

## Pierre-Marie Boisson Microfinance from the Ground Up

Haitian economist Pierre-Marie Boisson likes a challenge and knows how to find one. After graduating in 1975 from Haiti's State University in civil engineering, Boisson worked nine years in Haitian government agencies, earned a master's degree in public administration at Harvard University and then served with the International Finance Corporation as investment manager for its portfolio in Ivory Coast and Mali. But despite his success, something nagged at the self-described idealist and family man. "At the World Bank, I felt like one piece of a machine," he



PATRICE DOUGÉ

Talking with one of the first clients of SogeSol outside the Iron Market in downtown Port-au-Prince, L-R: Pierre-Marie Boisson, president of SogeSol; Maria Otero, president and CEO of ACCION International; Jean Bordes Chatel, president of Sogebank

says. "I want to be somewhere where I can do something that makes a difference; Haiti was more fertile for me."

Since his return to Port-au-Prince in 1990, Boisson has been on the inside of key developments to foster the growth of a microfinance sector. It is a chance to make a difference: in the poorest country of the Americas, job creation is the top priority. The unemployment rate is reportedly 70 percent, and nine out of 10 Haitians struggle to make a living in jobs they have created in crafts, trades and vending. Even the smallest credit can boost their enterprises and help them fight their way out of poverty.

Getting small credits rolling, however, means overcoming some high hurdles.

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Nurturing microfinance in Latin America and the Caribbean involves more than placing loans carefully. The volatility of politics and the fragility of Haiti's economy can hamper the progress in all sectors of the

economy, including at the grassroots level of microlending.

One of Boisson's early tasks was to shepherd the drafting of private sector proposals for policy reforms to be presented to the government elected in 1990. Haiti's Banking Association demanded an end to legislation that strapped banks by setting a ceiling on interest rates, keeping them low, and imposing reserve requirements of up to 70 percent of outstanding deposits. "This was the equivalent of two very high taxes on financial intermediation," Boisson notes.

Those proposals were thwarted by the September 1991 coup, which threw out the elected government and was followed by a severe three-year trade embargo and the suspension of foreign aid. But in October 1994, after the return of exiled president Jean-Bertrand Aristide, the reforms gradually worked their way through Congress, which approved lifting the restrictions on interest rates in 1995, followed by the central bank decision to lower reserve requirements to



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26.5 percent from an average of 48 percent in 1996.

The upshot: It was finally economically viable for banks to reach out to micro and small entrepreneurs—typically good credit risks, but costly clients to serve because their loans are small and are not guaranteed with traditional forms of collateral.

Deciding that the conditions were ripe to seek more clients, Sogebank, Haiti's largest bank, took steps to set up a microfinance affiliate called SogeSol; Boisson, the bank's chief economist, was tapped to serve as president of its board. The new operation made sense. "In an economy like Haiti's, where you have a big informal sector, repeated political crises from 1986 made the informal sector even larger because the socioeconomic instability led to a decline of big business, investment fell and donor funds increased," he says.

Through networking in the world of microfinance, Boisson began to garner the resources necessary for a strong launch into this field. At the first Inter-American Forum on Microenterprise in Mexico City in 1998, he asked the Inter-American Development Bank (IDB) to help identify technical and financial partners. Boisson was introduced to ProFund, a for-profit fund that invests in regulated and self-sustaining microfinance institutions, and to

ACCION International, a leading provider of microfinance expertise.

The next year, Sogebank received a \$300,000 grant from the IDB's Multilateral Investment Fund to finance feasibility studies, staff training and the design of the microlending arm, SogeSol. Bannock/DAI, a British consulting firm, was hired to develop the SogeSol business plan. ACCION was contracted to adapt its microlending methodology to Haiti and to create a procedures manual, design technology and information systems and hire and train staff. Both ProFund and ACCION invested in SogeSol; together, they hold 40 percent of the equity, while Sogebank and local investors hold 35 and 25 percent, respectively.

In August 2000, SogeSol began lending at a pilot location near the central markets of Port-au-Prince. Within three months—by the time the company was officially inaugurated—400 loans had been made. The market-determined interest rate is 4 percent a month, or the equivalent of 60–70 percent a year.

By February 2001, SogeSol had doubled its clients, to 800, with loans averaging \$350 and planned to open three more locations during the year. The goal is to grow rapidly, serving 30,000 clients at 13 branches by 2005.

As SogeSol evolves, Boisson will confront problems that go far beyond managing a loan portfolio of small



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clients. How to supervise the loans of clients who live outside the capital is complicated in a country with a nearly nonexistent communications system. One possibility is to use smartcards encoded with microchips to bypass the expensive and unreliable telephone network. Then there is the troublesome matter of how to minimize risk in the SogeSol venture when records on clients' performance are nonexistent. Boisson is working with a central bank research committee to set up a credit bureau that will benefit the whole financial system, including microlenders. Once again, he is at the center of a reform effort.

## Pilar Ramirez, Social Entrepreneur

**P**ilar Ramirez and her associates have been very busy. Over the past 15 years, these five women with no formal financial background have built a lending organization with 25,000 clients and a loan portfolio of US\$20 million and converted it to a regulated institution—Fondo Financiero Privado FIE—that has achieved sufficient scale and efficiency to reduce interest rates recently. Ramirez also won the Social Entrepreneurship Award in 2000 from the Inter-American Development Bank for pioneering microlending in Bolivia and advancing policies that favor women in Latin America.



**Pilar Ramirez at the III  
Inter-American Forum for  
Microenterprise in Barcelona**

Although no one would fault Ramirez for taking a break, that seems to be the last thing on her mind. From the vantage point of knowing the business of microbusiness, she clearly sees the challenges that lie ahead for microlending institutions and is taking steps to expand the services and capability of FIE.

Staying afloat in difficult times tests the resiliency of microentrepreneurs and the microfinance institutions that lend to them. Bolivia's recession hit hard the majority of FIE clients, who produce clothing, shoes, knitted sweaters and furniture, because the devaluation in Brazil made imported goods more competitive.

As microbusinesses have become less viable, FIE has taken action to tighten the administration of its loan portfolio by applying credit scoring. "We will concentrate the loans among the clients with the least risk," Ramirez says.

**Pilar Ramirez sees the challenges that lie ahead for microlending institutions and is taking steps to expand the services and capability of FIE.**

But opportunity lurks even in these tough times. Ramirez sees a new niche for FIE in taking on clients

who have lost access to loans from banks and other conventional lenders that abandon microcredit in times of crisis.

For the future, she hopes to establish FIE offices in the Bolivian countryside. "We are going to form alliances with non-governmental organizations in rural areas in order to broaden our services," she says. FIE needs to move into new areas because in Bolivian cities there is keen competition among microlenders.

Poverty in Latin America poses a challenge for microcredit institutions and other social organizations. When FIE was launched, its founders hoped they could combat poverty, which Ramirez now sees is beyond her reach. Regulated microfinance institutions reach the upper segment of the poor because they serve those who have enough resources to create work, she says. Lifting others out of poverty will require the combined efforts of public and private agencies.