

Pay-for-Results Sustainability Strategy for Haiti

Capstone Project Final Report

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LIST OF ABBREVIATION

| | |
|---------|--|
| CAGR | : Compound Annual Growth Rate |
| CFO | : Commission on Filipinos Overseas |
| EDTF | : Ethiopian Diaspora Trust Fund |
| GDP | : Gross Domestic Product |
| HIF | : Haiti Impact Facility |
| ICRC | : International Committee for the Red Cross |
| IDB Lab | : Inter-American Development Bank Innovation Lab |
| LAC | : Latin America and the Caribbean |
| LDIF | : Liberian Diaspora Initiative Fund |
| LEDP | : Local Economic Development Plans |
| LoCAL | : Local Climate Adaptive Living |
| M4EG | : Mayors for Economic Growth |
| OBF | : Outcome-Based Financing |
| ODA | : Official Development Assistance |
| OECD | : Organization for Economic Co-operation and Development |
| ReDC | : Remittance for Development Council |
| UNCDF | : UN Capital Development Fund |

EXECUTIVE SUMMARY

This report aims to provide recommendations for developing the funding pipeline of the Haiti Impact Facility (HIF), an outcome-based financing model that ties funding to the achievement of demonstrable impacts in Haiti. The HIF is an initiative of the Inter-American Development Bank Innovation Lab (IDB Lab) to transform Haiti's current cycle of aid dependency and create a more efficient development process with tangible results. The Capstone team researched to complement the work already done by the IDB Lab and its technical partner, Levoca, to facilitate the project's financing.

This report focuses on the design of the HIF and aims to provide data-based strategic recommendations to orient the financing mechanism. It consists of the following sections: an overview of the Haitian context and the HIF (Section 1); a discussion of the research methodologies (Section 2); lessons learned from other similar impact facilities (Section 3); and research on the potential of the Haitian diaspora as one of the financiers and champions of the facility (Section 4).

1. INTRODUCTION

1.1 OVERVIEW OF HAITI

Haiti is the poorest country in Latin America and the Caribbean (LAC) region (World Bank, n.d. a), with nearly 60% of the population living below the poverty line of USD2.42 per day (Levoca, 2021). The average GDP per capita in the LAC region in 2021 was USD8,327.60, while Haiti’s GDP per capita averages USD1,829.60 (Table 1), the lowest in the region (World Bank, n.d. a). Haiti is also one of the most unequal countries in the LAC region, mainly due to the welfare gap between the urban and rural areas, stemming from 66% of the poor population living in the rural areas with limited means for income generation from agricultural production (World Bank, n.d. a). The reliance on remittances from the Haitian diaspora consistently increased and reached the highest amount of USD 4.2B in 2020, demonstrating an 11% growth between 2019 to 2020 and accounting for 20% of total GDP (World Bank, n.d. a).

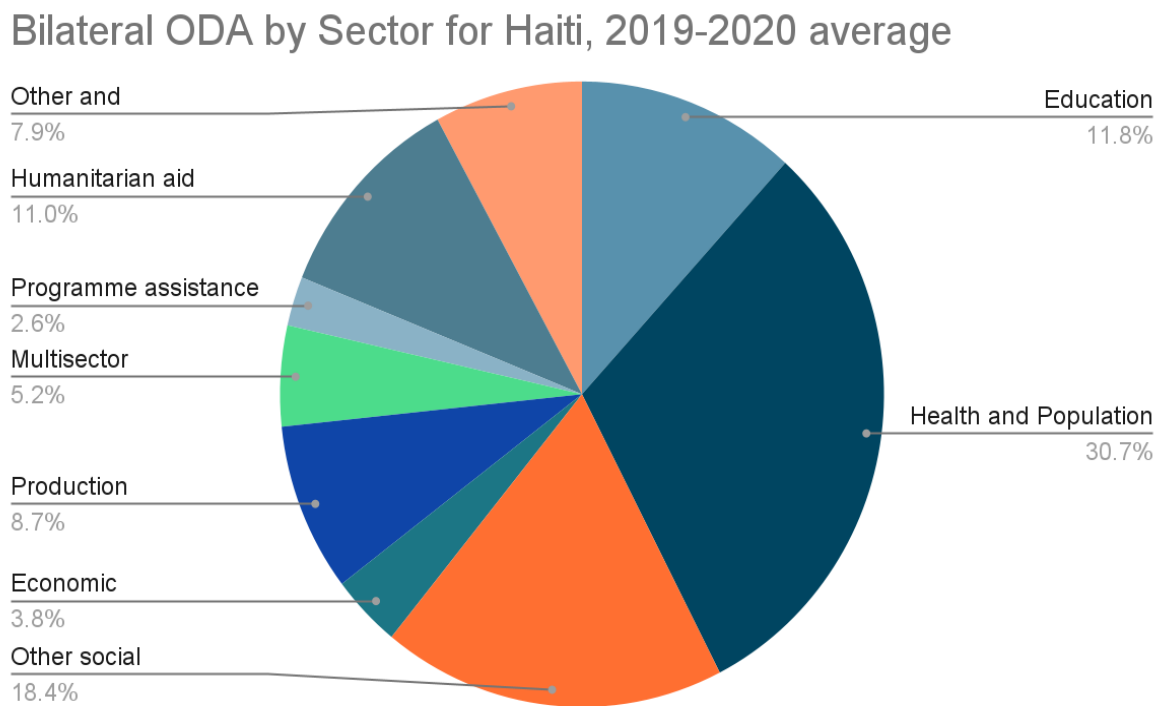
Table 1. Key Metrics of Overall Development in Haiti

| Key Metrics | |
|--|------------|
| Total population (2021) | 11,447,569 |
| Net migration (2021) | -32,977 |
| GDP per capita (USD, 2021) | 1,829.6 |
| GDP growth (annual %, 2021) | -1.8 |
| Life expectancy at birth, total (years, 2020) | 64 |
| Personal remittances received (% of GDP, 2021) | 20.0 |
| Human Capital Index (HCI, scale 0-1, 2020) | 0.4 |
| Access to electricity (% of population, 2020) | 46.9 |

Source: The World Bank

These statistics are relevant despite an average of USD 854.6M delivered in official development assistance to Haiti every year (Figure 1) (OECD, 2019), reinforcing the idea that the aid provided was ineffective in delivering the results to improve the lives of the vulnerable population. To elaborate, the sectors receiving the largest donations are health, followed by other social infrastructure and services, education, and humanitarian aid. Despite being the most invested sector, healthcare and education in Haiti remain challenging. Haiti is experiencing a new cholera outbreak, and infant and maternal mortality rates remain high, with more of the poorest households losing access to prevention measures. The limited access to quality education and healthcare severely inhibits Haitian children's potential, and it is predicted that over 20% of the children are at risk of cognitive and physical limitations. Further, only 61% of the adult population is literate, with 40% lacking access to essential health and nutrition services (Levoca, 2021).

Figure 1. Bilateral ODA by Sector for Haiti, 2019-2020 Average



Source: OECD-DAC, Aid at a Glance Charts - OECD 2018

The development challenges in Haiti arise from the continued political instability, increasing violence, and unprecedented levels of insecurity, all of which combine to worsen the existing

fragility and vulnerability. Haiti remains vulnerable to natural disasters such as earthquakes, hurricanes, and floods, with more than 96% of the population exposed to these shocks. Natural disasters have a detrimental impact on the economy, as demonstrated by the most recent earthquake on August 14th, 2021, that accumulated more than USD1.6 billion in damage, costing 11% of the GDP (World Bank, n.d. a).

1.2 OVERVIEW OF THE HAITI IMPACT FACILITY (HIF)

Despite the consistent and significant inflow of aid from bilateral governments and multilateral organizations, Haiti has faced persistent development challenges. Hence, the HIF seeks to transform the development landscape of Haiti by employing the outcome-based financing (OBF) model. Specifically, the HIF will be a pay-for-results platform with a circular financing mechanism between multiple stakeholders. As illustrated in Appendix A, the IDB will pool investors who will provide the working capital for selected service providers. The service providers will implement the projects and strive to achieve the pre-agreed-upon results per contract. An external evaluator will verify their achievements, and the funder will repay the investors for the outcomes achieved. Some projects may also provide the investors with some return on their investment.

A key part of this financing mechanism is engaging with the funders and investors and having them financially committed to the projects. The value proposition of the HIF can be categorized into co-financing, ecosystem building, and knowledge-sharing. The outcome funders and investors can participate in the learning process of scaling up the positive outcomes of various evidence-based programs. The next appeal would be capacity building at the grassroots level through funding and investing in projects that will help service providers increase the effectiveness of service delivery. The last value proposition is knowledge sharing, which is particularly important since the HIF will launch between one to two pilot projects to build a proof of success. It will then scale up by implementing projects focusing on social protection and health, education, WASH (Water, sanitation, and hygiene), rural and natural resource development, and labor markets.

2. METHODOLOGY

The Capstone team employed a mix of desk research, funder meetings, and interviews to generate new, insightful, and value-add information. It worked with the IDB Lab and Levoca teams to produce acute observations on the current development of the HIF and actionable recommendations on the best funder and investor engagement strategies.

2.1 DESK RESEARCH

In the form of a literature review, desk research was used to analyze the OBF landscape, comparable facilities, and diaspora financing models, focusing on topics related to facility and project design and financing strategies. The analysis involved identifying and selecting comparable facilities and OBF models, examining their key features, and drawing comparisons. The main findings of the analysis were used to develop recommendations tailored to the Haitian context and the HIF design, which focused on addressing the key economic development challenges in Haiti and leveraging diaspora resources to support these efforts.

2.2 FUNDER MEETINGS

The Capstone team participated in ten meetings with potential funders and the IDB Lab and Levoca teams. The Capstone team aimed to understand the fundraising process and identify strategic recommendations.

2.3 INTERVIEWS

The Capstone team conducted seven one-on-one interviews with members of the IDB Lab and Levoca teams involved in the HIF and other Haitian diaspora experts. The interviews were conducted in a virtual setting over a 30-minute time frame, with one Capstone team member acting as a facilitator and another as a note-taker. The conversations were not recorded. The purpose of the interviews with the IDB Lab and Levoca team was to derive lessons learned during the first year of project execution. The interviews with the Haitian diaspora aimed to gain insights into any successful examples of Haitian diaspora financing efforts that contributed to the development of Haiti.

3. OUTCOME-BASED FINANCING

RECOMMENDATIONS

Key Points:

1. The HIF should coordinate with local communities to identify urgent needs, develop systemic interventions allowing for innovative outcome delivery, and give service providers autonomy to adapt to unexpected events in fragile contexts for optimal resource utilization.
2. Private sector partnerships are crucial to the success of OBF and impact facilities, enabling innovation, cost reduction, funding alignment, and sustainability through blended financing.
3. To engage governments in fragile contexts, the HIF should offer capacity building at the local level and incentivize officials to prioritize outcomes through an outcomes-driven approach, building sustainable partnerships and maximizing impact despite political instability.

3.1 OBF LANDSCAPE

Outcome-based Financing refers to any mechanism involving the funder providing payments to individuals or institutions when the pre-agreed-upon results are achieved and verified (World Bank, n.d. b). It includes various applications, such as social impact bonds, pay-for-results contracts, or performance-based-aid (OECD, 2019b). The OBF landscape has grown significantly over the past few years, particularly with the increasing attention on the efficient use of resources and demonstrable results during the COVID-19 pandemic, which regressed some of the integral achievements in development. Most recently, as the financial market stabilized, OBF attracted interest from the development sector as an innovative tool that can transform the way development functions. According to the Outcome Accelerator Report (2022), between 2022 and 2023, more than 300 OBF programs were launched across various sectors and geographies, with the total financing estimated to be around USD 3 billion. The form of OBF applications that experienced the most momentum were social impact bonds and blended finance.

The increase in development projects employing outcome-based financing models and their successes highlight a need to consolidate the lessons learned from the most relevant and successful OBF models. The following recommendations are based on comparable OBF projects in fragile contexts, focusing on tying back the lessons to the observations by the Capstone team throughout the engagement with the clients and funders.

1. Use OBF as a tool for driving innovation

Case Study: Innovation is a pivotal part of delivering results in fragile contexts, and OBF has proven to be a tool that can drive innovation through an outcome-based lens. An example of this can be taken from Sierra Leone (Global Partnership for Education, n.d.). The country faces significant development challenges, with learning levels ranking among the lowest in the world. Children born in the country can only expect to complete 8.9 years of school, or 4.5 years when adjusted for learning, by the time they turn 18. This is out of a total of 12 years of formal education that is expected by this age. Despite lifting the ban on pregnant girls attending school in April 2020, other factors such as early forced marriages, school-related gender-based violence, and poor in-school sanitation facilities continue to present challenges for girls' education. Consequently, the government has prioritized girls' education as part of its policy agenda. The target population for this project includes 134,000 children enrolled in grades one to six across public schools in Sierra Leone, with a particular focus on girls. To achieve this, five service providers were selected to implement five distinct interventions across five geographical lots. The outcomes-based financing program aims to engage with non-state actors and align incentives to improve learning.

Key Takeaways for the HIF: One of the major reasons this program have been successful is because i) multiple service providers were selected to achieve the same outcomes, and ii) service providers had the autonomy to choose the best method to accomplish these outcomes. These two factors allowed the OBF to become a catalyst for driving innovation in the sector. Given Haiti's complex development challenges, driving grassroots-level innovation is a prerequisite for an effective development. The HIF can use OBF to drive innovation in multiple sectors in Haiti by setting outcomes for service providers and allowing them to innovate to achieve the set outcome.

2. Increase government engagement through an outcomes-driven approach

Case Study: One of the paradoxes of the international development landscape has been that it has often operated in isolation from the public service delivery landscape, resulting in the creation of alternate public service delivery systems in developing economies. An example of this can be working on improving the education sector of the

country, without improving the public education system, but creating a separate system of education provision. The caveat to these alternate structures is that they fall apart as soon as the development body behind them pulls back. This phenomenon has also been seen in the OBF landscape, making a case for inculcating government engagement into the design of the OBF model in use. An excellent case study illustrating this phenomenon is the Outcomes Fund for Physical Rehabilitation in Pakistan, which seeks to tackle the unmet demand for mobility-focused assistive devices in the population (Palladium, n.d.). With over 1.1 million people in need within a population of 220 million, the current infrastructure of physical rehabilitation services is not equipped to meet this demand. Healthcare insurance schemes only cover some of these services, leaving patients with significant out-of-pocket expenses. The intervention aims to ensure the sustainability of high-quality physical rehabilitation services without continued support from the International Committee for the Red Cross (ICRC) and increase government engagement to ensure coverage of these services within the national health insurance scheme. The intervention proposes building a data-driven business case to demonstrate the economic and social benefits of expanding healthcare coverage to physical rehabilitation services. The payment for physical rehabilitation services would be linked to quality-of-service delivery outcomes, and reimbursements for additional services would be made to the national health insurance scheme. The linkage of the project with the national insurance scheme is pivotal to ensuring the sustainability of the project, after ICRC and other partners exit the project.

Key Takeaways for the HIF: Although the Outcomes Fund for Physical Rehabilitation in Pakistan is still in its ideation phase, it is an excellent example of how OBF can be used to show outcomes to already established government projects and develop projects that the government can run in the future. The ability of OBF to increase efficiency for development outcomes can allow it to be tied to government public service delivery, hence allowing OBF to act as a catalyst to increase efficiency for the delivery of public services while also creating a sustainable model for public service delivery. In the case of the HIF, this strategy can be used to increase government engagement down the line.

3. Leverage shared value corporate partnerships

Case Study: Social Finance worked with Google to develop the Community Vehicle Specialist (CVS) program, a vocational training and job placement initiative designed to help people in underserved communities within the United States develop marketable technical skills and secure employment (Social Finance, n.d.). The CVS program provided training on automotive maintenance and repair, soft skills, and job readiness. The program was offered in partnership with local workforce development organizations and

community colleges, and graduates related to job opportunities at participating dealerships. Social Finance designed a Pay for Success model to finance the program, with investors providing upfront funding and being repaid based on the program's success in placing graduates in jobs and achieving specified wage targets. The program was successful in helping participants secure employment and advance in their careers, with 85% of graduates being placed in jobs and over 80% retaining employment for at least six months.

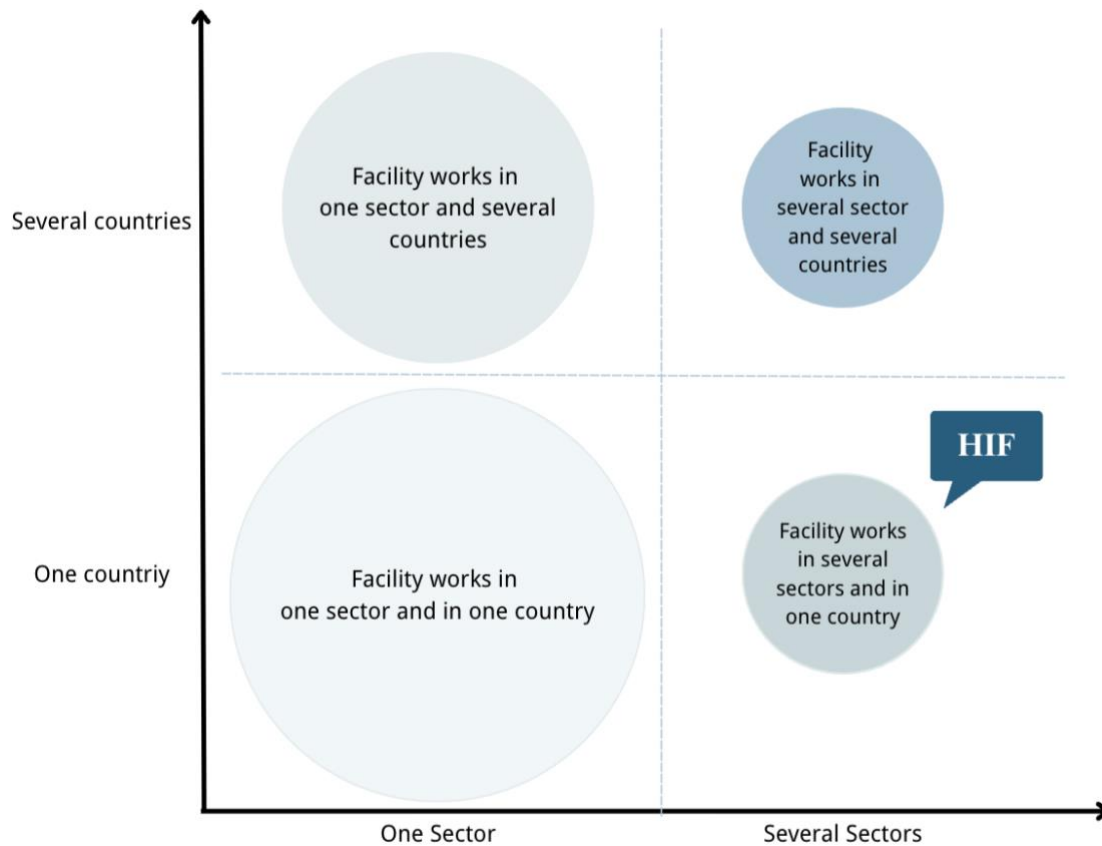
Key Takeaways for the HIF: This is an excellent example of how private sector investments can be mobilized by creating shared-value projects, where the private sector has a dual benefit of engagement, i.e., return from and business contribution to the project. Exploring shared value partnerships in the context of the HIF can result in the development of more innovative development solutions and reduction in costs. Furthermore, it can help align incentives for the private sector in Haiti to invest in development outcomes, resulting in a possible sustainable source of funding with a shared-value element for the private sector.

3.2 SIMILAR IMPACT FACILITIES

Impact facilities, like the HIF, are impact hubs that provide resources and support for organizations and OBF projects. They can be categorized into four types based on sector focus and geographical location.

- The first type focuses on multiple sectors and operates in several countries.
- The second type focuses on a single sector and operates in multiple countries.
- The third type covers various sectors but operates in a single country.
- The fourth type focuses on a single sector and operates in a single country.

Figure 2 shows the distribution of the impact facilities that were analyzed for this report (see Appendix B for more detail). The figure shows that the fourth type is the most prevalent, with half of the facilities analyzed operating this way. The HIF would fall under the third type, operating exclusively in Haiti but addressing multiple sectors. Although working across multiple sectors may present more challenges for the HIF, according to the Capstone team's interview with a HIF team member, the HIF was intentionally designed in this way to harness the benefits from flexibility, a broader impact, and a shift from the status quo. The analysis was that too many development projects stay siloed when focusing on one sector.

Figure 2. Distribution of Impact Facilities

Source: Authors own work

In this research, the focus is on the facilities that either work in similar fragile contexts, impact local communities, or use an OBF model like the HIF. Below are four specific recommendations for the HIF based on best practices from other similar impact facilities.

1. Focus on local needs and priorities and conduct a systematic approach to ensure the model's scalability and effectiveness

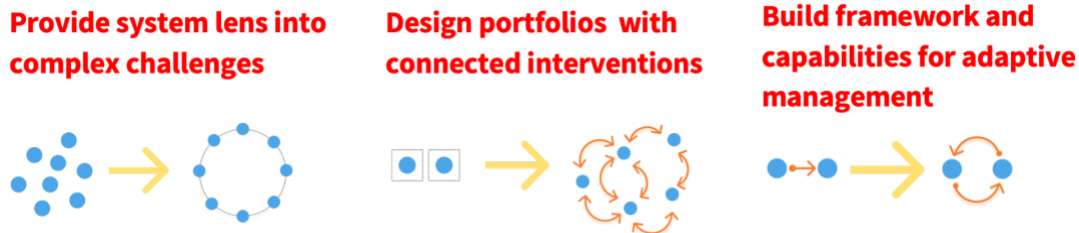
It is important for an initiative focusing on local development to prioritize designing context-appropriate solutions that are informed by user needs.

Case study: The Mayors for Economic Growth (M4EG) Facility is an impact initiative operating in the secondary cities of six countries, including Moldova, Ukraine, and Armenia. The initiative uses an innovative portfolio approach to support the local economic development plans in countries where complex challenges require new models of thinking, beyond the sector-specific or technical solutions (M4EG, 2022). The local

authorities engage in a three-step process to develop a coordinated portfolio of interventions aligned with the goals and priorities of their communities: 1) listen to stakeholders to identify local needs and priorities, 2) analyze the information gathered to develop a better understanding of the local context, and 3) select the best projects. The deep analysis of the cause through proactive engagement with the local community helped M4EG implement a coordinated portfolio of economic development interventions that are aligned with the goals of the Local Economic Development Plans (LEDP).

M4EG also uses a three-step system innovation approach (Figure 3) to implement the coordinated portfolio efficiently. The first step involves building an adaptive portfolio of connected interventions that learn from each other and lever change in socio-economic systems (M4EG, 2022). Then, M4EG works collaboratively to design a portfolio with interrelated interventions. The third step is establishing a framework and capabilities for adaptive management to ensure that the interventions remain relevant and effective over time.

Figure 3. Three steps of the systems innovation



Source: Mayors for Economic Growth Facility, "Overview of M4EG."

Key Takeaways for the HIF: The HIF can collaborate with various stakeholders to develop systematic interventions that are coordinated and aligned in addressing the most salient local needs and priorities. Moreover, establishing an adaptive management framework, including continuous monitoring and evaluation of the interventions, can help to ensure their relevance and efficacy over time. An adaptable and iterative outcome verification matrix can also be developed to track the interventions' progress and outcomes.

2. **Apply blended financing models that combine concessional debt and grants as catalytic funding in various sectors to promote sustainability and attract private sector investment.**

Blended financing, like concessional debt, enables facilities to attract more funding, and at the same time, grant awards as catalytic funding for the stakeholders.

Case study: The Youth4Business Innovation and Entrepreneurship Facility is an initiative in Uganda that uses competitive catalytic funding in the form of blended finance to support innovative solutions to youth unemployment. This approach combined concessional debt finance from partner financial institutions with grants providing matching funds, leveraging private sector investment to ensure sustainability and gain additional support for youth-led businesses (Youth4Business, n.d.). This financing model also ensured sustainability by incentivizing financial institutions to provide longer-term loans to youth-owned SMEs, which allowed for scale ups that de-risked the investments.

Key Takeaways for the HIF: The financing model that combines grants and concessional debt finance can be extended to other sectors of the HIF, on a contract-by-contract basis. The approach will be most useful for service providers that do not have sufficient internal capital. For instance, concessional debt finance can offer financial support to smallholder farmers, cooperatives, and agribusinesses in the agriculture sector, resulting in increased productivity, enhanced market access, and the promotion of sustainable agricultural practices. Additionally, in the climate sector, grants and concessional debt can act as catalytic funding to encourage regenerative practices that build climate-resilient coastlines and make seedlings affordable and accessible. Efforts of this kind enhance the long-term viability of the investment.

3. **Ensure the transparency and accountability of funding distribution and engage with the Haitian government and other trusted local organizations.**

Involving government, trusted local organizations or international organizations with a strong presence in the financing model increases the transparency and accountability of funding, making the funding opportunity more attractive to the stakeholders.

Case Study: The Local Climate Adaptive Living (LoCAL) facility provides innovative financing to local governments in the least developed countries such as Nepal, Niger, Burkina Faso, Sudan, Guinea, Liberia, Uganda, Tanzania, Malawi, Mozambique, Zambia, to respond to climate change (UNCDF, n.d.). The grants are channeled through existing government systems from national treasuries to the local level, ensuring that local governments get their normal budget and additional grants. Grants are awarded based

on meeting specific milestones, incentivizing local governments to use the funds effectively and accountably.

Key Takeaways for the HIF: During the interviews with the HIF team, the Capstone team identified that one of the HIF's biggest challenges to implementation is political instability, along with the resulting corruption and collusion. The World Bank Group considers corruption a major challenge to its twin goals of ending extreme poverty by 2030, since corruption impedes investment, with consequent effects on growth and jobs (World Bank, n.d. c). Using similar approach as the LoCAL facility, the HIF can increase trust and transparency by ensuring that funds are distributed through established and auditable government channels.

However, Haitian institutions do not trust the government because of its history of serious corruption. The extent of the problem is evident from Transparency International's 2018 Corruption Perceptions Index, which ranked Haiti as the second-most corrupt country in the Western hemisphere, trailing only behind Venezuela (Lherisson, 2018). The HIF can distribute fund directly, but this case study suggested that in Haiti where there is a lack of trust in government, partnering with trusted local NGOs or international organizations with a strong presence in Haiti as a channel for fund distribution helps ensuring transparency and accountability. Furthermore, engagement with the Haitian government and other stakeholders may be necessary to address any concerns or issues related to trust and transparency.

4. Prioritize sustainability by prioritizing resilient projects and investing in local authorities to improve their capacity.

Identifying the projects that are more resilient to the country's fragile context and building capacity to improve local ownership can help promote sustainability and scalability.

Case study: The M4EG network was designed so that the cities could benefit from training, capability development, and knowledge exchange activities focused on building innovative growth strategies that are highly contextualized on local ecosystems.

Key Takeaways for the HIF: When identifying projects in Haiti, additional effort must be invested to determine whether they would be resilient against Haiti's fragile political context. On the one hand, an ideal project for the HIF may not be the ideal project for the public sector, or political unrest may cause difficulties when collaborating with the public sector. Furthermore, the most resilient projects may not be the best fit for the OBF model. Therefore, to ensure an effective intervention, it is crucial to choose projects that are both

robust and sustainable in the Haitian context, by mitigating against any potential unrest and providing ample flexibility during the design process.

Additionally, the HIF should leverage partnerships with local organizations to build local capacity, ensure local ownership of projects, and promote sustainability and scalability. For example, to build local capacity, the HIF could provide technical assistance and training to local partners on regional financial management system or budgeting system. Also, the HIF could promote knowledge sharing and learning by establishing a network of local authorities, such as the Urban Learning Center, which provides learning modules, resources, peer-to-peer support, and mentoring, to provide training and technical assistance to local partners and encourage collaboration among different stakeholders. To promote ensure local ownership of projects, the HIF could involve local communities in the design and implementation of projects and provide training to help them take on leadership roles in managing and sustaining the projects over the long term.

3.3 RECOMMENDATIONS FOR SECURING FUNDERS AND INVESTORS

Key Points:

1. To ensure clear communication with funders and investors, simplify the model by offering different scenarios and clearly stating the value proposition of the HIF, which would help organizations understand their roles and responsibilities and visualize their involvement.
2. Target large-to-medium size foundations with prior experience in Haiti and provide a strong value proposition to re-direct or increase funding.
3. Ensure transparency at every engagement process by leveraging in-person meeting opportunities and create a multiplier effect between the interested funders and investors and data-sharing initiatives.

To better understand the funders and investors that make up the OBF world, the structure of Latin American impact bonds and lessons-learned reports were analyzed (Appendix C). The findings from this analysis were then applied to the HIF model to provide strategic recommendations for funder and investor engagement. The recommendations are grouped in two different categories: (i) Recommendations from best practices and (ii) Recommendations for enhancing the engagement processes of funders and investors. The first type of recommendations is mainly based on lessons learned documents from past

impact bonds, and thus, can be applied more generally. The second type of recommendations are more specific to the HIF, as they are mainly based on observations made by the Capstone team throughout the project.

1. Recommendations from best practices

A. Engage the outcome funders early in the design process and find a champion within the organizations

Since the outcome funders will pay for the results, they must be on board with the timeline, costs, and metrics from an early project stage. Mainly because most donors are agenda-driven, they will likely want to be part of the project design to ensure it is feasible and aligns with their goals and agenda (Oroxom et al, 2018). Involving the funders in the project design will make it easier to align the project goals with the funders' goals and ensure that the project meets their expectations. Furthermore, to have a successful funder engagement strategy, finding a senior funder organization that can champion the process is recommended. The HIF is currently executing this strategy through multiple one-on-one conversations with the funders during the project design and scope assessment phase.

To ensure the success of the HIF, the Capstone team suggests bringing more emphasis on consolidating trust among all different stakeholders throughout the implementation process. For example, data sharing could help the funders and investors understand how their money will be spent, allowing them to manage their expectations from the beginning of the project.

B. Engage more than one outcome funder to diversify risk

Having a pool of outcome funders helps diversify the risk and provides investors the certainty of repayment if outcomes are achieved. Most of the past experiences in Latin America had multiple funders, allowing them to share the project's burden between different actors (Agusti Strid, & Ronicle, 2021). Additionally, engaging more than one funder increases the likelihood of successfully raising the amount of money the HIF needs. "Splitting the bill" between organizations may help engage funders sooner.

A caveat to consider when engaging multiple funders is that each additional organization can bring a new set of priorities and interests (Gustafsson-Wright et al, 2017). This may add more complexity in terms of the organization and decision-making processes of the HIF.

C. Target suitable investors, with a particular emphasis on foundations, while remaining open to other types of organizations

Since the HIF focuses on social impact, the investors engaged with the model should have an aligned focus on impact. Hence, the primary type of investors the HIF is trying to engage are foundations, which have the resources that can be mobilized and a shared social vision. Additionally, the main type of investors in Latin American social bonds were local foundations, further emphasizing that these types of investors have already demonstrated a significant interest in taking on the funder and investor role in OBF projects.

Nonetheless, other types of investors have been part of impact bonds in Latin America. For instance, in Argentina, the social impact bond Egresar-Proyecta tu Futuro had among its investors two banks and one corporation (de la Peña, 2021), demonstrating that it is possible to engage the private sector in this type of projects. And, as it was mentioned in recommendation #3 of section 3.1, mobilizing private capital to invest in development outcomes can be useful to develop a financial sustainability strategy in the long term. Thus, the HIF should explore engaging private sector investors. Specifically, because the private sector invests in projects that not only focus on the financial return but also on social impact has increased during the last years, and the HIF can be a good opportunity for them to fulfill both interests.

D. Reach out to investors who are already knowledgeable of the work by the service provider organizations

Contacting investors who are already aware of and appreciate the projects and work of the service providers helps leverage the reputations of the organizations involved and invites a more diverse array of private-sector investors (Oroxom et al, 2018). The Capstone team noticed that in initial conversations, many potential funders/investors asked about the service providers and if some specific organizations would be part of the projects. These questions are common because investors want to minimize risks. If the service providers are organizations well known to them, then the risk of not achieving outcomes will likely decrease, and they can feel more confident about their investment.

2. Recommendations for enhancing the engagement processes of funders and investors

A. Articulate the value proposition showing the upside of working with the HIF

The Capstone team suggests communicating the value proposition of the HIF more strongly with the funders and investors, so that they can understand the leverage the HIF will bring, such as matching the funding and the built-in infrastructure. This is important because most of the funders that the HIF is targeting, which are those with prior experience in financing development projects in Haiti or other fragile contexts, or have demonstrated interest in OBF models, will have a similar portfolio of grantee partners. To convince them to finance these service providers through the HIF, instead of through their existing pipeline, the HIF needs to emphasize that the same financing will be achieved but at lower cost and effort for the funder organizations, as these will be borne by the HIF. In other words, appeal the benefit of working with an impact facility, which aims to achieve economies of scale by financing multiple projects through an intermediary that is responsible for project management, monitoring and evaluation, and others.

After thorough review of the HIF's current contact for funders/investors, the Capstone team developed a list of additional organizations that may be interested in investing in fragile context or have demonstrated an explicit interest in Haiti (Table 2).

The organizations are grouped according to their types. Hence, to market the HIF to these organizations, the Capstone team suggests focusing on the value proposition. From separate conversations with foundations, the Capstone team discovered that the foundations would express greater interest in funding the HIF if their fundings were matched by the IDB, i.e., USD200,000 for an equal amount pledged by the funders. For multilaterals and bilateral aid organizations, an appeal could be the alignment of funding, as they would be financing similar service providers, but the HIF offers an ease of process through an established due diligence, project infrastructure and management, M&E, and data management that is not costed out to the funder. Concerning diaspora organizations, the visibility of the HIF could help with the marketing of the organizations' missions to a larger audience. Similarly, the corporate organizations could aim to leverage the HIF in its marketing and corporate social responsibility initiatives.

Table 2. Potential Funders/Investors

| Foundations | Multilaterals and bilateral aid organizations | Diaspora org. | Corporate/other |
|---|--|--|---|
| <p>Others:</p> <ul style="list-style-type: none"> • Rockefeller • Skoll • The Andrew W. Mellon • Mastercard • Packard • Conrad N. Hilton • MacArthur | <p>Others:</p> <ul style="list-style-type: none"> • European Bank for Reconstruction and Development (EBRD) • United Nations Development Programme (UNDP) • International Finance Corporation (IFC) | <p>Others:</p> <ul style="list-style-type: none"> • Haitian Roundtable • Haitian-American Nurses Association International • Haiti American Community Development Corporation (HACDC) | <p>Others:</p> <ul style="list-style-type: none"> • Coca-Cola • Unilever • Nestle • General Electric • Pfizer • Root Capital • The Rise Fund |

Source: Authors own work

B. Focus on large-to-medium sized foundations with prior experience in Haiti to channel the inflow of funding to the HIF

Another suggestion for the HIF is to strategize whether they will target one large foundation that can provide larger funding size, or small-to-medium foundations that typically deploy grants in the range of US\$10,000. This is from an observation made in funder meetings, where a small family foundation was highly curious about whether their smaller grant size would be a meaningful contribution to the HIF. However, if the HIF would like to continue pursuing mid-size funders, then the important value proposition would be investing into a standardized vehicle of funds that can bypass the legalities involved in financing organizations. Hence, a crucial step for the HIF at the current stage to ensure sustainability of its financing strategy would be deciding whether trying to channel the funding already flowing into Haiti or bring in funders who are not investing in Haiti but are interested in the OBF model. In the prior case, the value proposition should be based on pointing out why these funders should steer their funding away from existing organizations. The latter should focus on leveraging the value of IDB, its expertise in the region and social impact bonds, to convince the funders that the HIF can overcome the persistent political instability. Observing the breadth of conversations of the HIF, the Capstone team suggests working with bigger organizations that can work together with the HIF to build a proof of success that will be crucial for scalability and sustainability.

C. Provide different scenarios when presenting the HIF to potential funders/investors

When reaching out to potential funders and investors, IDB Lab and Levoca used a strategy that did not impose a role (funder vs. investor) for the organization to fulfill. In other words, the HIF team allowed the organization to self-select based on their interests, whether they saw themselves as a funder or investor, after thoroughly understanding the HIF model and expressing how they believed their needs and goals would be mutually beneficial.

The advantage of this strategy is that the HIF team did not close the door to any possibilities – the organization could explore all the possible roles they want to play within the HIF. However, the Capstone team noticed that this strategy could lead to some confusion for the organizations, as many would repeatedly ask clarifying questions about the expectations of the HIF team for their organization and the responsibilities and benefits each role would entail.

To tackle this situation, the Capstone team recommends formulating different scenarios for funders/investors that explain the hypothetical responsibilities they would face in each role. Using this approach, it can be easier for them to identify as part of the HIF. Furthermore, since the technical details of the HIF are still being defined, it may take much work to answer technical questions about the HIF, e.g., the amount expected from the donors/investors and return on investment, within a short time during the meetings. Hence, providing a range of expected funding or returns might be helpful.

D. Meet with funders/investors in person and gather a pool of interested funders/investors in the same meeting

Remote meetings can be challenging due to technical matters (like internet connection) and the “personal connections” are more difficult to achieve. Talking to a person through a screen makes it more challenging to identify if they are paying attention to the meeting or understanding what is being proposed. Therefore, holding meetings in person should be considered, when possible, mainly because the goal of the meeting is to convince the other organization to be part of the HIF.

Additionally, engaging funders and investors is time-consuming because it requires constant follow-up to emails, calls, and coordinating multiple calendars. One alternative the HIF can consider speeding up the process is to gather a pool of organizations that have already expressed their interest in the project as funders/investors and organize a meeting with all of them simultaneously. This boosts the interest of organizations if they

perceive that others are also willing to participate in the project and push funders to confirm commitments.

E. Explore the possibility to aggregate the funding on the ground

The HIF could consider tapping into informal groups within the diaspora community that will help to aggregate the funding from individual level investors. These saving groups, also called *Sòls* or *Susu* in Creol, are the method for building social capital based on trust within a group of people (Steinberg, 2021). This method is used by many of the Latin communities to avoid unfamiliar processes and unnecessary fees in opening and maintaining bank accounts. The engagement of the HIF investor through diaspora Champions could also engage the leaders of the local *Sòls* to work to convince broader savings group members.

4. HAITIAN DIASPORA RECOMMENDATIONS

Key Points:

1. Since the Haitian diaspora is dispersed, the HIF needs to develop a systematic approach to align interests with different segments in the Diaspora Community. This would require mapping the Diaspora community based on salient characteristics.
2. The potential of the Haitian diaspora mainly lies in its larger size relative to some other successful diaspora engagement in the US. However, it is essential that the HIF brings together the Haitian diaspora through effective trust-building and tailored product offerings.
3. The least risky and costly option to consolidate the vast Haitian diaspora in the US is crowdfunding. Crowdfunding is the most appropriate product for the Haitian diaspora as it can offer ease of access, process a high number of transactions, and be tailored to various ticket sizes of funding. After crowdfunding proves to be successful, the HIF could gradually expand to other products based on market feedback.

This section continues the recommendations for engaging with the existing funders and investors, explicitly focusing on utilizing the Haitian diaspora's potential as another key stakeholder. After establishing a thorough understanding of diasporas worldwide, the successful cases of diaspora engagement will be explored to provide a complete analysis of how other countries leveraged their diaspora's potential for national development. Then, Haitian diaspora characteristics are analyzed in detail, and the observations are combined with the best practices from other diaspora engagement examples to provide a detailed engagement strategy and products tailored to the distinct Haitian diaspora characteristics.

The Capstone team's interviews with the Levoca team revealed that one of the perceived strengths in the working dynamic between the IDB Lab and Levoca is the presence of the Haitian diaspora as the primary executors and managers of the HIF. As such, the HIF has readily components it can leverage to properly engage the Haitian diaspora. Yet, with a deeper understanding of their characteristics, the HIF can approach the Haitian diaspora

strategically and avoid repeating the same mistakes as other international organizations that failed to gain trust and engagement.

4.1 DIASPORA OPPORTUNITIES AND LANDSCAPE FROM BEST PRACTICES

There are many examples of the diasporas supporting their home country's development. The most common example is through remittances, where the diaspora sends a portion of their earnings to their close family or friends back home to support basic life needs. Another example is through foreign direct investment in industries such as tourism and technology, which usually account for a significant amount of a country's GDP (Nicolas, 2016). They can also act as reputational intermediaries and cultural interpreters (Agunias and Newland, 2012), contributing to increasing FDI, trade, and cultural promotion of the home country.

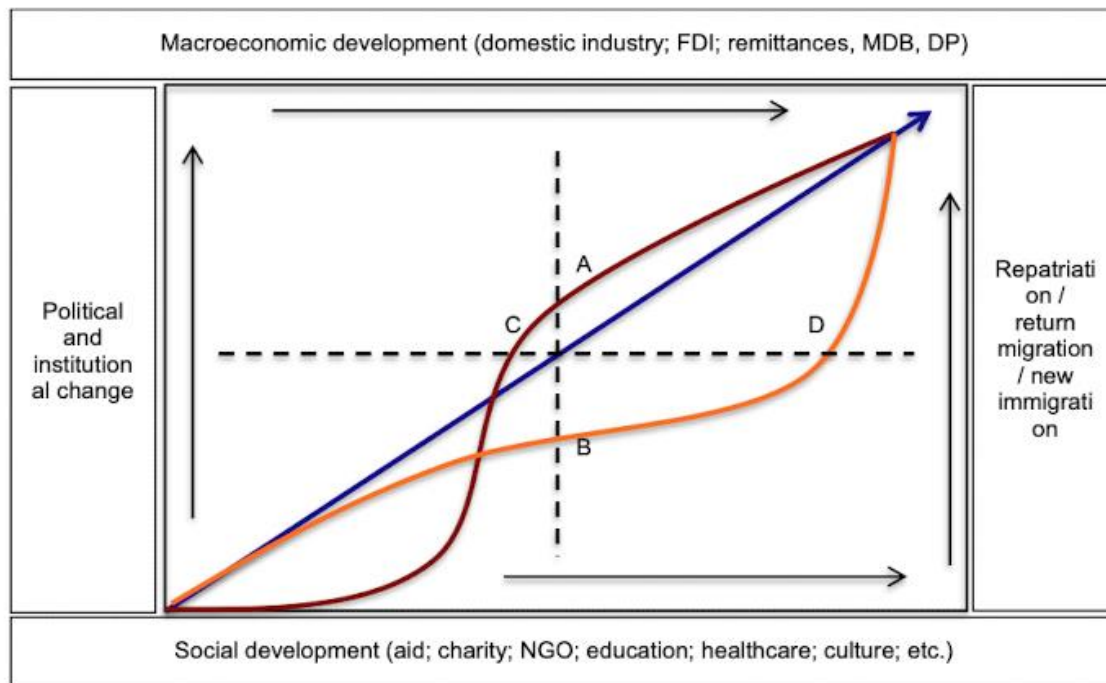
According to the Gevorkyan (2018) model, the benefits of diaspora engagement can be generalized into the following for categories: 1) macroeconomic development, 2) social development, 3) institutional change, and 4) repatriation. Figure 4 models the gradual growth of the four factors through an arrow indicating the direction of the improvement. The ideal outcome, a positive change in all four factors, is represented by the blue arrow showing a movement in the northeast direction.

There are different strategic initiatives that the national government can undertake to harness the four benefits. For example, growth in domestic industry, increase in FDI and remittances, formation of a migration development bank or diaspora portal, are all diaspora engagement initiatives that can contribute to the development of the country's macroeconomy. On the other hand, social development growth can be fostered through an increase in aid, charity, grant, and the number of NGOs in the country. Furthermore, the increased accountability and transparency required by the diaspora in return for proactive engagement will indirectly lead to improvements in political and institutional development. These advancements can, in turn, eventually increase in repatriation, such as in the case of the Indian Diaspora in the United States (Tejada, 2016) and the Asian Diaspora in Australia (Hugo, 2016).

The model also shows how diaspora contributions differ from one to another depending on the development focus areas. The four factors surrounding the model are the benefits that countries can expect from engaging the diaspora, motivating the countries to implement national strategies to harness these effects. The location of each point represents the different levels of emphasis that countries can place on each benefit. For example, in point A, the diaspora engagement focuses more on business and economic development, while points C and D focus on political impact and repatriation. Although this model does not map the position of different countries in their diaspora engagement efforts, it is effective for gaining

a comprehensive overview of the pillars that the HIF can consider when prioritizing the issues, it would like to leverage the diaspora's potential.

Figure 4. Diaspora-driven small country economic development model



Source: Gevorkyan, 2018

Countries have engaged differently with their diasporas and experienced benefits from the four factors above. One of the countries that has put such an emphasis on its diaspora engagement is the Philippines. The country provided an early example of establishing a policy on diaspora engagement in 1974. The government addressed the overseas employment administration, encouraged, and facilitated its people to work abroad, advocated for overseas worker rights, provided a platform for engagement, and set up mechanisms for dialogue, making it one of the most recognized diaspora engagements in the world. As a result, in 2021, the Filipino diaspora sent back USD 36.69 billion in remittances, equal to 9.3% of the country's GDP (World Bank, n.d. d). In addition, the Filipino immigrants are also well-engaged in the country's development effort. They take role as consumers, investors, activists, philanthropists, as well as historians (Martinez, 2021).

4.2 DIASPORA ENGAGEMENT IN SIMILAR CONTEXTS

Some countries in a similar context to Haiti have demonstrated good examples of diaspora engagement for development projects. The Capstone team analyzed each case study and developed the following summary of best practices.

1. Use a systematic approach to engage the diaspora

An effective diaspora engagement strategy should take a systematic approach aimed at comprehensive development (Gevorkyan, 2021), since the diasporas are most likely segregated by political, business, and other socioeconomic characteristics and beliefs. Hence, formulating a solid understanding of the diaspora's general characteristics like age, religion, language, social and economic classes, and generational status could help in better understanding the comprehensive roles the diaspora can play. These roles can vary, from an investor to marketer, collaborator, and co-creator (Minto-Coy, 2016). Then, the HIF could build tailored engagement strategies that leverage the most salient characteristics of the diaspora and their respective roles.

The Philippines took a systematic approach to diaspora engagement by formalizing the process into the country's development plans, addressing issues such as remittances, private sector engagement, soft engagement, and even pre-departure engagement. In 1980, the Philippines established the Commission on Filipinos Overseas (CFO) under the Office of the President for diaspora engagement. Since then, through the Diaspora to Development program, the CFO has been engaging the Filipino diaspora in ten different areas (see Figure 5). Further, in 2013, the CFO also launched a one-stop online portal called BaLinkBayan (PCFO, n.d.), which showcases various functions such as investment, donations, volunteering, government services, and the payment of property taxes. The Philippines also created the Remittance for Development Council (ReDC), a multi-stakeholders consultative forum for all remittance-related stakeholders, including central banks, private banks, migration-related government agencies, migrant organizations, and academic and multilateral institutions (Nicolas, 2016).

Figure 5. The Ten Areas of Filipino Diaspora Engagement

Source: Nicolas, 2016

The Ethiopian government also developed institutional measures to reinforce the idea of a shared national identity within the diaspora and foster a sense of loyalty, pride, and belonging to the homeland. The government created a general directorate for Ethiopian Expatriate Affairs under the Ministry of Foreign Affairs, which supported and sponsored the Ethiopian Diaspora Association and the constituency-building programs abroad. The government has been working with multilateral agencies and diaspora organizations to encourage the temporary or permanent return of its much-needed highly qualified professionals, for the purpose of knowledge transfers. It also offered different financings, such as remittances, diaspora bonds, and investments (Chacko and Gebre, 2017).

2. Build a transparent engagement infrastructure

The best practices from other diaspora products highlight that building the diaspora's trust in the initiative is crucial for encouraging investments. The Ethiopian green bonds failed at securing diaspora financing due to the arising questions on transparency. On the other hand, Israel and Nigeria's diaspora bonds were successful because they placed a huge emphasis on transparency – the bonds were registered with the US SEC, signaling to the market that the terms and structures of the bonds are extremely transparent. The enhanced transparency boosted the public's trust and reaped high subscription.

In a fragile context like Haiti, where doubts about institutions are high, the need for transparency is even greater. Without transparency, the diaspora's engagement with the project is short-lived and often targeted to a specific sector, event, or location (Gevokyan, 2021). Enhanced transparency also increases the potential to attract other private investors such as venture capital investors, who place utmost importance on accountability. Some approaches to ensure transparency include building a diaspora portal that provides information and engagement opportunities to the diaspora, creating a migration development bank, or pursuing an institutional reform in government agencies or parties related to diaspora engagement.

3. Be proximate through affordable product and low-cost engagement

To increase accessibility and ensure usability, the products should offer proximity to the targeted diaspora community. This proximity could be accomplished through affordable product and low-cost engagement. For example, when sending remittances, the Bangladesh diaspora showed a strong preference towards microfinance institutions, mainly due to their closeness of the payment point and lower cost compared to the formal banking system. The informal channels through family and close friends were also preferred over banks and Western Union. Another example is the Balikbayan Diaspora Portal and the Ethiopia Trust Fund, which offered proximity and reduced the cost of transaction through the option to make direct online donations.

Some diaspora bond issuances used an engagement approach focusing on accessibility and product affordability. India issued three diaspora bonds and channeled them through local banks, allowing the diaspora to feel closer to the country. When offering the bonds through familiar channels, providing them in smaller ticket sizes can also help boost the proximity, since more people can purchase the product. This was in the case of the Ethiopian diaspora bond, which offered the bond in a smaller ticket size so that it could deepen its reach within the diaspora.

However, this does not mean that issuing the bond at a larger ticket will lead to failure. In the case of the Nigerian diaspora, the impact bond was successful despite a relatively larger ticket size, as evident from oversubscription to the bonds (see Appendix D for more information). This is most likely due to higher average income, implying that the ticket size was still affordable to the affluent Nigerian diaspora.

4. Provide financial incentives

When engaging the diaspora for investment, the value offered should not only center around sentimentality and goodwill, but also on the financial benefits, such as returns from the investment (Minto-Coy, 2016). This is not to say that the diaspora will look for market-rate returns and try to maximize their financial rewards. The diaspora may still accept lower (but competitive) returns on investment and tolerate the higher currency risk arising from investing in instruments denominated in local currency, offset by the possible investment impact to their home country.

Other than direct financial return, the investments offered can also provide innovative features that add to their value proposition. The Indian and Ethiopian diaspora bonds both introduced a tax-free feature, and the Ethiopian diaspora bond provided the option

for using the bond certificate as a collateral for borrowing. The detailed comparisons of diaspora bonds are shown in Appendix D.

4.3 CHARACTERIZATION OF HAITIAN DIASPORA

This section focuses on understanding the Haitian diaspora located in the United States, as it is currently the largest host country. Based on the identified characteristics, the Capstone team has assessed the potential monetary contribution the Haitian diaspora can provide to the HIF.

The Haitian diaspora in the United States cannot be defined as a single entity due to its vast diversity both geographically and demographically; however, this section will focus on identifying some of the more general and salient features. The complete and most updated mapping of the Haitian diaspora, which may provide deeper insights into Haitian diaspora characteristics, is currently being developed through a survey conducted by the W.K. Kellogg Foundation with the results not yet available.

1. Demography

The exact number of people that belong to diasporas is generally difficult to identify, since it depends on the technical details of how the diaspora is being defined and the generations considered. In the case of Haiti, the European Union Global Diaspora Facility estimates the total number of the Haitian diaspora is approximately 1.6 million, which represents about 13.7% of the Haitian population. On the other hand, the Ministry of Haitians Living Abroad estimates that nearly 4 million people are Haitian descendants living abroad (HHTARG, 2015).

The top countries of Haitian diaspora's destination are the United States, Dominican Republic, Canada, France, and Chile. According to the United States Census Bureau, more than one million people with Haitian ancestors live in the United States, and 73% of them are concentrated in the four metropolitan areas: Miami, New York, Boston, and Orlando (Olsen Medina and Batalova, 2020). Yet, the Haitian diaspora is still very much dispersed and there does not exist a single organization or unifying group (see Appendix E for more detail).

Table 3 shows some characteristics of the Haitian community living in the United States. There is a large percentage of people who were born in the United States (46%), and among the subgroup who were not born in the United States, 45% entered the United States before 2000. The Haitian diaspora is very young, with the median age of 33 years and 26% of the diaspora belonging to age group of 18 years or below. In terms of

educational level, 16% of the population (that is 25 years and over) has attained less than a high school diploma, 26% have graduated from high school, and 58% has a college or higher degree. Lastly, 64% of the diaspora is employed and the median household income is USD 60,169.

Table 3. Haitian Diaspora characterization in the US

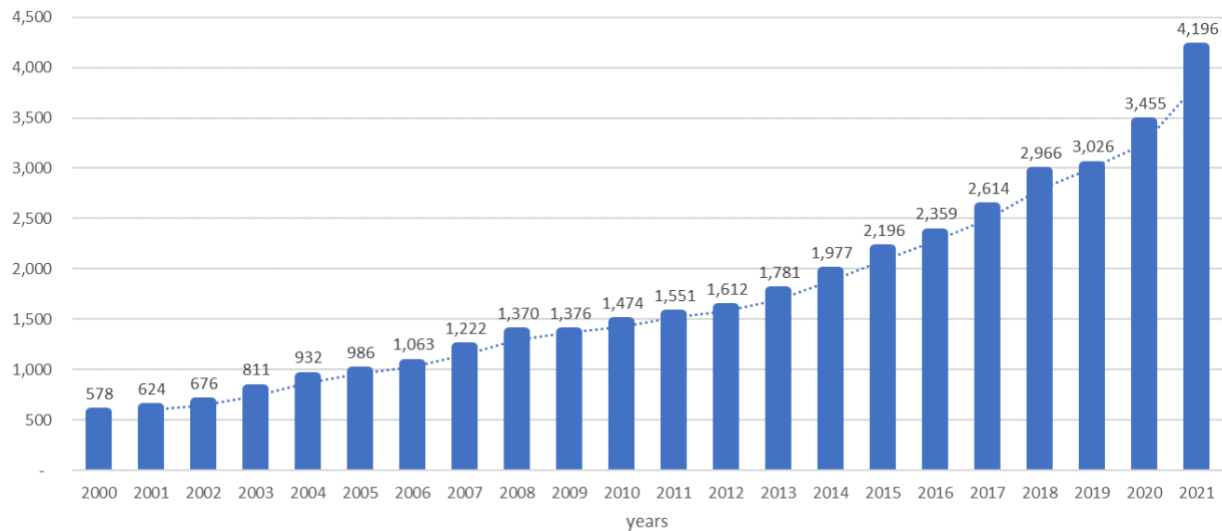
| Topic | Demographic Category | Estimate |
|--|---|-----------------|
| General | Total population | 1,054,233 |
| Sex | Male | 48.8% |
| | Female | 51.2% |
| Age | Median age (years) | 32.7 |
| | Under 18 years | 25.7% |
| | 18 to 64 years | 64.8% |
| | 65 years and over | 9.5% |
| Marital status (Population 15 years and over) | Now married, except separated | 38.7% |
| | Widowed | 3.8% |
| | Divorced | 8.6% |
| | Separated | 3.0% |
| | Never married | 45.8% |
| Educational Attainment (Population 25 years and over) | Less than high school diploma | 16.2% |
| | High school graduate (includes equivalency) | 26.3% |
| | Some college or associate's degree | 30.5% |
| | Bachelor's degree | 17.5% |
| | Graduate or professional degree | 9.6% |
| Place of Birth | Native | 486,879 (46.2%) |
| | Foreign born | 567,354 (53.8%) |
| Year of entry to the US | Entered 2010 or later | 31.4% |

| Topic | Demographic Category | Estimate |
|--|-------------------------------------|----------|
| (Population born outside the US) | Entered 2000 to 2009 | 23.2% |
| | Entered before 2000 | 45.4% |
| Language spoken at home and ability to speak English (Population 5 years and over) | English only | 26.7% |
| | Language other than English | 73.3% |
| | Speak English less than "very well" | 29.1% |
| Employment Status (Population 16 years and over) | In labor force | 70.3% |
| | Civilian labor force | 69.9% |
| | Employed | 63.9% |
| | Unemployed | 5.9% |
| | Armed Forces | 0.4% |
| | Not in labor force | 29.7% |
| Income in the past 12 months (in 2021 inflation-adjusted dollars) | Median household income | 60,169 |
| | Per capita income | 26,711 |

Source: United States Census Bureau, American Community Survey (ACS) 2021. Selected Population Profile in the US –Haitian ancestry group profile

2. Remittances sent by the Haitian diaspora and their preferred channels

The number of personal remittances received in Haiti has steadily increased over the years. As shown in Figure 6, the number of remittances in 2000 was USD 578 million, increasing consistently to reach USD 4.2 billion in 2021. Over these 21 years, the compound annual growth rate (CAGR) was 10%, and just between 2020 to 2021, the growth rate was more than 20%, reflecting a positive trend that needs to be monitored in the coming years to see if this trend will continue.

Figure 6. Personal remittances received in Haiti, 2000 - 2021 (USD million)

Source: World Bank - World Development Indicators

The Haitian diaspora usually sends remittances through money transfer agencies like Western Union, MoneyGram, and Xoom. Some companies like CAM and Unitransfer also offer cash delivery services to the recipient's doorstep, which is a convenient option for people without bank accounts. Additionally, people often send money through friends or family members traveling to Haiti, to avoid paying fees and decrease the risk of robbery as they withdraw cash from banks or ATMs (World Bank, 2022).

Mobile money transfer is another alternative Haitians use to transfer money. An example is MonCash, one of Haiti's largest and most powerful mobile providers (Bellini, 2021), which has recently gained some popularity, although it still falls far short of the usage of M-Pesa in Kenya. Bank-to-bank transfers are the least preferred as it is considered expensive for individual transactions and used mostly for business transactions.

3. Distrust towards government

Haiti has a long history of political instability and corruption cases that undermine the Haitians' belief in their political system. The recent events further exacerbated the mistrust; for instance, in 2017 government officials and their associates misused and misappropriated almost USD 2 billions from Venezuela's oil-purchasing program called PetroCaribe. This Funds were meant to be invested on infrastructure, and social projects. Yet, it never happened (Danticat, 2019). This provoked massive protests widespread in Haiti, with citizens calling for the prosecution of those responsible and for a complete

overhaul of the political system. In 2021, President Jovenel Moïse was assassinated, causing even greater political instability and tumult that continues to prohibit any legitimacy in the current holding government (The Washington Post, 2022). Concerning the Haitian diaspora specifically, the government faced a lawsuit regarding the misallocation of the funds raised for the purposes of financing public education. Between 2011 and 2015, the government charged a “remittance tax”, applying USD 1.50 fee to every money incoming transfer, and raised approximately USD 90 million (Bojarski, 2019). The government pledged it would use the tax collected to fund primary and secondary schools; nonetheless, according to the allegations, not a cent was spent on education.

All these cases have caused the Haitian diaspora to become weary and doubtful of the government’s ability. Interviews with the Haitian diaspora experts, Johnny Célestin and Dana François, revealed that Haitians in general find it difficult to trust the Haitian government. This is supported through the statistics in Table 4. In 2022, Haiti ranked 171 out of 180 countries in the Corruption Perception index, and it had the lowest government effectiveness index among Nigeria, Kenya, and Ethiopia. If the HIF wants to engage the Haitian diaspora as investors, the government must be involved, since the internal meetings with the IDB legal team indicated that routing the diaspora’s capital without the involvement of the government or the IDB is unprecedented. Hence, it is crucial that the HIF addresses this mistrust in government as a part of the diaspora engagement strategy.

4. Potential monetary contribution

To assess the potential monetary contribution of the diaspora three main factors were considered: the monetary capacity, the willingness to contribute, and the size of the diaspora in terms of the number of people.

First, an assessment of the overall income level of the Haitian diaspora provides an excellent proxy for the diaspora monetary capacity. The average income per household in the United States is USD 69,717, which is 16% larger than the average income of a Haitian-American immigrant household, which earns USD 60,169 per year (US Census Bureau, 2023). Moreover, in an interview conducted by the Capstone team, the interviewee estimates that diaspora members with high disposable income account for only about 10% of the total diaspora and unfortunately, they have weaker cultural connection to Haiti, as they belong to the oldest age group and thus have the longest time spent away from home. On the other hand, the other 90% of the diaspora, those with lower disposable income, use a significant portion of it to support their families back

home. These individuals have a deeper cultural connection to Haiti, but a lower monetary capacity.

From these statistics, it can be inferred that most people sending remittances to Haiti belong to the medium-to-lower-income class. This conclusion is in line with the mode of remittances sent to Haiti. According to Banque de la République D’Haiti (Duroseau and Jean, 2019), the most frequent amount sent as remittance was USD 150. When considering whether this number could be higher, the giving capacity is limited by the higher fees charged on smaller international transfers. For example, the average cost of sending USD 200 from the United States to Haiti was 4.47% in the fourth quarter of 2022. However, when sending USD 500, the average cost decreases to 2.49% (World Bank, 2022). An interviewee remarked that Haitians are effectively paying the monthly maximum fee because they complete small transfers per month rather than waiting several months to send a bigger amount of money to avoid paying higher fees.

In terms of willingness to support, Haitian diaspora has been economically supporting the country through remittances. In 2021 alone, the Haitian diaspora contributed USD 4.2 billion to Haiti, an amount equivalent to 20% of Haiti’s GDP (World Bank, 2023). Relative to the total number of Haitian diaspora community, the monthly average amount of remittances sent to Haiti is USD 220. This amount is still relatively far below the average monthly amount sent home by the Nigerian and Kenyan Diaspora each at USD 1,300 and USD 600 (see Table 4), although this may be due to their capacity as explained above. An interesting fact is that, regardless of the smaller average amount of remittance, the overall amount of them provided to Haiti is larger than the number of remittances to Kenya.

This data provides good insights into the Haitian diaspora’s monetary potential to support the HIF’s interventions. Convincing the Haitian diaspora to invest in development projects in Haiti will be challenging, but one of the characteristics that stood out in comparison to Nigeria, Kenya and Ethiopia was the sheer number of Haitian diaspora community living in the United States. The size of the Haitian diaspora provides the HIF with an opportunity to offer a small ticket size with its reliable and open mechanism and achieve its significant funding goals through economies of scale. Further, by providing some returns and lower transaction costs in the investment, the HIF could increase the possibility of obtaining more of the diaspora funds. In the next subsection, more details about the engagement strategy with this group are provided.

Table 4. Haitian diaspora comparison with other countries in similar context working on diaspora engagement.

| | Haitian | Nigerian | Kenyan | Ethiopian |
|--|----------------------|---------------------|-------------------|-------------------|
| Number of Diaspora worldwide (percentage of total population) ³ | 1,585,681 (13.7%) | 1,438,331 (0.7%) | 525,437 (1.0%) | 871,747 (0.7%) |
| Number of Diaspora in USA (2021) ¹ | 1,054K | 682K | 154K | 360K |
| Median Household income in the USA (2021) ¹ | USD 60,169 | USD 71,465 | USD 80,111 | USD 58,507 |
| Remittance Inflow (2021) ² | USD 4.2B | USD 19.5B | USD 3.8B | USD 0.45B |
| Remittance as a share of GDP (2021) ² | 20.04% | 4.42% | 3.42% | 0.40% |
| Average remittance per month ³ | USD 220 | USD 1,130 | USD 600 | USD 40 |
| Corruption perception index - ranking (2022) ⁴ | 171/180 | 150/180 | 123/170 | 94/180 |
| Government effectiveness ² | -2.2 | -1.0 | -0.3 | -0.6 |

Source: (1) [United States Census Bureau](#); (2) World Bank; (3) European Union Global Diaspora Facility – [World Diaspora Map](#); (4) [Transparency International](#)

4.4 HAITIAN DIASPORA ENGAGEMENT STRATEGY

Currently, the HIF's Haitian diaspora engagement goals are specified as (Levoca, 2022):

1. Receive financial support.
2. Mobilize Haitians abroad and connect the HIF more directly to Haitians in Haiti.
3. Gain a broader and deeper perspective of policy and development in Haiti.
4. Broaden the HIF network by building connections to like-minded organizations.

The HIF's current proposed engagement strategy for the Haitian diaspora is the following:

1. Map Haitian diaspora organizations and networks for outreach.
2. Gather feedback on which diaspora organizations are best positioned to reach the above goals and are trusted by partners.
3. Start with outreach to a few existing or trusted connections with diaspora organizations.
4. Focus efforts on engaging high potential diaspora organizations; educating them about the HIF and getting them excited in the opportunity to contribute.
5. Involve them in Haitian workshops or events to cultivate the relationship and provide a sense of ownership and involvement in the HIF.

The Capstone team propose a strategy based on three pillars: (i) Clarify targeted diaspora segments; (ii) Develop a systematic engagement strategy that aligns the HIF and diaspora interests; (iii) Continued diaspora engagement.

1. Clarify targeted diaspora segments

A. Working out diaspora segments through diaspora mapping is essential because the Haitian diaspora is incredibly dispersed

The HIF's current diaspora engagement strategy can be further amplified through segmenting the diaspora and tailoring the strategy to each segment (Table 5). The key value of segmentation lies in alignment of incentives, but if there is significant overlap (more than 80%) between two groups, they can be merged into one. After understanding the diaspora incentives according to each segment, these interests should be incorporated in the continued engagement of the diaspora with the HIF, where a

multiple-channel strategy can be used to make sure that the diaspora has an ongoing relationship with the HIF. The major goal behind the last pillar is to build a shared-value relationship with the diaspora, rather than a transactional one.

Table 5. Suggested Haitian Diaspora Segmentation

| | Business-minded investors | Individuals | |
|----------------------------|--|---|---|
| | | Strong and financial connections with Haiti | Do not have strong and financial connections |
| Characteristics | <ul style="list-style-type: none"> • People with high income, who are searching for investment opportunities in Haiti | <ul style="list-style-type: none"> • ~90% of individuals • Connection through family and friends | <ul style="list-style-type: none"> • Interested in amplifying Haitian interests in their place of residence • ~10% of individuals |
| Role and Value proposition | <ul style="list-style-type: none"> • Investors • Focus on return on investment • Business creation | <ul style="list-style-type: none"> • Investors • Social impact potential that is aligned with the purpose of the remittances • CAVEAT: power dynamic | <ul style="list-style-type: none"> • Marketers • Social capital from interacting with other Haitian diaspora individuals |

Source: Author s own work

Mapping the diaspora can help in understanding their diversity, interests, and economic power, which is crucial for developing a systematic diaspora engagement plan. This effort is ongoing, as the W. K. Kellogg Foundation and the Haitian Ladies Network are conducting a survey to map the Haitian diaspora. Usually, diaspora surveys are distributed through various online community groups via social media, email, and news outlets. The HIF could be involved in distributing and promoting the survey for further reach, also to create awareness and build familiarity with the diaspora.

2. Develop a systematic engagement strategy that aligns the HIF and diaspora interests

A. Develop a systematic engagement strategy

To systematically promote diaspora engagement in development efforts, Haiti should aim to develop an environment that welcomes and supports Haitian diaspora engagement and provides avenues for diaspora members to contribute their skills, resources, and knowledge towards Haiti.

The engagement could be sought by creating mechanisms for consultation such as entrepreneurship and investment platforms, volunteerism and post-disaster response, business networks and market linkages, and mentorship and skills transfer programs (USAID, n.d.). Further, some initiatives like extending the rights and privileges of the diaspora, such as welfare protection, visas, and tax-deductible donation status, can be considered by the Haitian Government.

B. Be open to different contributions from the diaspora

Diaspora members possess different kinds of capital resources including human, social, economic, and cultural capital. To harness these resources, the engagement program should be accustomed to the specific interests of the diaspora, as they may have varying levels of willingness to participate. The different offerings could be made through providing an option for investment versus donation, engaging with the project design versus facilitating conversations with other diaspora members to mobilize the network, or simply passively receiving information on HIF progress. The goal is to create an environment that is welcoming and supportive of all types of diaspora engagement and to provide different avenues for diaspora members to contribute their skills, resources, and knowledge to Haiti.

C. Match project to interests

To effectively engage the diaspora and encourage their participation, the HIF should use the fund to invest in specific projects chosen by the diaspora. The project could differ in terms of locations or sectoral interventions such as education, agriculture, sanitation, and water. By aiming the intervention at specific locations or sectors, the HIF could motivate the diaspora to allocate more funds to support the project. For example, by building a school in a certain area in Haiti, individual donors could re-allocate some of the education budget from their remittances to the project.

This approach is different from using the diaspora funds as a whole package to finance all projects chosen by the HIF. By allowing the diaspora to select the project that they are most interested in, the HIF can offer a greater incentive for the diaspora to invest, as they were already sending back money as a remittance in the sectors like infrastructure, sanitation, and education. It can also appeal to private capital investors who are seeking a return on their investment, by which the HIF can effectively leverage diaspora funds to drive development and promote continued investment.

D. Provide some economic incentives to the investment products

To encourage investment, the HIF should provide some economic incentives that will motivate the diaspora to reallocate investments to the HIF. This can be done by using a mix-and-match approach to create a model where the diaspora invests in sectors like education, water, or healthcare, where Haitians have to pay a certain amount of money to receive the services and generate a return on investment from payments. Instead of funneling the payments to the government, by channeling it to the HIF and the diaspora who invests to create demonstrable impact, the quality of services can be immensely improved. Education could be an interesting sector, as it is essentially a business in Haiti, with 80-85% of schools being private.¹

The economic incentives do not always mean providing the market rate return. Some features can be embedded to the offered product such as, in the case of the Ethiopian diaspora bond, the use of tax-free features or the possibility to use the bond certificate as bank collateral.

3. Continued diaspora engagement

A. Engage continuously with identified champions for multiplier effect

Diaspora engagement should be sustained beyond the different stages of a project, including post-project activities, to ensure continuity of its impact. This could involve leveraging the champions over an operational time horizon that is longer than the project. Involving government agencies to manage the engagement also ensures long-term sustainability, as exemplified by how the Philippines' CFO engaged the diaspora for more than fifty years. Engaging champions can have a multiplier effect, as recall for the project would be established through word-of-mouth marketing.

B. Engage the government in diaspora engagement development phase

As public finance is expected to be one of the funding sources for the HIF, government involvement is inevitable. Hence, to ensure transparency on the minimal yet inevitable role the Haitian government will play in the HIF, engaging the government in the pilot stage to introduce the projects and the diaspora is ideal. The HIF can avoid some hesitation from the diaspora groups by clearly defining the government's role and

¹ According to an interviewee that belongs to the Haitian Diaspora (there is no information available for that indicator in the World Bank)

showing the diaspora that institutional change is an integral part of all successful diaspora engagement cases for economic development. In Haiti, Ministry of Haitians Living Abroad is responsible for diaspora engagement. The HIF can work with the Ministry to leverage the existing resources and possibly work together to coordinate the public governance management and internal fund disbursement process for diaspora funding.

C. Use different channels to provide regular updates

The engagement with the diaspora should be continuous so that the community is always updated on the progress of the HIF. It is a common practice to disseminate information to diasporas through social media, as exemplified by the integral role of social media in the repatriation of almost 800,000 Filipino migrants in the early days of the Covid-19 pandemic. Website and newsletters can also be used to provide updates on the HIF.

4.5 PRODUCT RECOMMENDATION FOR HAITIAN DIASPORA

Table 6. Potential Products for Haitian Diaspora Engagement

| | TICKET SIZE | TARGET | CHANNEL | BENEFITS | WEAKNESSES | KEY CHARACTERISTICS |
|------------------------------|--------------------|---|-----------------------|---|--|--|
| CROWDFUNDING | \$1 TO \$1500 | Individuals | Crowdfunding platform | <ul style="list-style-type: none"> Relatively more simple to set up Capitalizing existing crowdfunding platform | Less customizable for larger ticket sizes. | <ul style="list-style-type: none"> ✓ Transparent ✓ Proximate ✓ Return |
| DIASPORA TRUST FUND | \$1 TO \$800,000 | Individuals Communities Organizations | Trust Fund platform | <ul style="list-style-type: none"> Full integration for Fund Management | <ul style="list-style-type: none"> More resources for fund and platform management Philanthropic | <ul style="list-style-type: none"> ✓ Transparent ✓ Proximate |
| IMPACT-LINKED DEPOSIT | \$100 TO \$800,000 | Individuals Organizations | Bank | <ul style="list-style-type: none"> Diaspora takes bank's risks Capitalizing bank's capacity as financial intermediary | Dependance on Bank's profitability assessment and appetite. | <ul style="list-style-type: none"> ✓ Transparent ✓ Return |

Source: Authors own work

Based on previous Haitian diaspora characteristics, the Capstone team provides three product recommendations to engage the diaspora: (i) Crowdfunding; (ii) Trust fund; (iii) Impact-linked deposit. The products are based on successful case studies in a similar context to Haiti. The Capstone team also suggested a timeline based on milestones for the product launch and tailored recommendations on how the products could be implemented as part of the HIF. Table 6 summarizes the three products.

1. Crowdfunding

Crowdfunding has proven to be an immensely successful tool in unlocking development finance for causes that resonate across the board within the target population. Some of the most successful cause-lead crowdfunding campaigns in the US have been the Black Lives Matter movement, which raised over USD 90 million in just one year, and the Times Up Legal Defense Fund, which raised over USD 22 million from more than 20,000 donors in just one month, which averages to a ticket size of USD 1,100 per donor (Smith, 2021).

Crowdfunding is an attractive tool to raise funding from a diverse demographic across different geographies. Due to financial technology advancements, crowdfunding made cross-border payments much more accessible, efficient, and affordable. Crowdfunding has also been particularly effective in targeting target audiences that either need a uniform ticket size for giving/investment or have very small ticket sizes.

Case Study: Government and Crowdfunding in India

Governments have also used crowdfunding to engage their diaspora communities and effectively raise funds. A recent example of a government-led crowdfunding campaign is from India, where the government launched a campaign to support COVID-19 relief efforts. The campaign targeted the Indian diaspora using social media platforms such as Twitter and Facebook and raised over USD 29 million from the diaspora community within a few days ("India Covid: Delhi builds makeshift funeral pyres as deaths climb"). The following practices allowed the Indian government to execute the crowdfunding campaign effectively:

- **Information Asymmetry:** The government created a dedicated website, covid.giveindia.org, where donors could contribute. The website provided information about the COVID-19 situation in India and the government's relief efforts.
- **Multi-layered Marketing Campaign:** The government used social media to promote the campaign and engage with the diaspora community. Indian embassies

and consulates worldwide tweeted about the campaign and encouraged their followers to donate. The Indian diaspora also played an active role in promoting the campaign on social media platforms.

- **Effective Partnerships:** The government partnered with GiveIndia, a non-profit organization, to manage the crowdfunding campaign. GiveIndia is one of India's largest crowdfunding platforms, with a vast network of donors and non-profit organizations. The partnership with GiveIndia helped the government to reach a wider audience and raise more funds.
- **Transparency:** The government established a public charitable trust, PM CARES Fund, to provide relief during emergencies such as the COVID-19 pandemic. The donations were deposited directly to the trust and managed separately.

Recommendations for Implementing Crowdfunding in the HIF

A. Establish partnerships with crowdfunding platforms to launch HIF as a crowdfunding initiative on the platform

Since the Haitian diaspora has varying risk appetites, partnering with existing crowdfunding platforms would be ideal for expanding the reach. In the United States, there are four to five different kinds of crowdfunding models available, but given the context of the HIF, the Capstone team considers the following two to be the most feasible:

- i) **Donation-Based Crowdfunding:** Individuals or organizations raise funds through donations from supporters. Donation-based crowdfunding platforms include GoFundMe, Kickstarter's "Make 100" program, and DonorsChoose. Platforms generate revenue through a commission fee on each transaction and should charge minimal costs to the HIF.
- ii) **Peer-to-Peer Lending:** Individuals can lend money to others or businesses through crowdfunding. Most platforms require borrowers to repay the loans with interest, and the lenders earn a return on their investment. Some platforms, such as Kiva, do not offer any return to investors or charge interest from borrowers.

The Capstone team feels that the HIF should use peer-to-peer lending platforms to effectively reach out to the diaspora, as both kinds of appetites, returns-based and philanthropic, can be incorporated. They guarantee principal, return, or reinvestment in other projects, offering the diaspora many avenues for financial investments. Kiva is a development-focused crowdfunding platform that have the infrastructure that can be readily leveraged by the HIF to integrate peer-to-peer lending.

B. Develop a hybrid strategy for marketing that leverages both online and offline marketing methods

Leveraging the leaders in the diaspora community can help spread information in their networks, allowing them to become the champions of the initiative. For online mediums, a pay-for-performance mechanism can be used for budget allocation, maximizing the return on investment. Furthermore, considering the two models, the value proposition for the target audience would be different for each platform, i.e., there would be a greater focus on financial incentives and altruism for peer-to-peer lending platforms. In contrast, philanthropy would be the prime emotion targeted in marketing for donation-based crowdfunding. Lastly, marketing should be done under the HIF, as our engagement with the diaspora community has shown the presence of skepticism for multilateral organizations.

C. Ensure transparency and accountability in all processes

Transparency is vital to tackle the lack of trust from past failed aid projects and corruption within the Haitian government. The HIF must demonstrate transparency and accountability in its communications and management of funds raised through the crowdfunding campaign. It will include providing regular updates on using funds and being open to donor feedback and questions.

Additionally, the HIF could create a transparent platform for funders to get real-time updates on the project, expenses, and outcomes. Developing a robust mechanism for information dissemination will be pivotal for initiating and sustaining engagement with the diaspora so that they become long-term supporters and advocates of the facility.

D. Match the diaspora funds

Conversations with the Haitian diaspora revealed that there would be a greater willingness to fund the HIF if IDB made equal contributions. Hence, IDB can match all of the funds by the Haitian diaspora by a factor of 1.5 or 2. If matching all funds is not feasible, IDB can focus on reaching on particular days, for example giving Tuesdays.

E. Create a compelling value proposition to attract potential donors

While crowdfunding has been a successful tool for many organizations, the HIF may face several challenges in its crowdfunding efforts. One of the most significant challenges is

the competition for donors' attention and funds. With many social causes vying for support, the HIF must create a compelling value proposition to attract potential donors. It will require a clear and concise message that communicates the impact of the HIF's work and why it is essential. The HIF will also need to differentiate itself from other organizations in Haiti, highlighting its unique approach and expertise.

2. Diaspora Trust Fund

Diaspora trust funds offer several advantages over traditional development aid, primarily due to their flexibility and responsiveness. One key benefit is that they are managed by members of the diaspora community, making them better suited to addressing the specific needs and priorities of the community. Additionally, these funds can respond more quickly to emergencies or rapidly changing situations.

Case study: Ethiopian and Liberian Case

The Ethiopian diaspora initiated the Ethiopian Diaspora Trust Fund (EDTF) to mobilize resources for sustainable development projects that have a high social impact on communities in Ethiopia (EDTF, n.d.). EDTF has shown that a trust fund can operate independently, transparently, and accountably, providing a mechanism for the diaspora to support development initiatives in their home country. The HIF could leverage a similar trust fund structure to mobilize resources for sustainable development projects that have a high social impact on communities in Haiti.

Liberian Diaspora Initiative Fund (LDIF) is another excellent example. LDIF is a trust fund established by ULAA Social Services, a US-based 501(c)(3) organization, to support poverty reduction efforts in Liberia. Its focus areas include education, healthcare, agriculture, entrepreneurship, and technology. To ensure transparency and accountability, LDIF partnered with reputable Liberian professionals and organizations and built a management team comprised of members from both the diaspora and Liberia. The project selection process was based on evidence and non-discriminatory criteria, and all management decisions were data-driven and thoroughly researched.

Proposed Trust Fund Recommendation for the HIF:

A. Establish a trust fund with diverse partnerships and channels for targeting donor groups

The HIF should leverage different funding sources, expertise, and networks to reach the diverse and dispersed Haitian diaspora groups. For example, LDIF receives funds from the Liberian diaspora and government, private and public partnerships, and US government entities. The main target customers for the EDTF are primarily members of the respective diaspora communities interested in contributing to development efforts in their home countries. However, by allowing anyone with similar goals to contribute to this public fund, EDTF effectively increased the number of investments it attracted. Similarly, the Haitian diaspora trust fund should target diaspora community members as its prominent donors and create a public website for receiving donations from other non-diaspora individuals.

B. Define investment criteria and have a transparent project selection procedures

The HIF can ensure that projects funded through the diaspora trust fund align with its goals by setting clear investment criteria related to sector focus, investment size, risk profile, environmental and social impact, governance, and expected returns.

A transparent and professional project selection process, similar to the method used by EDTF and LDIF, can ensure that the projects are thoroughly evaluated and vetted before being approved for funding. EDTF project review process is thorough and transparent, involving 75 volunteer professionals from the Ethiopian diaspora and other communities working in three teams to review each project. It ensures that each project is thoroughly evaluated and vetted for its institutional capacity before being shortlisted and presented to the board for approval. Also, the EDTF website summarizes the selection process, providing public visibility in the project selection and approval process.

The HIF could establish a public-facing trust fund process to increase transparency and confidence in the selection process, allowing the diaspora community to clearly understand how their contributions are used.

C. IDB should pay for any overhead costs arising from the Haitian diaspora trust fund, and all donations to the fund should be directed towards project implementation

EDTF's model of using volunteers and spending 100% of its donations on project implementation suggests that if IDB Public can take charge of the overhead costs and let

the diaspora contributions directly fund project implementation, the fund will be more attractive to the diaspora. The HIF can leverage this point when negotiating with groups that are particularly in doubt with the trustworthiness of the model.

D. Governance: The board should consist of people from diverse groups

The appointment of an eleven-member Board of Directors by EDTF in May 2019 is an excellent example of the importance of diversity in managing and controlling a trust fund. This diverse board consisted of five members representing the Ethiopian diaspora from different regions such as North America, Europe, Africa, and the Middle East, three representing Ethiopian civil society, and three members from the government.

By involving diverse groups, such as funding partners and public sector representatives on the HIF advisory committee, the Haitian diaspora trust fund can ensure that no single group has overwhelming control over the fund, thereby increasing the fund's transparency and accountability to investors. The Haitian diaspora trust fund can adopt this approach to show a fair and balanced representation of the diaspora community.

E. Improve the reporting process

EDTF's requirement for implementing organizations to submit various reports for every project financed by the fund is a critical aspect of the transparency principle. These reports include quarterly progress reports, annual narrative reports, and final narrative reports summarizing the project's results and accomplishments concerning its goals and objectives. This reporting process enables donors to view the project's progress and outcomes, which again helps to instill confidence in the diaspora community that their contributions are being used effectively and efficiently for the benefit of Haiti.

Furthermore, the trustee of the diaspora trust fund must provide the board and contributors with quarterly interim financial statements and an annual certified financial statement of its activities. This process adds to the transparency principle, ensuring the fund's financial activities are accountable and transparent to all stakeholders.

3. Impact-linked Deposit

Impact-linked deposit is an investment product that offers the potential for higher yield based on the achievement of development project outcomes in Haiti. This deposit product will be suitable for all risk-type investors, as it guarantees minimum return and

protects the principal. Because banks offer these products, the main target customers are Haitian diaspora members with bank accounts. The product's strength also lies in providing a more formalized mechanism for investors with higher tickets and returns. Nevertheless, impact-linked deposits could offer proximity as people are familiar with deposit products.

This product could be an ideal tool for fundraising from the Haitian diaspora, as banks are in a highly regulated industry and have standards for transparency. In Haiti, where trust in the government is low, a trusted party like a bank could help boost the confidence of the diaspora in the HIF. This financial product is developed based on the Capstone team's experience and understanding but note that there are limited examples in contexts like Haiti.

Case Study: Comparison with Market-Linked Deposit

There are currently other examples of investment products that offer a potential for higher return, such as the Market-Linked Deposit (Tumin, 2021) that ties return to a specific index in the market. When the index improves, so does the return provided to the investors. Usually, this product comes with a callable feature where the bank can call the product when the market index goes south and causes the bank to incur some losses from its position.

The impact-linked deposit is like a market-linked deposit in that it gives investors an opportunity for a higher return. However, this return is linked to the premium on the outcome achievement of the HIF's project. If the outcomes are not achieved, impact-linked depositors will still receive a minimum return. Table 7 shows the comparison of market-linked deposits and impact-linked deposits.

Table 7. Comparison of Market-Linked and Impact-Linked Deposit

| Features | Market-Linked Deposit | Impact-Linked Deposit |
|------------------------------|--|-------------------------------------|
| Product Type | Deposit | Deposit |
| Investor Risk Profile | Starting from conservative | Starting from conservative |
| Tenor | Usually offered in different tenors from short term (6 months) to a few years. | According to HIF sub-project tenor. |

| Features | Market-Linked Deposit | Impact-Linked Deposit |
|---------------------------|---|---|
| Minimum return | Guaranteed | Guaranteed as promised by Funder for each different project. |
| Potential upside | Calculated from market index fluctuation. | From additional return upon the achievement of project outcomes. |
| Min. Placement | Depending on each Bank | Ideally small amount to adjust to Haitian diaspora affordability. |
| Additional Feature | <ul style="list-style-type: none"> - Callability - Could be traded at an issuing bank for some discounts. - Not tax free | <ul style="list-style-type: none"> - No callability as the money is committed to the HIF sub-project. - Could be traded at an issuing bank for some discounts. - Tax free potentials - Cash collateral potentials |
| Guarantor | No guarantor | Inter-American Development Bank |

Source: Authors own work

Proposed Impact-Linked Deposit Recommendations for the HIF

A. Find a partner bank that offered proximity to Haitian diaspora

Finding the right bank that offers proximity to the Haitian diaspora is critical to maximizing the number of investments. An ideal bank should have good access to the Haitian diaspora in the US and a solid presence in Haiti. A deeper feasibility study is needed to assess the bank's proximity and cost-benefit of issuing the product.

B. Engage Diaspora organizations for marketing purposes

Providing the diaspora organizations with marketer roles can help leverage their existing customer base, or the diaspora members. The trust and communal spirit embedded in these organizations could encourage more members to contribute financially to making an impact in Haiti with the HIF.

C. Target Diaspora's saving groups or other informal groups

The diaspora organization could act as an aggregator of diaspora investment and help achieve a higher ticket size of investments. To aggregate the fund, the diaspora organization could target the existing savings groups or other informal groups within the Haitian diaspora in addition to individual engagement that might cost more. The aggregation through savings groups could provide three benefits:

- i) Lower transaction costs and potentially higher returns through a higher amount of funds collected.
- ii) An increase in the amount of available funds for investment.
- iii) A gain in trust through proximity.

The diaspora organizations can extend invitations to savings group leaders or community leaders who transmit the information to their respective groups.

D. Provide a Bank Guarantee to provide assurance to the HIF

A guarantee from the IDB is an assurance that the proceeds will be paid to the funders as promised upon achieving the outcomes. This guarantee will not only boost the trust in the mechanism but may also affect the overall price given to the bank. This guarantee may be less critical in the long run as the mechanism matures.

E. Create an escrow account to avoid late repayment to investors

When it comes to public funding, creating an escrow account where the funders put the funds for repayment is essential. There is a risk that payment processing may take months after its initiation. This late payment will impact the partner bank and diaspora trust and lead to doubts or even the failure of the mechanism. Having this escrow account

for repayment could be distributed immediately to the issuing bank and the investors, and the escrow could be filled as the project progresses.

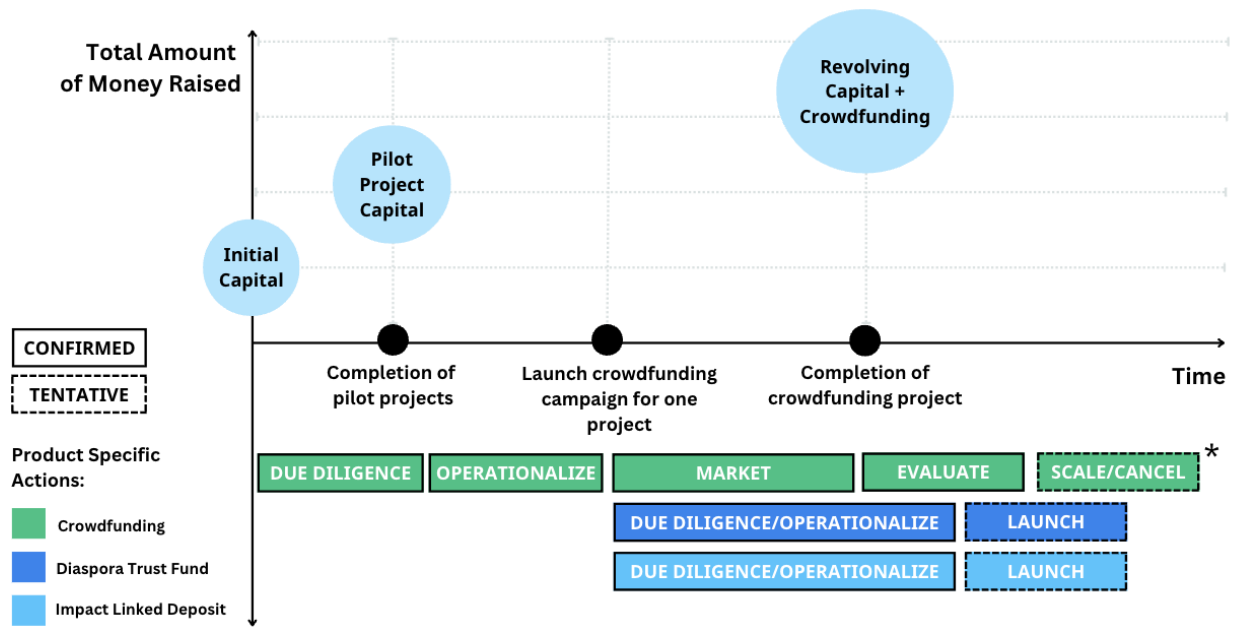
4. Product rollout timeline

Given the sensitive nature of diaspora engagement regarding development in Haiti, the Capstone team proposes that any financial engagement of the diaspora be postponed until the completion of the pilot projects, where tangible results and outcomes have been received through the financing of at least one project (Figure 7). During the duration of pilot project execution, the crowdfunding campaign can be operationalized, which would include looking for a partner organization, identifying banking logistics, and developing a marketing strategy for the campaigns. After the completion of the pilot project, the impact from it can be incorporated into the marketing strategy for the crowdfunding campaign, and the campaign can be launched when all the operations and logistics have been accounted for. It is suggested that the crowdfunding campaign only launched for one or two projects to target the diaspora better.

The crowdfunding campaigns should be time rather than amount bound, meaning they should be completed when a specific time elapses rather than when a certain amount has been raised. After the completion of the crowdfunding campaign, its impact can be evaluated, and a decision can be made regarding whether crowdfunding as a tool should be canceled or scaled further.

During the execution of the crowdfunding campaign, due diligence for the diaspora trust fund and impact-linked deposits can be made so that after the completion of the crowdfunding campaign, at least one of the tools mentioned above is ready to be launched and piloted..

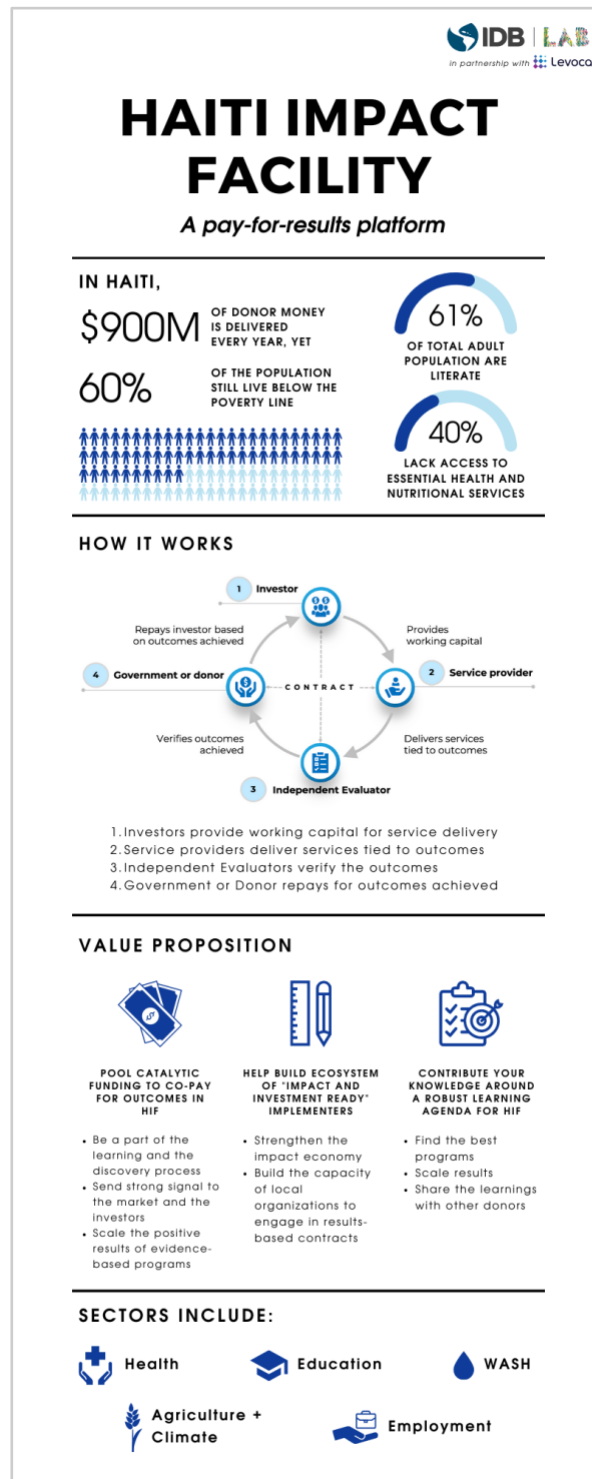
Figure 7. Proposed Product Rollout Timeline



Source: Authors own work

APPENDICES

APPENDIX A: HIF INFOGRAPHIC



APPENDIX B: RECENT IMPACT FACILITIES

| Facility Type | Facility | Sector | Country |
|--|---|------------------------------|---|
| Type 1: Focus on multiple sectors & operates in multiple countries | Mayors for Economic Growth Facility | Inclusive growth | Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine |
| | | Employment | |
| Type 2: Focus on a single sector & operates in multiple countries | Gender and Crisis Engagement Facility | Gender equality | Global |
| | Mashreq Gender Facility | Gender equality | Iraq, Jordan, Lebanon |
| | Southeast Asia Disaster Risk Insurance Facility | Finance | East Asia and Pacific |
| | Local Climate Adaptive Living (LoCAL) Facility | Climate change | Developing and least developed countries |
| Type 3: Focus on multiple sectors & operates in one country | Local Infrastructure Facility (LIF) | Water and wastewater | Cyprus |
| | | Solid waste management | |
| | | Energy efficiency | |
| | | Environment | |
| | | Infrastructure | |
| Type 4: Focus on one sector & operates in one country | Youth4Business Innovation and Entrepreneurship F. | Employment | Uganda |
| | Disaster Response and Recovery Facility | Disaster response & recovery | Bangladesh |
| | Energy Efficient Facility | Energy | Uzbekistan |
| | Civil Society Democratic Governance Facility | Human rights | Kenya |

| Facility Type | Facility | Sector | Country |
|----------------------|---|------------------------------|----------------|
| | Engagement Facility for Disaster Risk Reduction | Disaster risk reduction | Jamaica |
| | Stabilization Facility for Libya (SFL) | Strengthen state authorities | Libya |

APPENDIX C: IMPACT BONDS IN LATIN AMERICA

| Country | Name | Financial Mechanism | Year | Sector | Outcome payers/donors | Investors |
|----------|--|---------------------|------|------------|--|---|
| Colombia | Empleando Futuro | Social Impact Bond | 2017 | Employment | - National Department of Social Prosperity - IDB Lab: channeling funds from the Swiss Confederation State Secretariat of Economic Affairs | - Fundación Corona - Fundación Bolívar Davivienda - Fundación Santo Domingo |
| Colombia | Cali Progresas Con Empleo | Social impact Bond | 2019 | Employment | - National Department of Social Prosperity - IDB Lab: channeling funds from the Swiss Confederation State Secretariat of Economic Affairs | - Fundación Corona - Fundación Santo Domingo - Fundación Bolívar Davivienda - Fundación Plan Internacional - Corporación Mundial de la Mujer - Fundación WWB |
| Colombia | CREO (Crecemos con Empleo y Oportunidades) - Comfama | Social impact Bond | 2021 | Employment | - National Department of Social Prosperity - IDB Lab: channeling funds from the Swiss Confederation State Secretariat of Economic Affairs → implemented through LOGRA (National payment-for-results Fund) | - Comfama - Fundación Bancolombia - Fundación Fraternidad Medellín - Fundación Juanfe - Fundación Sofía Pérez de Soto |
| Colombia | CREO - Inversor | Social impact Bond | 2021 | Employment | - National Department of Social Prosperity - IDB Lab: channeling funds from the Swiss Confederation State Secretariat of Economic Affairs → implemented through LOGRA (National payment-for-results Fund) | - Fundación Bolívar Davivienda - Fundación Santo Domingo - Fundación Promigas - Fundación Nutresa - Plan internacional - Corporación Mundial de la Mujer - Inversor |

| Country | Name | Financial Mechanism | Year | Sector | Outcome payers/donors | Investors |
|-----------|---|-------------------------|------|-------------|--|--|
| Argentina | Egresar-Proyecta tu futuro | Social impact Bond | 2018 | Employment | - Gobierno de la Ciudad de Buenos Aires | - Organización Román - Banco Galicia - IRSA - Banco Ciudad - +1 anonymous investor |
| Peru | Asháninka - Peru Development Impact Bond | Development impact Bond | 2015 | Agriculture | The Common Fund for Commodities | The Schmidt Family Foundation |
| Chile | Primero Lee | Development impact Bond | 2019 | Education | - Fundación Colunga - Fundación Larraín Vial - Fundación Mustakis - Fundación Viento Sur - Christoph Schiess | Doble Impacto |
| Chile | Desafío para la Promoción de la Retención Escolar | Social impact Bond | 2022 | Education | - Fundación Reinaldo Solari - Fundación Ilumina - Fundación Larraín Vial - Fundación Colunga - Fundación Emprépolis - Fundación Olivo - Fundación Luksic - Fundación Mustakis - Gobierno Regional Metropolitano de Chile | -Larraín Vial Asset Management |

APPENDIX D: DIASPORA BONDS – COMPARATIVE PERSPECTIVES

| | India | Nigeria | Kenya | Ethiopia |
|-------------------|--|---|---|--|
| Issuance | India Development Bonds (IDB) in 1991; Resurgent India Bonds (RIB) in 1998; India Millennium Deposits (IMD) in 2000. | In 2017 | Infrastructure Bond for Diaspora (2011) | Millennium Corporate Bond (Electric Power Corporation) (2008); Grand Renaissance Dam Bond (2014) |
| Purpose | Balance of Payment Support (in crisis) | Infrastructure financing | Infrastructure financing | Financing particular projects. |
| Target | Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs) living abroad | All investors in US, UK, Nigeria, marketing targeted to Nigerian Diaspora | National living in Kenya and Diaspora | MCB: Ethiopians GRDB: wide eligibility |
| Total Fund raised | IDB: USD 1.6bn, RIB: 4.2bn, IMD 5.5bn =Total 11.3 billion | USD300M | Target 600M, proceeds 141M. | MCB: (project cost was USD4.8bn) |
| Achievement | Achieved | Oversubscribed by 130% | Undersubscribed | Undersubscribed |
| Amount | IDB: Starting Rs. 5,000 (+/- USD275) RIB: Starting USD 1,000 IMD: Starting Rs. 10,000 (+/- USD225) | Min.: USD 2,000 Increment: USD 1,000 | Min.: KES 100,000 (approx. USD 100); Increment KES 10,000. | MCB: Minimum USD 500 GRDB: Minimum 50 of USD, EUR, GBP. |

| | India | Nigeria | Kenya | Ethiopia |
|-------------------|---|---|-----------------------|---|
| Coupon | Various (Min. was 6.85% for EU for IMD). | Fixed rate 5.635% vs Nigeria's Eurobond in 2017 6.5% - 7.625% | 12%p.a. (fixed) | MCB: Fix 4 - 5% (fixed) GRDB: Libor +1.25%-2.0% (floating) |
| Tenor | 5 years | 5 years | 5 years | 5 - 10 years |
| Issuing Authority | The government-owned State Bank of India (SBI). | Government of Nigeria | Central Bank of Kenya | MCB: EEPCO GRDB: MoF |

| | India | Nigeria | Kenya | Ethiopia |
|-----------|--|---|--|---|
| Structure | <ul style="list-style-type: none"> ● RIBs as “bank instruments representing foreign currency denominated deposits in India,” which came with fewer regulatory requirements. ● Distributed via the worldwide network of Indian and foreign commercial banks specializing in dealings with Non-Resident Indians (NRIs), primarily in the United States, Europe, and the Middle East. ● Investors paid no income tax in India on the interest earned and banks used RIBs as collateral for new commercial loans. ● The Indian diaspora provided no patriotic discount on RIBs and only a small one on IMDs. | <ul style="list-style-type: none"> ● A bond targeted at retail investors in the US, a market highly regulated by the U.S. SEC. ● USD Denominated. ● Structured as a retail instrument to appeal to a wide range of investors and was offered through private banks and wealth managers, rather than institutional investors, which normally deal with large volume transactions. ● Open to all investors. | <ul style="list-style-type: none"> ● Learning: challenges in implementing know-your-customer regulatory requirements; restrictions in marketing the diaspora bond in foreign jurisdictions; and perceived currency and foreign exchange risk among diaspora investors (African Financial Markets Initiative 2014). ● Subsequently, the diaspora bond is open not only to diaspora. | <ul style="list-style-type: none"> ● It was offered in various currencies. ● Tax-free. ● MCB: Take-up was low partly because of doubts about the viability of the project and perceived political risk in the country, uncompetitive pricing, high minimum purchase threshold. ● Bondholders could use the bond certificate as collateral when borrowing from financial institutions within Ethiopia. ● GRDB was open to non diaspora as well. |

APPENDIX E: HAITIAN DIASPORA ORGANIZATIONS IN THE UNITED STATES

Some of the organizations that function to convene and support the Haitian-American diaspora community are identified below. These organizations vary in size and scope of influence.

| Organization name | Description |
|--|--|
| Haitian-American Chamber of Commerce of Florida (HACCOF) | Promotes economic development and business opportunities for Haitian-American entrepreneurs and professionals by helping them form partnerships and alliances throughout Florida. |
| Haitian Diaspora Federation | A coalition of Haitian Diaspora organizations and individuals that advocate for the community's interests in the United States and Haiti to improve Haiti's socioeconomic conditions. |
| Haitian Roundtable | Brings together Haitian-American professionals and entrepreneurs from different fields to network to create opportunities for sharing ideas and promoting positive change in Haiti and the Haitian-American community. |
| National Alliance for the Advancement of Haitian Professionals | A non-profit that aims to empower Haitian professionals and students in the United States to engage with Haiti's development by providing networking, mentoring, and career development programs. |
| Haitian-American Nurses Association International | Create a forum to empower nurses of Haitian descent worldwide by promoting health and well-being through education, advocacy, and research. |
| Haiti American Community Development Corporation (HACDC) | A non-profit that provides affordable housing and educational and business programs to the Haitian-American community. |

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