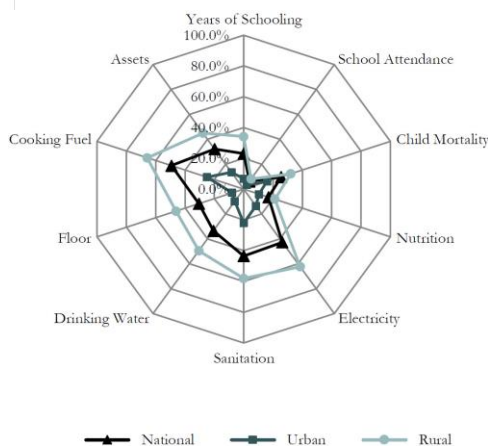
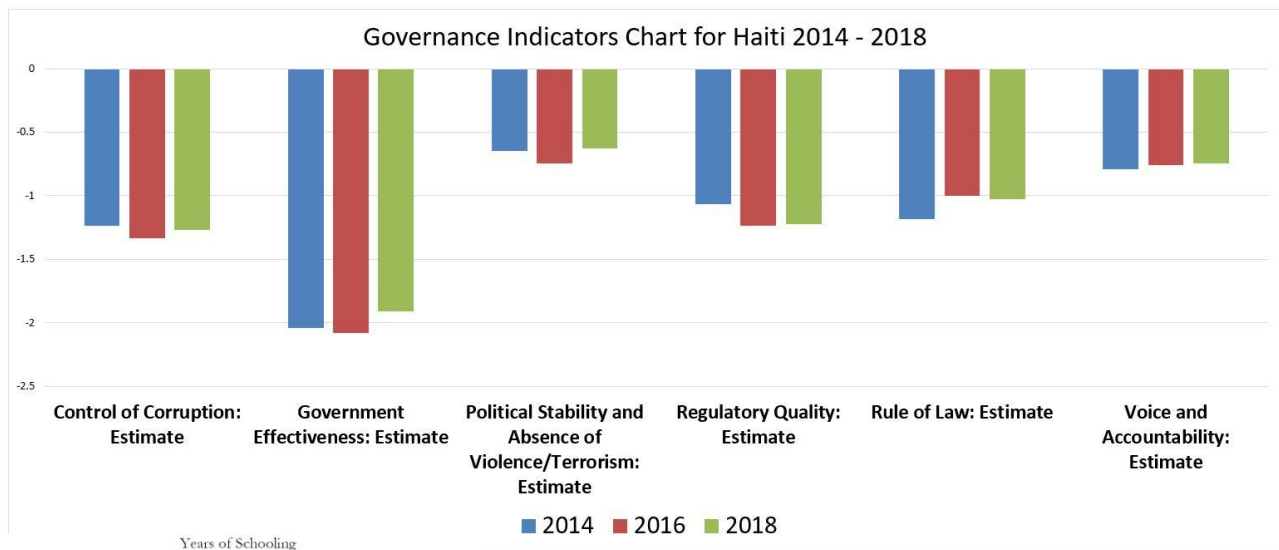


**Strengthening Outreach to Rural Clients with E-Wallets:
Integrating Disbursements and Improving Delivery Channels' Structure by FINCA
Haiti S.A.**

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Haiti is the poorest country in the Americas. According to the latest household survey (ECVMAS 2012)ⁱ, more than 6 million out of 10.4 million Haitians (59%) live below the national poverty line of US\$2.41 per day and over 2.5 million (24%) live below the national extreme poverty line of US\$1.23 per day. Haiti is also an unequal country, with a Gini coefficient of 0.60 as of 2012.



(Left: Multidimensional Poverty Index Haiti 2017ⁱⁱ)

Population ⁱⁱⁱ and economic indicators:	
Population in million (2017)	10.98
GDP growth (2017)	1.2%
Inflation (2017)	13.4%
Economic Freedom Index ^{iv} (rank among 185 countries) (2018)	124
Poverty indicators	
GDP per capita (current USD) (2017)	765.68
Gini index (0= equality 100= inequality) (2012)	60.8
International (at 1.25 USD/day), poverty headcount ratio	53.12
National poverty headcount ratio (2012)	58.5
Rural poverty headcount ratio	74.9

Financial sector context

Overall, the Haitian market for microfinance remains vastly underserved. Currently only 33% of adults in Haiti have an account at a formal financial institution, including MFIs, and only 9% took a loan from a financial institution in the past year (World Bank, 2017). The barriers to accessing credit for self-employment in Haiti among women are significant, mostly stemming from the fact that women generally operate in the informal economy and financial institutions will not lend to those without a business registration and without collateral like cars and houses. The World Bank estimates that only 3.8% of adults in Haiti owned a mobile wallet account in 2015. According to FINCA's Mobile network partner, Digicel, in March 2018 there were 250'000 clients using the service at least once over the last 90 days. Less than 80'000 clients had used it once on a 30-day basis. FINCA has around 50,000 clients of which more than 12'000 use MonCash on a 30-day basis.

Partner financial institution

FINCA Haiti was founded in 1989 to serve the entrepreneurial poor and to alleviate poverty through lasting solutions that help people build assets, create jobs and improve their standard of living. It continues to be a key player in the Haitian microfinance market, focusing its efforts on lower-income populations and on women, operating mainly in the service and agricultural sectors. As a result of the 2010 earthquake branches and clients were heavily affected. Following this, FINCA Haiti initiated a consolidation and restructuring period, with a resumption of growth in Q4 2012. In Q1 2013, it transformed from a non-profit into a regulated Société Anonyme (SA), thus providing the basis to offer savings services in the future. It offers village banking loans, individual lending loans, small and medium enterprise loans and agricultural loans. In December 2018, it has over 50'000 clients across 7 branches (+1 satellite) and a portfolio of over 13 million USD. 89% of customers are women. In order to sustain the growth in the country, FINCA needs to ensure secure and efficient repayment and disbursement methods, of which mobile money (MonCash) is the most important one. Competition in the Microfinance sector is fierce in urban areas with Bank-owned Microfinance institutions present in the individual loan segment. However, in rural areas the only real competition of FINCA is Fonkoze and the Caisses Populaires.



2. INTERVENTION APPROACH

Capacity building needs

This initiative follows on from the Digital Financial Services (DFS) program of August 2015, allowing FINCA clients to make group repayments, using selected remote agent's outlets.^v With minimum in-house resources and no automated functionality FINCA succeeded in being the "DFS first mover" in a market where client uptake for mobile money was poor. MonCash service uptake increased to 1'000 repayments per month in March 2016, peaking at 7'000 repayments in May. FINCA established that there was a demand and appetite in the marketplace, urban and rural, for a digital service using mobile phones and supported by agents local to where the clients lived. FINCA demonstrated the ability to satisfy that demand by delivering a more efficient, less costly and more secure service to clients, reaching 17% of FINCA's client base), seven days a week, potentially anywhere in the country.

At the onset of this project it was established that major up-scaling constraints needed to be addressed:

1. There were security exposures with a manual back-office process and it was not sustainable in terms of risk management and security.
2. There was no known viable process for a MonCash based disbursement service.
3. The cumbersome, paper-based, manual-check dependent FINCA/MonCash service as it was delivered was not feasible or viable to achieve real scale.

Main activity areas and outputs

Given the severity of the exposures and the lack of a working disbursement service it was necessary to adopt several parallel streams of effort:

1. Implement straight through processing (STP) for all transactions (disbursements and repayments). This allows for the entire payment process, from initiation to final settlement, to be free of human intervention. The client experiences real time value with a "demonstrated trustworthy service" receiving a message from the wallet system to say the transaction has completed and a confirmation message from the FINCA core banking system reflecting the reduced balance on the loan account. This streamlined process removes cash from the branches and can achieve scale securely (ISO standard). It delivers reduced transaction costs to FINCA and facilitates sustainability for the agents. Clients receive their loans directly to their wallet and are now empowered to conduct their transactions individually.
2. Centralised client support services: Banking Service Department has been established and resourced; supporting client service and back-office delivery activities across the branch and agent networks:
 - Providing a Help Desk dedicated to supporting the needs of the network (Client, Branch, Agent).
 - Documenting Operational Day checklists ensuring all services are available
 - Supporting any client problems that arise and ensure all payments are processed and settled correctly.
 - Responsible for supporting and satisfying the agent needs in terms of training, liquidity management and logistics.
 - Includes sourcing, training and management of the FINCA selected agents

- Provides oversight for settlement and reconciliation of client payment transactions in a way that ensures compliance with regulations and standards and mitigates potential risks for FINCA.
 - Manages third party relationships with the other stakeholders in the service, namely Digicel and SOGEBANK.
3. Education: An appropriately experienced training manager has been recruited for this key role:
 - Up to date MonCash training packs are in place for FINCA staff (HQ & branch), agents and clients.
 - A course for 20 loan officers has recently completed.
 - Loan officers have provided training for over 5'000 clients to date.
 - New agents are on-boarded and trained.
 - A full set of refresher courses was planned for Q3 of 2019 (Was not achieved because of socio-political instabilities).
 4. Build a dependable Agent Network ready for scale: At the end of December 2018, FINCA's network had 63 chosen sub-agents to serve clients for their cash-in and cash-out. 16 of those agents were under FINCA as Master Agent and were funded a free line of credit for more liquidity. The outputs for this component are: enlarging the base of agents, continuing to identify and enrol sub-agents that can insure the monetary mass needed for the physical transactions and the training of the agents. Note: FINCA already has an NDA signed with NatCom who introduced their new product called NatCash. FINCA is testing the API capacity and will ultimately sign a contract if an agreement is reached. FINCA now uses 78 MonCash sub agents.
 5. Reach 10'000 MSME clients using MonCash for loan repayments by April 2017 and 4'000 MSME clients using MonCash for loan disbursements.

Key Performance Indicators	December 2018	December 2019	Peak #
# Moncash Disbursements	814	1380	1592 in August 2019
# Moncash Repayments	11703	10425	16416 in July 2019
# Clients using MonCash	11656	12993	n/a
% Women	89%	89%	n/a
% Rural	n/a	91%	n/a
# Of Agents	15	63	78 planned for early 2020

There was no process-based feasibility study to identify how to build on the success of the previous phase and the targets and activities set assumed the existing processes could work for scaling up. The manual back office repayment process was inefficient, insecure and open to fraud. Consequently, the intervention did not follow the original plan and the need to provide a secure, sustainable solution for all payments introduced an estimated IT development workload of 6 months. This led to the project running late and missing targets; however the newly implemented STP payment operation is a success. The new processes are secure, sustainable and scalable. Cash handling in the branches has been drastically reduced. Despite the upheaval SCBFs support for the new scope of work has led to a fully digital payment service; it has achieved and surpassed the repayment figures. The disbursement figures, although still off target, has been welcomed with open arms by clients and staff alike. Given this disruption the timelines agreed with SCBF for repayment targets were extended from June 2017 to December 2018.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client Level

A great deal of FINCA Clients travel far to come to the branches and go back home for repayments, disbursements and or any other matter regarding loans. This travel would take long periods of their time and also cost them a lot depending of the area. There is also a factor of risk where they are travelling with great amount of money. With the SCBF project, clients can now stay around their area to make repayments to FINCA and also receive their disbursements (on the field contract signings). Clients who can take advantage of the mobile channel are overly satisfied. It creates a huge comfort to them where they stay around their region and save a lot of time. In 2020, FINCA's marketing and research department will have a survey which will give us a more quantitative knowledge, but the clients are pleased and are actively and progressively using the channel more and more (average of 14500 clients repaying through MonCash).

These pictures on the right are two of FINCA's clients VB and IL who are actively using the Mobile Channel for both repayments and disbursements. Their translated comments on the MonCash system are the following:: "We really love the MonCash option because it helps us save time and makes us feel comfortable around our area!".

New client processes: FINCA developed a proposition where clients can apply for their loan in the field, have the loan disbursed directly to their phone, cash the loan out at an agent location, and make repayments using the MonCash service, thereby removing or greatly reducing the need for branch visits. To this end FINCA designed, developed, tested and successfully implemented an STP (straight through processing solution) for payments to and from the MonCash system. Consequently, disbursement is now an automated paperless process moving funds through the Digicel system directly to the client MonCash “full wallet” which is the MonCash wallet that can hold a maximum of 75,000 HTG and need proper KYC for opening.

This is a key behavioural change for the clients, who must understand and trust the system. First, clients must hold a “full wallet” for a disbursement. The tradition of the group congregating at an agent location where all group members cash-out has been problematic in terms of managing agent liquidity. Now group clients realise they don’t need to cash-out at the same time. FINCA groups meet, sign the contract and receive their funds on their MonCash account. Cash-out can be full or partial at the client’s convenience. In October 2018 the highest monthly figure for disbursements was 1’052, lower than the SCBF target of 4’000. The repayment process has been enhanced and clients now receive confirmation of successful payments directly to their phone or an error message requesting re-submission. Client education was given to establish a trust that the disbursement had completed when the funds appeared in the e-wallet

The client proposition is now greatly enhanced:

1. There is no requirement for paper for the client, the agent or the back-office operation in FINCA Headquarters.
2. Within the branch environment, the preparation for a group disbursement will proceed as before except the individual disbursements will be made directly from FINCA to the client MonCash account.
3. The client may choose to go to a branch or any agent outlet to cash-out.
4. Clients receive FINCA system messages to their handset on the status of the transaction.
5. Automation and centralisation of back office tasks from the branches (e.g. loan disbursement) and shifting of activities such as loan application and disbursement to the field offer urgent streamlining to the FINCA operation, greatly enhancing the client experience and enabling secure scale-up of disbursements.
6. Customised FINCA confirmation/error messages provide reassurance for the client.

Penetration within the community: It is worth noting that the uptake of the MonCash service amongst the female client base has been pronounced with 89% availing of the facility. There is a reasonably even spread of males and females working on the agent network.

Partner Financial Institution Level

In this phase, SCBF have enabled FINCA to move from successful introduction of a digital service by designing and implementing the essential changes required to pursue sustainable a DFS strategy. The organisation has been restructured. There are secure automated processes supported by strict management controls. There is a centralised transaction processing function providing support services to clients and supporting the agent operation. FINCA now operated a DFS platform capable of supporting a range of mobile-based financial services.

Management and Control: Delivering digital financial services required FINCA to manage a more complex payment environment, which will be subject to ongoing change/refinement. The management control environment has been strengthened to in order to satisfy the demands of new operational responsibilities:

- A Process Management discipline is now in place ensuring processes are captured, reviewed from an efficiency and risk perspective and dated. Process documents are now held online and staff in impacted sections, have been trained in the use of the product.
- Risk Management training was provided onsite by an external subject expert, for management and staff. In order to conform with international best practice for a payment processing environment FINCA have restructured, ensuring that role and task separation is in place and that all control points in the payments process are secure.
- Internal Control: is actively involved providing oversight on the management control aspects of process mapping and settlement & reconciliation. Routine Internal Control reviews are now required ensuring compliance and identifying weaknesses that have arisen.

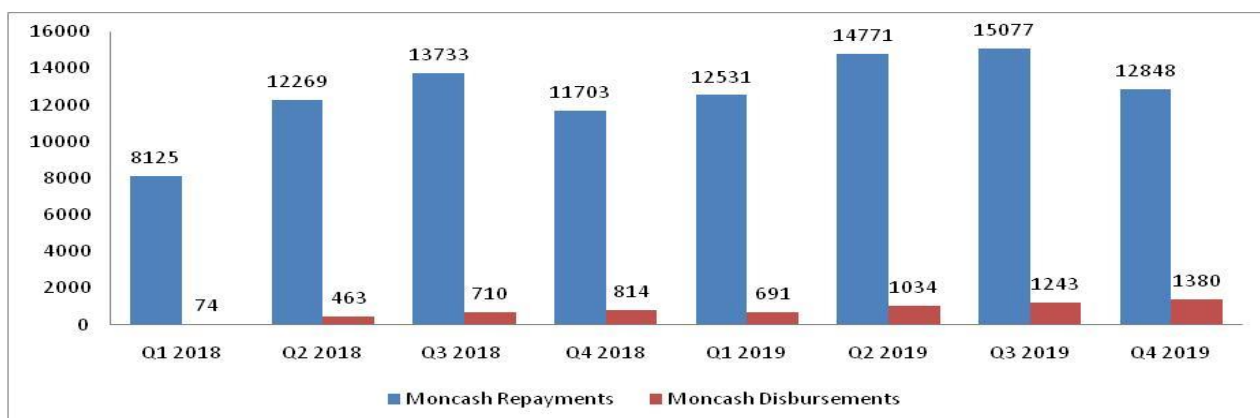
Digicel Partnership and Agent Management: The MonCash network contains many agents who are ill equipped, uncommitted and rarely fully operational in terms of cash liquidity. Furthermore, MonCash has low penetration in Haiti so agent selection is challenging. Acquiring new agents has been a difficult process throughout the project. The Digicel/Scotiabank partnership did not run smoothly and was replaced with SOGEBANK in July 2017. During the transition maintaining service levels for repayments on the network was challenging and the monthly numbers tapered off. Digicel upgraded their e-wallet system, which caused further disruption to the daily operation and hampered any significant growth in take-up in the service. FINCA have overcome these difficulties and established a section in Banking Services responsible for agent onboarding, agent training, agent liquidity and agent service delivery to FINCA clients.



Mrs Marie Pierre (left) is a client from La Vallée of Jacmel. Thanks to the SCBF project, she prefers to get her loan through e-cash. She feels safe when travelling back with her loan and is in no rush to cash it out until the necessary moment. Mr. Jonas Delvas (right) has his business located in Merger around 30 minutes from our branch in Carrefour. He repays through MonCash close to his boutique and saves a great deal of time.

The SCBF project has enabled FINCA to adapt a more innovative and expansive strategy opening a cashless outlet branch in Cabaret on July 2018. Most of the disbursements and repayments are done through the e-cash channel which reduces the branch costs significantly. The outlet already has a portfolio of 879 clients for a volume of around 13 Million Gourdes. Clients use the MonCash wallet as a saving tool and also use it with all the benefits such as transfers, deposits, air-time and data reloads. In the same spirit, FINCA Haiti is already doing the ground-work to open up another cashless branch in the north region of the country. The likely location is Ouanaminthe which establishes FINCA presence by Q4 of this year.

Disbursements: Disbursement through MonCash is now an automated paperless process. Funds move through the Digicel system directly to the client MonCash “full wallet”. Despite the paperless transaction process disbursements have proven to be logistically challenging. Firstly, clients must hold a “full wallet” for a disbursement. The tradition/practice of the group congregating at an agent location where all group members cash-out has been problematic in terms of managing agent liquidity.



4. LESSONS LEARNT

The previous phase successfully proved that the MonCash service did work for FINCA clients, at least for repayments. In order to scale up the service there was a requirement for a needs assessment to identify what was required in terms structure, resource and operation. The advice for those starting out is to adopt a strategy which starts small and certainly in the early stages moves at a pace which allows the Organization to learn, make adjustments, and in some cases fairly major adjustments, in order to get back on course. The Organization should not be reluctant to alter its course. FINCA and SCBF acknowledged the problems, intervened and the adjusted project plan has been very successfully. A recommended approach would:

1. Conduct an objective needs assessment to ensure the organisation is capable of sustained support for the DFS objectives in the strategy.
2. Include vital change management strategies to support internal and external organizational changes.

3. Overall buy-in of staff is key, particularly where staff are in direct contact with clients.
4. The agent element of the strategy must be prominent and with no misgivings as to how vital it is to get this right. No agent network = no digital financial services.

Feasibility Study: There was a need for a process-based feasibility study to identify how to build on the success of the previous phase and set more reasonable targets based on the existing system. A needs assessment would have identified a requirement for:

- a secure automation payment process
- more rigorously managed control environment
- a strengthening of structure, resource and expertise as required for operating in a DFS environment

Set Reachable Goals: An IT development project with an estimated 6 months completion time commenced. Recognising the risks but also cognisant of adhering to the targets FINCA continued to pursue the repayment targets, however there was no possibility of introducing disbursements as any manual process was so unwieldy as to be unacceptable.

SCBF recognised the impact of such a fundamental addition to the scope of the project and the repayment targets were adjusted. Some changes were made to the disbursement figures but without the ability to test the intended disbursement process the newly agreed disbursement targets were ill conceived and impossible.

With the experience gained from this project the FINCA business model for DFS solutions has matured. This enables the organisation to apply a strategy of expansion made up of agents and cashless branches, where selected locations reach out and satisfy merchant needs with a sustainable cost structure. Ongoing scale up and increasing complexity will call for additional investment:

1. FINCA must purchase and implement a settlement and reconciliation system to facilitate the scale-up operation.
2. FINCA will develop more effective education capabilities, better suited to a dynamic DFS environment. Tablet based training facilities provided in the field with options customisable training videos for clients and agents. Training must become part of the recurring support operation.
3. The future for FINCA DFS strategy is best assured by working with a network of profitable agents. This is a difficult proposition when the agents are dependent on commission from cash-in and cash-out. FINCA will deliver a range of value-added services through the agent meeting identified needs for FINCA clients. Services that are likely to succeed are salaries, remittances, government payments, utility bills and school fees. FINCA will also explore a new mobile phone-based credit product for consumer goods e.g. solar lamps. These levels of sophistication will require investment in an agent management system.

Finally, a second integration is now commencing with NatCom, the other MNO. This is most encouraging and emphasises the value of the extra work injected into this phase. Without SCBF support for that API development this expansion would not be such an attractive opportunity.

ⁱ http://www.ihsi.ht/produit_enq_nat_ecvmas.html

ⁱⁱ Oxford Poverty and Human Development Initiative (2017). "Haiti Country Briefing", Multidimensional Poverty Index Data Bank. OPHI, University of Oxford. Available at: www.ophi.org.uk/multidimensional-poverty-index/mpi-country-briefings/

ⁱⁱⁱ The World Bank Group (2017). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (07.01.2020)

^{iv} Heritage Foundation, (2017) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (07.01.2020)

^v The Final Report for this project is available here: <http://scbf.ch/wp-content/uploads/2011/03/SCBF-2015-05-FINCA-Haiti-final-report-edited1.pdf>