



# **CUNA & Affiliates**

---

## **Credit Union National Association, Inc.**

601 Pennsylvania Avenue NW  
South Building, Suite 600  
Washington, D.C. 20004  
(202) 638-5777

**STATEMENT OF  
WORLD COUNCIL OF CREDIT UNIONS (WOCCU)  
AND  
CREDIT UNION NATIONAL ASSOCIATION (CUNA)  
BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON  
INTERNATIONAL MONETARY POLICY AND TRADE**

**“Promoting Small and Micro Enterprise in Haiti”**

**April 28, 2010**

**STATEMENT OF  
WORLD COUNCIL OF CREDIT UNIONS (WOCCU)  
AND  
CREDIT UNION NATIONAL ASSOCIATION (CUNA)  
BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON  
INTERNATIONAL MONETARY POLICY AND TRADE**

**“Promoting Small and Micro Enterprise in Haiti”**

**April 28, 2010**

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present a written statement on behalf of the Credit Union National Association (CUNA) and World Council of Credit Unions (WOCCU) to address the promotion of small and micro enterprise in Haiti. CUNA is the largest credit union advocacy organization in the U.S., representing over 87 percent of our nation’s 7,969 federal and state chartered credit unions and their nearly 90 million members. WOCCU is the global trade association and development agency for the international credit union movement and represents 54,000 credit unions in 97 countries.

Over the past 12 years, WOCCU and its credit union partners have been involved in rebuilding programs to restore and expand financial access for individuals and small and micro enterprises following natural disasters. Our largest and longest recovery effort took place in Sri Lanka following the tsunami in late 2004. We also participated in rebuilding efforts following Hurricane Mitch in El Salvador and Honduras, Hurricane Stan in Guatemala and El Salvador, the 2007 earthquake in Peru, as well as other less extensive disasters, such as landslides in the Philippines and El Salvador.

WOCCU has been on the ground in Haiti since June 2009 working as the lead technical implementer on a three-to-five-year USAID-funded financial sector strengthening program administered by AED through FIELD-Support LWA. The program, known as the Haiti Integrated Financing for Value Chains & Enterprises or “HIFIVE” program, aims to stimulate the Haitian economy, improve the business environment and contribute to the sustainable and lasting development of Haitian enterprises, particularly in rural areas. HIFIVE targets agricultural value chains with high potential, encourages diaspora investments, and supports the use of technology to improve the efficiency and outreach of local financial service providers (bank and non-bank) across the sector. The program also facilitates linkages among other USAID-financed programs in the country. TechnoServe, a HIFIVE implementing partner, provides additional marketing support and training to micro, small and medium enterprises and value chains involved in the program.

In the aftermath of the earthquake, HIFIVE expanded its role to support the Haitian financial sector's reconstruction efforts. WOCCU saw firsthand the serious damage to the financial institutions and the simultaneous spike in demand for their services to help Haitians recover and rebuild their livelihoods. They needed access to finance to create and rebuild small and micro enterprises to generate income for their families and to jumpstart economic growth in their communities.

Building on WOCCU's experience working in post-disaster settings, knowledge of the Haitian financial sector and results of various post-disaster assessments, we would like to address three areas in our statement: the role of microfinance in promoting small and micro enterprise development; post-earthquake needs of the microfinance sector; and recommendations for the way forward.

### **The Role of Microfinance in Promoting Small and Micro Enterprise Development**

Recovery from the January 2010 earthquake that struck Port-au-Prince and surrounding regions will be long and arduous. The quake killed an estimated 220,000 Haitians, while another 600,000 migrated to impoverished rural communities. Hundreds of thousands of people lost jobs or the micro and small businesses that provided their livelihoods.

Reconstruction of basic infrastructure coupled with targeted assistance for economic sectors that generate employment (i.e., micro, small and medium enterprises and agriculture) provide the roadmap to get the economy moving; however, revitalization of the small business and agricultural sectors will require broad access to reasonably priced financial services to spur investment and growth.

Finance is key to jumpstarting economic growth, but access to commercial credit has always been restricted to a small percentage of the Haitian population. The commercial banks are highly risk averse, and while a handful of banks have microfinance operations, they prefer larger borrowers with collateral to guarantee loan repayment. It will be very difficult to increase the availability of financing for agriculture or small and micro enterprise development through commercial banks.

Haiti has 10 to 15 relatively large microfinance institutions (MFIs), as well as 100 to 120 credit unions (caisses populaires) that were providing financial services to an estimated 260,000 people before the earthquake. These non-bank financial institutions are the only financial option for much of Haiti's poor and low-income population. MFIs and credit unions are accustomed to working with low-income clients and small volume accounts. While many have an urban orientation, some are well-placed and capable of addressing the financing needs of rural enterprises, farmers and the hundreds of thousands internally displaced persons who have migrated to rural areas.

Strengthening the microfinance sector and expanding services in rural areas will also support the government's goal of economic decentralization, as stated in the Government of Haiti's *Action Plan for National Recovery and Development of Haiti*: "Creating and maintaining employment for a large part of the population depends on the dynamism of [microfinance] institutions" (p. 24).

### **Post-Earthquake Needs of the Microfinance Sector**

In the weeks and months following the earthquake, HIFIVE and WOCCU carried out assessments to identify what MFIs and credit unions would need to restore and expand much-needed financial services to the people of Haiti.

Institutions cited increased liquidity and recapitalization as top priorities due to:

- Increased magnitude of individual loan defaults caused by death and loss of jobs/businesses;
- Increased volume of client requests for loans to rebuild homes/businesses over longer periods of time; and
- Significant withdrawal of savings to address immediate short-term household and business needs.

Other identified needs include, but are not limited to: rebuilding and repairing damaged facilities; supporting new product development including housing, agricultural and business start-up loan products for internally displaced persons; establishing guarantee funds; and restarting training facilities that provide support to the microfinance sector.

Inadequately addressing the critical needs of the microfinance sector could significantly hamper economic growth and rebuilding. The Government of Haiti and international donors alike have recognized the strong desire of Haitians to actively participate in rebuilding their nation. However, without resources and access to finance to support new enterprises and income-generating activities, Haitians will be limited in how they can contribute and at risk of falling deeper into poverty.

### **Recommendations for the Way Forward**

WOCCU and CUNA urge Congress to support additional funding to rapidly stabilize and strengthen the microfinance sector to help Haiti's people and economy recover from the earthquake and rebuild their livelihoods.

*Program design*

WOCCU recommends a financial stabilization program that will overcome the financial distress of Haiti's MFIs and credit unions without making them overly dependent on external aid. Such a program would provide liquidity to pre-qualified institutions, permit them to manage the current increases in loan defaults and savings withdrawals and give their clients access to the financing they need to recover and rebuild their livelihoods.

### *Managing Entity*

The existing USAID HIFIVE Haitian financial sector strengthening program is well positioned to serve as a vehicle for managing stabilization and rebuilding funds. HIFIVE already works with local financial institutions and business service providers throughout the country to help them innovate, grow beyond their traditional markets and provide training to small and micro enterprises. The pre-existence of HIFIVE will permit a financial recovery program to be rolled-out quickly and efficiently.

### *Geographic focus*

We believe the program should initially focus on those MFIs and credit unions that were affected by the quake but which retain economic viability. In addition, assistance should target cities where damage and loss of life was particularly severe (i.e., Port-au-Prince, Leogane, Petite Goave and Jacmel) and regions experiencing a significant influx of internally displaced persons such as the Saint Marc Corridor, the Northern Corridor and the Cul-de-Sac Corridor.

In closing, we would like to thank you for holding this very important hearing. WOCCU and CUNA are committed to supporting rebuilding efforts in Haiti. In addition to our work in Haiti through the USAID HIFIVE program, we have raised more than \$1 million from credit unions and members to support relief and recovery needs in Haiti. These funds have been instrumental in meeting the immediate operational needs of Haitian credit unions and providing support to employees, including shelter. However, as outlined in this testimony, additional funding is needed to stabilize and recapitalize the microfinance sector. We would welcome the opportunity to continue to meet with the Committee to explore how to best support microfinance and microenterprise development to promote rebuilding and long-term economic growth.