - a. How do they accompany these entrepreneurs' post-loan?
- 6- What risks are you facing as an entrepreneur in Haiti?
- 7- By some estimates, 9 out of 10 businesses in Haiti are informal, what is your opinion on this?
- 8- Would you consider sponsoring a lending program for SME Entrepreneurs that only lends money to these SME Entrepreneurs that follow a strict training program? Do you think that would raise its likelihood of success?
- 9- PADF currently has a program that uses remittances to finance entrepreneurial ventures in Haiti, do you think such a program could be more successful if it was done by a local bank to leverage transfers for job creation?
- 10- What can be done to develop more reliable microfinancing for Haitian entrepreneurs who are viewed as high risks for conventional lenders?
- 11- Could you tell me something else that you think might be important for my investigation?