



FONDASYON KOLE ZEPÒL & SÈVIS FINANSYE FONKOZE



FONKOZE

2010 Social Performance Report

Keeping Our Clients on the Staircase Out of Poverty







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Fonkoze's Mission and Approach

MISSION

To build a sustainable microfinance institution to:

- ▶ Provide Haiti's poor with the financial and educational services they need to make their way out of poverty;
- ▶ Eliminate the kind of poverty that leaves people without hope, motivation, and courage, and;
- ▶ Reverse the decline in Haiti's economy by empowering and motivating families to engage in sustainable economic development.

Fonkoze is a fully certified user of the Grameen Foundation Progress out of Poverty Index® (PPI®). Our use of the PPI has been validated in all three categories of certification: basic, advanced and tracking over time.

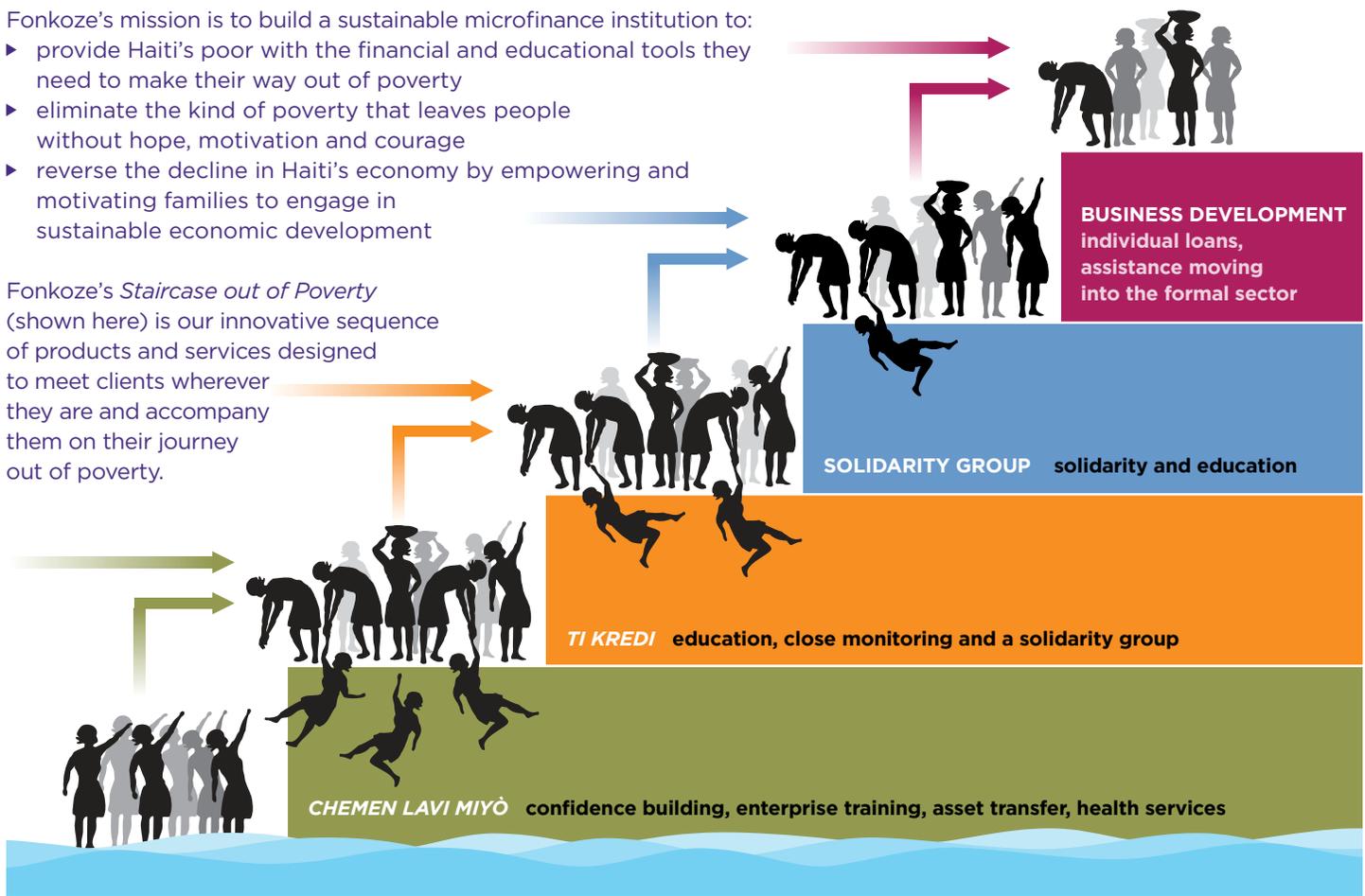


APPROACH - THE STAIRCASE OUT OF POVERTY

Fonkoze's mission is to build a sustainable microfinance institution to:

- ▶ provide Haiti's poor with the financial and educational tools they need to make their way out of poverty
- ▶ eliminate the kind of poverty that leaves people without hope, motivation and courage
- ▶ reverse the decline in Haiti's economy by empowering and motivating families to engage in sustainable economic development

Fonkoze's *Staircase out of Poverty* (shown here) is our innovative sequence of products and services designed to meet clients wherever they are and accompany them on their journey out of poverty.



2010 Results: Earthquake Response and Evaluation *Kore Fanmi Fonkoze*

Our innovative earthquake response tested micro-insurance as a post-disaster recovery tool. Of the 274 clients Fonkoze interviewed for the evaluation:

85% suffered damage to or loss of their **home**

64% lost **business assets or investments** in the quake

76% **invested** part or all of their cash grant into their businesses

95% chose to **take out a new loan** to grow or re-start their businesses

97% **repaid their new loans in full** which surpasses even pre-earthquake levels

86% declared they were **completely satisfied with the program** and had no suggestions for improvement



Executive Summary

Fonkoze strives to empower Haiti's poor and vulnerable with the financial and educational tools they need to make permanent progress in their lives. While we have faced many difficult years, 2010 was truly a year of unprecedented challenges. A devastating earthquake, a cholera outbreak, a tropical storm, and political strife made 2010 a year of seemingly endless hurdles and setbacks for Fonkoze and our clients.

Nonetheless, years of commitment to systematically monitoring the progress of our clients, understanding the many hurdles they face on their journey out of poverty, and evaluating the effectiveness of our programs, made us uniquely prepared to respond to the year's challenges. As a result, 2010 was marked by innovative pilots as well as substantial enhancements to our financial and non-financial services, all with an eye to help our clients build their resilience and keep them steadily progressing up the *Staircase out of Poverty*.

The **Fonkoze 2010 Social Performance Report** highlights how our approach to monitoring and managing our social performance enabled us to respond quickly, responsibly, and effectively following the crises of the year. The report also shares key outcomes and results of 2010, as measured by Fonkoze's Social Performance Monitoring and Market Research (Social Impact) department. This year, Social Impact's cadre of field staff

completed interviews with 1,676 active and former clients as part of routine client monitoring, and held focus groups or one-one-one interviews with over 700 additional clients as part of special research or evaluation efforts. Overall, data collected this year demonstrate high levels of satisfaction with Fonkoze's programs and services and various post-disaster initiatives of the year. Data also show that, despite the significant challenges of this year, interviewed clients demonstrated progress out of poverty and steady improvements in key socio-economic indicators.

EARTHQUAKE RESPONSE AND EVALUATION

Fonkoze had just evaluated its last disaster recovery initiative—*Kredi Siklòn* (Hurricane Loan)—and was incorporating lessons learned to develop a natural disaster insurance product when the earthquake hit.

Convinced that the time was ripe to test micro-insurance as a tool to help clients recover following disasters, Fonkoze rolled out *Kore Fanmi Fonkoze* (Haitian Creole for “Program to Reinforce the Fonkoze Family”)—a recovery program that treated clients as if they had *already* been paying for micro-insurance when the earthquake hit.

Through *Kore Fanmi Fonkoze*, we provided 19,811 earthquake victims—clients who lost their homes, businesses or both—with the same benefits package they would receive with the insurance plan under development:

“I’m satisfied because Fonkoze is the only organization in Haiti that does this for its members. I feel really proud when I share that news with others.”

— SOLIDARITY CLIENT, LEYOGAN

- ▶ A one-time cash grant of 5,000 HTG (US\$125) to assist with emergency needs
- ▶ Cancellation of any pre-earthquake loan balance
- ▶ A new loan to restart their business if they were ready and willing to pay a retroactive fee of 2% of their loan value (to communicate there is a cost associated with insurance)

Despite enormous pressure to respond quickly, we took the time to weave client protection principles into our earthquake response, most notably by developing a new evaluation tool and accompanying guide for credit agents to assess client readiness for a new loan in the post-disaster environment—a time when microfinance clients are particularly vulnerable to over-indebtedness. This tool and guide were recognized as model tools for avoiding client over-indebtedness by the Smart Campaign, a global effort to promote strong client protection practices in microfinance.

As part of the evaluation, Social Impact interviewed 274 earthquake victims in four of the worst-affected branches to collect baseline loan, poverty level and food security data, as well as capture general feedback on the program and interest in a permanent

insurance product. We used client feedback to finalize the design of our natural disaster insurance product that was launched in early 2011. We will re-interview the same 274 clients in 2011 to evaluate their progress toward rebuilding their lives after one year. The sidebar on page four highlights some results from the *Kore Fanmi Fonkoze* evaluation.

TRACKING PROGRESS ALONG THE STAIRCASE

The first three programs on our *Staircase out of Poverty*—*Chemen Lavi Miyò (CLM)*, *Ti Kredi* (Little Credit), and *Solidarity*—all grew in 2010.

Incoming Clients: Reaching Haiti’s Poor

Social Impact collected data on 854 incoming clients—75 *CLM*, 172 *Ti Kredi*, and 607 *Solidarity*. These data confirmed that we are reaching Haiti’s poor, and effectively targeting different categories of clients, each with distinct characteristics and needs.

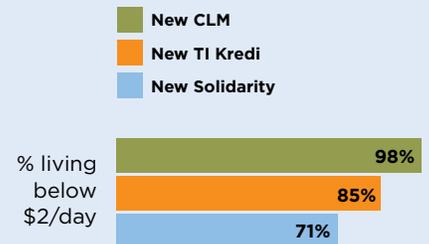
Incoming *CLM* clients are consistently the poorest with 98% living on less than \$2/day, 100% living in food insecurity with hunger, and low scores in all the other key indicators of poverty tracked. *Ti Kredi* clients fell in between their counterparts in *CLM* and *Solidarity*. However, while incoming *Solidarity* clients were much less likely than *CLM* and *Ti Kredi* clients to be living under \$2/day, 77% of them were suffering from some sort of food insecurity, demonstrating that even clients eligible to start on the 3rd step of the staircase face significant challenges meeting the daily needs of their families (see right).

The First Step: *Chemen Lavi Miyò (CLM)* – Pathway to a Better Life

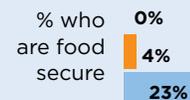
Chemen Lavi Miyò (CLM) is Fonkoze’s 18-month, non-credit livelihoods promotion program for ultra-poor families. This

2010 Results: Incoming Clients

A **large majority** of incoming clients sampled were living on **less than \$2/day**

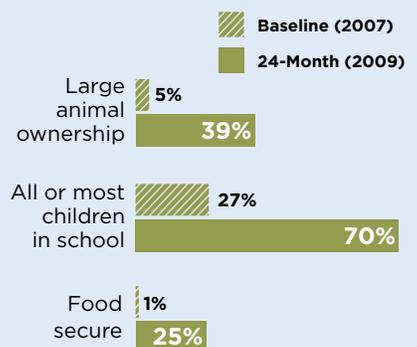


Food Insecurity was prominent across all programs



2010 Results: *Chemen Lavi Miyò (CLM)*

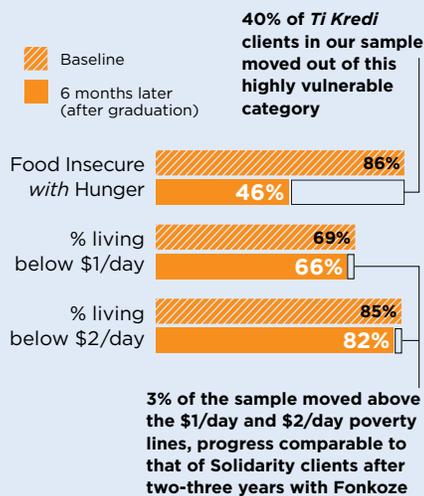
Final evaluation of the pilot revealed participants **sustained remarkable improvements six months after graduation**



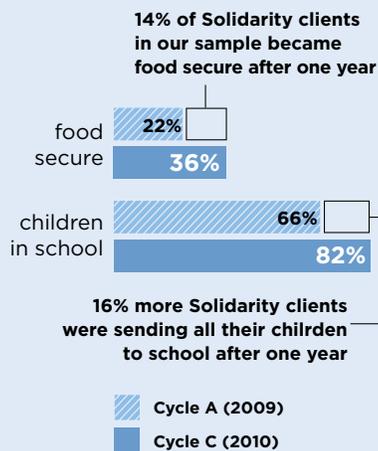
The first *CLM* class since the pilot finished in December 2010 with a **graduation rate** of

96%

2010 Results: Ti Kredi (Little Credit)



2010 Results: Solidarity Credit



Clients interviewed in 2010 after spending **two years and three years** in Solidarity demonstrated **steady, incremental improvements** in all poverty indicators we track

program scaled up significantly as part of Fonkoze's post-earthquake strategy, to accommodate families made poorer and more vulnerable by the quake. Focused on the Central Plateau region of Haiti, *CLM* added 1,234 families in 2010 (up from 250 in 2009).

The final independent evaluation results of the *CLM* pilot also came in this year and revealed that program participants sustained remarkable improvements even six months after graduation (see page 5).

In December, the program celebrated an important milestone: the first *CLM* class since the pilot completed the program with a 96% graduation rate.

Step 2: Ti Kredi - Little Credit

Ti Kredi (Little Credit), Fonkoze's six-month introductory micro-credit program for new entrepreneurs, also grew significantly this year in the wake of the quake. 4,845 clients went through the program this year—85% more than 2009—with a graduation rate of 91%.

While dramatic changes in poverty levels are usually difficult to see over a six month period, data collected by Social Impact in 2010 are showing noticeable improvements in poverty levels and food security as well as powerful testimonies of life-changing transformation in this short period. Social Impact analyzed data on 84 *Ti Kredi* clients from five branches, showing that 3% moved above both the \$1/day and \$2/day poverty lines. Moreover, the percentage of clients classified as "Food Insecure with Hunger" decreased from 86% to 46% after six months, a truly remarkable result (see results, left).

Step 3: Solidarity Credit

Solidarity Credit, our primary lending program, ended 2010 with 47,524 borrowers—a 15% increase over 2009. In 2010, Social Impact interviewed 1,041 active Solidarity

clients in 11 different branches as part of routine client monitoring.

This year Social Impact interviewed its largest sample ever of clients who have been with Fonkoze for two years or more. Analyses of these data show a consistent pattern of steady, incremental improvements for client groups over the years, suggesting a general trend of improvement in our clients' lives while with Fonkoze.

Progress after one year. Of the 198 clients re-interviewed after one year with Fonkoze, we saw significant improvements in food security and the percentage of clients sending all their kids to school (see left).

Progress after two years. This year we re-interviewed 205 clients in eight different branches who advanced to Cycle E, the 5th loan cycle in the Solidarity program, which takes approximately two years. Three percent of this cohort moved above both the \$1/day and \$2/day lines, and 17% moved into food security since starting with Fonkoze two years ago. In addition, they made progress in all of the key socio-economic indicators that we track.

Progress after three years. 2010 is the first year we had enough clients in the sample to enable us to begin looking at the results after three years with Fonkoze. Of the 30 clients in this group, an estimated 3%

Despite significant setbacks this year, clients in all cohorts did in fact demonstrate improved food security and progress out of poverty.

— 2010 SOLIDARITY RESULTS

moved above the \$1/day line and 2% moved above the \$2/day line since they started. While the size of this group is relatively small, the patterns we see in their progress out of poverty—incremental improvements in food security, housing conditions, child education access, asset ownership—are consistent with what we are seeing with clients after one and two years with Fonkoze.

COMPLEMENTARY PRODUCTS AND SERVICES

In 2010, our Micro-insurance, Education, and Health programs each played a central role in Fonkoze's response to one or more of the year's major challenges. Fonkoze drew on the expertise of these programs to respond to the urgent needs of our clients, while laying the groundwork for longer-term solutions.

- ▶ **Micro-insurance** – Fonkoze piloted a natural disaster micro-insurance product as its earthquake recovery program. Lessons learned from the program fed directly into the design of our permanent product launched on the one year anniversary of the quake.
- ▶ **Education and Literacy** – Shortly after the quake, our Education department developed new disaster preparedness education sessions and piloted them in Leyogàn. Due to overwhelmingly positive client feedback the disaster preparedness sessions were integrated into a larger booklet that will be rolled out to all of Fonkoze's 1,800 Solidarity centers in 2011.
- ▶ **Health** – Our Health program moved swiftly to respond to a fast-spreading cholera outbreak. A team of 21 Fonkoze staff were trained in essential cholera prevention and treatment techniques. They then disbursed throughout the country to train all staff and nearly 1,800 center chiefs in cholera prevention, and provide them with essential supplies to

distribute at their centers. In 2011 Health will continue to explore ways to build on Fonkoze's network of centers to provide clients with access to essential health information and products.

CLIENT RETENTION: EXIT ANALYSIS

Fonkoze finished the year with a retention rate of 86%—a remarkable achievement considering the obstacles of the year. Social Impact interviewed 311 exiting clients in 2010—265 as part of routine monitoring and 46 through a special study. The top reasons for exit in 2010 were consistent with those named in 2008 and 2009 (see right). A majority of exiting clients interviewed (59%) had no criticisms of the program. For those who did have a complaint, 31% expressed dissatisfaction with their loan terms, such as the loan size being too small, repayment periods too short, and interest rates too high. However, 87% of all exit clients still said their loan with Fonkoze “helped my family a lot,” or “somewhat,” and 85% said that they would recommend Fonkoze to a friend.

SOCIAL PERFORMANCE IN 2011

The outcomes of 2010 were a powerful testament to the merits of social performance management, and the indispensable role of the Social Impact team at Fonkoze. We will build on the accomplishments and lessons of 2010 to make the essential products and services that reinforce our clients' resilience, and help keep them on the staircase, a permanently reality. Additionally, a heightened focus on building world-class client protection practices will continue to be dominant throughout 2011. Striving to achieve the highest standards of social performance management and client protection is more than just one of Fonkoze's top priorities—we are embedding it in everything we do. •

2010 Results: Complementary Products and Services

Disaster preparedness education pilot participants reported sharing what they learned with at least three other people suggesting nearly

1,600
were reached

Client Retention: Exit Analysis

Fonkoze finished 2010 with a retention rate of

86%

— a remarkable achievement considering the obstacles of the year

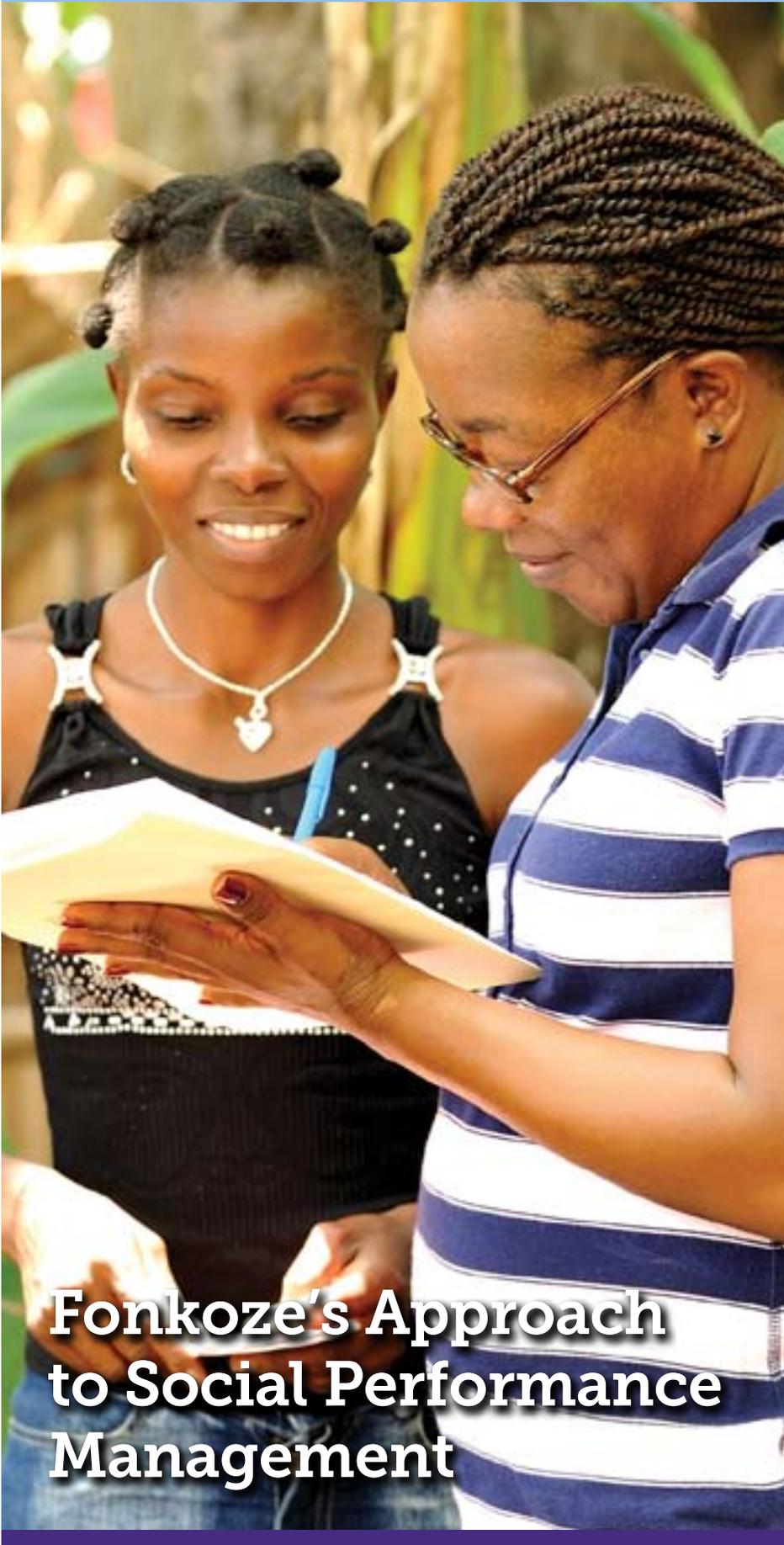
The **top reasons** clients reported **leaving Fonkoze** in 2010 were consistent with findings in 2009 and 2008:

16% Unable to sell her goods in the market

15% Healthcare emergency or death in the family

15% Problems with her solidarity group

85% of exiting clients interviewed said they would **recommend Fonkoze to a friend**



Fonkoze's Approach to Social Performance Management

Since 1994, Fonkoze has worked to build a bank on which Haiti's poor can rely, long into the future. In serving Haiti's poor we have learned the journey out of poverty is riddled with endless hurdles and setbacks in a country where the risks are many and the protections are few. Resolute in our mission, we have grown to be Haiti's largest microfinance institution. We ended 2010 with 840 employees working out of 43 locations, serving 234,312 savers, and 50,533 borrowers, 99% of whom are women micro-entrepreneurs. Our branch network extends into the most rural and isolated communities of the country, providing our clients with a range of financial and educational services to accompany them as they make their way out of poverty.

As an institution with both financial and social goals, we believe in managing our performance to a double bottom line—financial and social. Financial indicators tell us only half the story of client progress. For example, it may seem as though a client's situation is improving if her loan size is increasing, she has zero delinquency, and she is purchasing more merchandise. But tracking social indicators may reveal that her financial "progress" is a result of taking her kids out of school, borrowing from a local moneylender, and selling her productive assets, which are all contrary to our mission. Evaluating her progress through a social performance lens reveals other essential insights, such as her ability to put food on the table and invest in important home improvements like a sturdy roof or latrine, her satisfaction with how Fonkoze staff and fellow members treat her, and her feeling of confidence about the future. Looking at social indicators, alongside financial ones, allows us to capture the full picture of client progress and helps us understand how we might better support our clients.

Fonkoze's commitment to ensuring a systematic approach to managing social performance led to the creation of the Social Performance Monitoring and Market Research, or "Social Impact," department in 2006. Social Impact began with four members in 2006 and in 2010 grew to a team of 16 full-time "action researchers" dedicated to the ongoing monitoring of Fonkoze's clients and programs. The backbone of Social Impact is the field-based team of 12 Social Impact Monitors (SIMs) located in branches throughout the country. They work alongside operations staff to systematically capture first-hand information from our clients. SIMs employ a variety of research tools and techniques—one-on-one interviews, Fonkoze's Poverty Scorecard, a food security survey, client exit survey, observation, and focus group discussions—to gain a holistic view of the change occurring in our clients' lives and to make sure their voices are being heard.

SIM research findings and data flow from the field to branch and regional directors then to Fonkoze headquarters and managers at all levels of Fonkoze, constructing a vital feedback loop that allows Fonkoze managers to make informed decisions about daily operations, product design and enhancement, and institutional policymaking.

Over the last five years, Social Impact's role has evolved into a critical agent for institution-wide learning, strengthened social responsibility to staff and clients, and demand-driven improvements in Fonkoze's products and services. The merit of our approach to social performance management became undeniable in 2010, as it was essential to Fonkoze's ability to respond quickly, responsibly, and effectively to the crises that hit our clients and our institution during this difficult year. •

Renewing our Commitment

Fonkoze is very clear in its vision of success for our clients. If clients follow key principles such as investing in their business and participating in group meetings, we believe that after five years they will:

1. Be able to send all of their children to school
2. Have a home with a tin roof, cement floor, and latrine
3. Be able to put food on the table everyday
4. Know how to read and write
5. Have assets that they can see accumulating day by day (land, buildings, animals, savings)
6. Have the confidence to face their future, no matter what it holds

Despite seemingly endless challenges in 2010, Fonkoze remained resolute in its commitment. In fact, in early August, just as Fonkoze had completed the business recapitalization of clients who were earthquake victims, we launched an institution-wide initiative to renew our commitment to our clients, reminding both staff and clients of what we hope to accomplish together. Fonkoze printed and distributed to all branches posters that list the commitments along with photos that illustrate them.

While we realize there are many potential setbacks on our clients' journey out of poverty, the more we learn about their struggles, the more we are empowered to develop products, programs and services that will strengthen our clients' ability to better manage the risk in their lives.

PROFILE

Ginoue Blaise, Social Impact Monitor, Jakmèl

For an insider's perspective, meet Ginoue who has worked as a Social Impact Monitor since 2006. "I came to work for Fonkoze because I knew they worked with the poorest. I was a *ti machann* before and understand the challenges they face. I wanted to go speak with these clients, understand how they live, understand their business, and let them know someone else cares for them and wants to help them succeed... When I'm not in the field, I'm in the office helping credit agents disburse loans, conduct training for clients—whatever the branch needs.

I am most encouraged when I re-interview clients after a year and I see positive changes like: their business is growing, they are sending their kids to school, they are more food secure, or they've purchased small animals. I'm proud because I feel like the data we collect and the client perspective we share has helped Fonkoze make important improvements to better support our clients."



SOCIAL PERFORMANCE IN 2010: INFORMING ADAPTATION & DRIVING INNOVATION

Fonkoze evaluates social performance according to our stated mission and commitment to our clients and within the context of our operations. Years of experience have taught us that while our financial services help our clients improve food security, increase their income, build assets, and realize other personal goals, protecting and preserving all of these improvements can sometimes be the most daunting task of all.

2010 was no exception. A massive earthquake, a cholera outbreak, a late season tropical storm and post-election political riots made 2010 a year of multiple setbacks and challenges. Nonetheless, Fonkoze built on groundbreaking and innovative post-disaster responses to deliver on our efforts to better accompany

our clients. By adapting existing products and services and introducing new ones, we helped our clients gain permanent access to tools and knowledge that will help build their resilience and ability to face future obstacles with more confidence and greater success. Some of our key accomplishments of the year include:

- ▶ Piloting a new natural disaster insurance product to support earthquake victims and to test its viability as a permanent risk management tool.
- ▶ Developing and piloting a new disaster preparedness training sessions destined for all of our clients.
- ▶ Scaling up the first two programs on our Staircase—*Chemen Lavi Miyò* and *Ti Kredi*—to accommodate families who slipped deeper into poverty following the earthquake and other disasters of the year.

- ▶ Rolling out a cholera prevention and treatment training program, and providing members with access to important health supplies such as oral rehydration solution to treat cholera symptoms.

The Social Impact department was involved every step of the way: conducting market research to inform program design, serving on internal task forces to develop new program policies and procedures, leading training for clients and staff, ensuring sound monitoring of program implementation and outcomes, and capturing and disseminating lessons learned internally and to the broader development community.

Ultimately, in 2010 Social Impact formally interviewed **1,365 new and continuing clients, 311 former clients**, and completed focus groups or one-on-one interviews with just over **700 additional clients** as part of special market research and program evaluation efforts. We also conducted our most comprehensive program evaluation yet, looking at effectiveness and client satisfaction with our earthquake recovery program. This year's Social Performance Report will share the results and insights gained from the Social Impact department's monitoring efforts and describe how lessons learned are shaping plans to strengthen our impact as an institution. •

Fonkoze Branches and Social Impact Staff Locations



As of December 31, 2010

A photograph of a woman and her young daughter smiling in front of their new home. The woman is wearing a blue shirt and a white headscarf, and the daughter is wearing a white shirt. They are standing in front of a yellow building with a corrugated metal roof. The background shows a lush, green landscape with trees and hills.

A Solidarity client from Fondwa with her daughter in front of their new home built after the earthquake in partnership with BRAC

Earthquake Response and Evaluation

In January 12, 2010, less than two weeks after the successful closing of our special program following the 2008 hurricanes, a 7.0 magnitude earthquake violently shook Port-au-Prince and surrounding areas, transforming our world as we knew it. An unprecedented disaster, it claimed the lives of our neighbors, family members, and friends and ravaged homes and businesses.

Fonkoze's infrastructure, staff, and clients suffered unprecedented losses as well. Ten of 41 Fonkoze branches collapsed or were severely damaged, more than 450 of our employees' homes sustained severe or complete damage, and five of our employees were killed. Our clients—mostly *ti machann*, or market women—endured paralyzing losses; more than 19,000 saw their homes, businesses and markets wiped away during the earthquake or crumble in the days following. Nearly 10,000 additional clients who did not lose assets in the earthquake knew many who did, and overnight became host families for some of the more than half a million

urban refugees who migrated to rural Haiti in the weeks following the quake.

Interviews and focus groups with clients in the weeks following the disaster revealed that clients in all corners of the country were affected, having lost family members and homes as well as buyers, suppliers, and merchandise in collapsed buildings, markets, and warehouses. The same discussions also revealed that many clients had already re-started small commerce activities in the days and weeks following the quake as they expressed an urgent need to revive their income stream. Clients in Leyogàn—the epicenter of the quake—reported using a wide range of creative techniques to begin re-establishing their business, such as borrowing

from neighbors, acquiring inventory on credit, adapting what they were selling to new market demand, and sourcing their merchandise from different vendors in neighboring cities that were less affected. The dominant message from clients was clear: they needed capital to restart their businesses and were looking to Fonkoze to assist them.

DESIGNING AN APPROPRIATE RESPONSE: KORE FANMI FONKOZE

Fonkoze had just evaluated its last disaster recovery initiative—the Hurricane Loan program—and was incorporating lessons learned to develop a permanent natural disaster micro-insurance product when the

“My credit agent was the first person to come looking for me after the earthquake. When I saw him, I had hope, because I knew Fonkoze had not abandoned me.”

— SOLIDARITY CLIENT, BIZOTON

In Their Own Words: Client Feedback on *Kore Fanmi Fonkoze*

“I am so grateful because if it weren’t for the little cash I received, my child could have died. Because if I would have had to go around trying to borrow the money needed from others, my child could have died before I got the money.”

— TIKREDI CLIENT, MIRAGWAN

“I’m satisfied because Fonkoze is the only organization in Haiti that does this for its members. I feel really proud when I share that news with others.”

— SOLIDARITY CLIENT, LEYOGAN

Fonkoze turned this devastating event into an opportunity to educate clients about micro-insurance and to test it as a viable tool to help clients stabilize and rebuild their livelihoods following natural disasters.

earthquake hit. Given the magnitude of the disaster and an understanding of our clients’ expectations, Fonkoze decided to pilot the insurance product immediately. Thanks to the generous support of our partners¹ and a collective vision to drive innovation, Fonkoze was able to rapidly design and launch *Kore Fanmi Fonkoze* (Haitian Creole for “Program to Reinforce the Fonkoze Family”)—a disaster relief and livelihoods recovery program that treated clients as if they had *already* been paying for catastrophe micro-insurance when the earthquake hit.

Through *Kore Fanmi Fonkoze*, we provided 19,811 earthquake victims—defined as clients who lost their homes, businesses or both—with the same benefits package they would receive with the insurance plan under development:

- ▶ A one-time cash grant of 5,000 HTG (US\$125) to assist with emergency needs
- ▶ Cancellation of any pre-earthquake loan balance
- ▶ A new loan to restart their business if they were 1) ready and qualified based on Fonkoze’s careful capacity assessment and 2) willing to pay a retroactive fee of 2% of their loan value

Clients were asked to pay this one-time fee of 2% to communicate that there is a cost associated with insurance. In addition, Fonkoze developed and piloted a series of disaster preparedness training sessions, which included a lesson on micro-insurance as a risk reduction tool.

Fonkoze also supported 9,637 host families—clients who had not directly lost assets in the earthquake but who had received one or more long-term house guests—with a one-time cash grant of 5,000 HTG (\$125). The funds were intended to relieve some of the additional financial burden placed on already fragile households by helping them to buy food, mattresses, linens, and clothes for their new guests.

Finally, understanding that clients were more vulnerable post-disaster, Fonkoze strengthened client protection practices for every step of the program. In addition to a customized policies and procedures manual for *Kore Fanmi Fonkoze*, we developed and utilized a new “Post-Disaster Member Evaluation” and credit agent guide designed to comprehensively assess client readiness

Preventing Client Over-indebtedness:

Fonkoze’s Post-Disaster Member Evaluation & Credit Agent Guide

The Post-Disaster Member Evaluation Form and Guide were designed as part of the earthquake recovery program to assist credit agents in evaluating the different factors that affect a client’s ability to take on debt after a disaster, including their business, living situation, and physical and psychological wellbeing. Additionally, the guide instructs loan officers to make credit decisions in collaboration with the center chief and solidarity group leader (client leadership), who know the client best. These measures help loan officers make quality disbursement decisions and minimize the risk of client over-indebtedness. One credit agent shared, “...the tools made my work much easier. The Post Disaster Member Evaluation helped us to understand our clients’ situation better, and really helped us to make a good decision about whether they were ready for a new loan.” The tool and guide were recognized by the Smart Campaign—a global initiative to encourage strong client protection practices in microfinance—as model tools for avoiding client over-indebtedness.

for a new loan in the post-disaster context.² Ultimately, Fonkoze turned this devastating event into an opportunity to educate clients about micro-insurance and to test it as a viable tool to help clients stabilize and rebuild their livelihoods following natural disasters.³

EVALUATING PROGRAM EFFECTIVENESS

Before, during, and after *Kore Fanmi Fonkoze*, we carried out the most comprehensive program evaluation in our history. Evaluation activities focused on client recovery and satisfaction as well as program implementation, ensuring optimal learning from this important pilot.

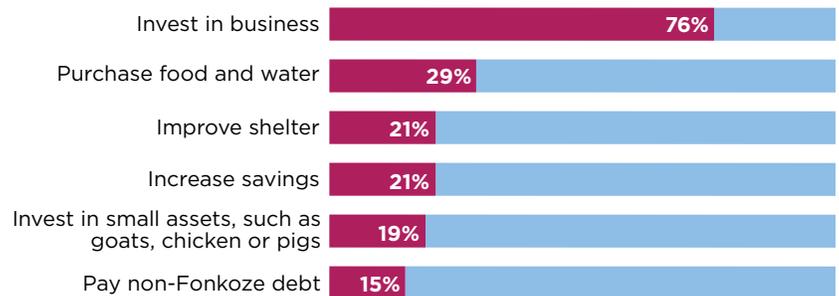
After clients had received their cash grants and new loans in June, Social Impact interviewed a sample of 274 earthquake victims, representing clients in all three of Fonkoze's credit programs in four of the worst-affected branches. We used a customized survey to gather client feedback on their experience with the micro-insurance pilot and their interest in a permanent natural disaster insurance product. Moreover, we collected baseline data on loans, poverty level and food security to help monitor this cohort's progress at rebuilding their lives and businesses over the next year.

Monitoring and evaluation yielded valuable insights on challenges faced by earthquake victims—clients who lost their home and/or business—and the effectiveness of our response. Some highlights include:

- ▶ **Client losses in the quake were severe.** 85% of those interviewed suffered severe damage to or loss of their home; 64% lost business assets or other important investments such as livestock.
- ▶ **Cash grants for earthquake victims helped families stabilize and begin recovering.** 76% of clients interviewed invested at least some of their cash grant

FIGURE 1

Ways Earthquake Victims Spent Part or All of Their 5,000 HTG



Sample size = 274 clients

into their businesses (**Figure 1**), and 28% chose to invest the entire 5,000 HTG into re-starting or growing their enterprise. This statistic strongly supports initial focus group findings that clients were ready to re-start their businesses shortly after the disaster, and looking to Fonkoze to assist them in doing so.

- ▶ **Clients recapitalized and grew their businesses with their new loans.** 95% of the 274 clients interviewed (260) chose to take out a new loan. The average new loan amount of these clients was \$62 for *Ti Kredi*, \$241 for Solidarity and \$2,263 for Business Development (**Figure 2**). With this new capital, 79% were able to grow the business that they salvaged and/or re-started after the earthquake. And for most of the remaining clients, this new

loan was the critical capital they needed to finally resume their business activities.

- ▶ **Repayment rates on new loans were high, which may indicate that clients were managing their credit well and re-establishing their livelihoods.** As of December 31, 2010 the repayment rate of new loans issued under the program was 97%—which surpasses even pre-earthquake levels.
- ▶ **Feedback on the program was overwhelmingly positive** with 86% of clients interviewed declaring they were completely satisfied with the program and had no suggestions for improvement. Most clients who were not satisfied expressed a desire for Fonkoze to assist them with building a new home through access to a housing loan or re-

FIGURE 2

Average New Loan Amount for Interviewed Earthquake Victims

| LOAN PROGRAM | # OF INTERVIEWED CLIENTS | AVE. NEW LOAN AMOUNT |
|---------------------------------|--------------------------|----------------------|
| <i>Ti Kredi</i> (Little Credit) | 32 | \$62 |
| Solidarity | 218 | \$241 |
| Business Development | 10 | \$2,263 |

duced price construction materials, such as wood or tin. Fonkoze indeed found funding⁴ to help over 400 families repair or rebuild their home. Sustainable housing support is an option that we are actively exploring for the future.

The true measure of program effectiveness will be how successful clients are at making and sustaining progress in the years following their participation in the program. Therefore, in 2011 Social Impact will follow-up with the same cohort of 274

clients to assess changes over the past year, and understand how the micro-insurance benefits may have affected their situation.

The implementation and evaluation of our earthquake recovery program served as an invaluable opportunity for Fonkoze to build the institutional knowledge and capacity needed to deliver new products and services that will strengthen the resilience of Fonkoze clients in the long-term. In 2011, we will use the lessons learned from implementing *Kore Fanmi Fonkoze* to inform

the design and roll out of our permanent natural disaster insurance product and disaster preparedness training sessions.

To learn more about *Kore Fanmi Fonkoze* program design, implementation challenges and outcomes, and evaluation of earthquake victims and host families, please see, “Innovating in the Wake of Disaster: Fonkoze’s Earthquake Recovery Program, A Final Report for Partners,” on-line at: www.fonkoze.org/publications/evaluations.html. •

The Smart Campaign at Fonkoze: Strengthening Our Client Protection Practices

Fonkoze has always been a client-centered institution, committed to the delivery of high quality financial and complementary services while keeping our clients’ rights and interests front and center. As an institution that targets the poor and vulnerable, we believe that we must have an institutional culture, policies, and practices that prioritize client protection. This is why, in 2009, Fonkoze became an early endorser of the Smart Campaign, a global initiative to promote responsible microfinance by encouraging strong client protection practices throughout the microfinance industry. Anne Hastings, CEO of Sèvis Finansye Fonkoze, has served on the International Steering Committee for the Smart Campaign since 2009.

By 2010, the Campaign had identified six principles of responsibility:

1. Avoid over-indebting your clients
2. Price products transparently and responsibly
3. Use appropriate collection practices
4. Ensure ethical staff behavior
5. Resolve complaints effectively
6. Protect the privacy of client data

In 2010, under the leadership of the Social Performance department, Fonkoze raised staff and client awareness about the Campaign principles and took concrete steps toward strengthening client protection practices. Despite enormous pressure to respond quickly, we took the time to weave client protection principles into our earthquake response, most notably by developing a new evaluation tool and accompanying guide for credit agents to assess client readiness for a new loan in the post-disaster environment—a time when microfinance clients are particularly vulnerable to over-indebtedness.

In August, the evaluation tool became one of the winners under The Smart Campaign’s first Call for Tools to Prevent Over-indebtedness. Additionally, Fonkoze:

- ▶ Presented The Smart Campaign principles to member delegates at the General Assembly (the annual gathering of client/member representatives) in July and received their vote for Fonkoze to fully engage in the Campaign.
- ▶ Tasked Assembly Delegates with sharing the principles with their

respective communities, eventually reaching every member throughout the country.

- ▶ Completed an internal self-assessment using a Smart Campaign tool to evaluate strengths and weaknesses with regard to the six principles.
- ▶ Designed and planned the launch of a new toll-free hotline (“Rele Anmwe”, Creole for “Cry for Help”) for clients and staff to call and lodge complaints and seek timely resolution.

Already in early 2011, Fonkoze developed its first annual work plan comprised of 20 key initiatives to further strengthen client protection practices, formed an internal Smart Campaign Task Force to champion the initiatives, and launched the pilot of the complaints hotline.

By engaging staff and clients in the Campaign we are facilitating buy-in and accountability, ultimately increasing the likelihood of fulfilling our promise to keep our clients’ interests and well-being at the forefront of our agenda.

Marie Josée Chérubin, a
Fonkoze client served by our
Jakmèl branch since 2001

Tracking Client Progress Along the Staircase

A central component to Fonkoze's approach to social performance management is monitoring change in our clients' lives over time. To accomplish this, branch-based Social Impact Monitors (SIMs) interview a random sample of clients upon entry into each of the first three programs on our staircase—*Chemen Lavi Miyò (CLM)*, or Pathway to a Better Life, *Ti Kredi* (Little Credit), and Solidarity Credit. Social Impact pays special attention to these first three programs because they are designed for our poorer and more vulnerable clients who comprise over 98% of our client base. SIMs then re-interview these same clients every two loan cycles, or approximately once per year. To facilitate tracking over time and comparisons of key indicators across programs, SIMs use two standardized quantitative tools to track client progress:

1. Kat Evalyasyon (Poverty Score-card) — A tool for collecting data on 25 socio-economic indicators of poverty in Haiti, such as housing quality, food

security, water and energy sources, asset value, literacy, sources of income, school attendance of school-age children, and business expenditures. The tool also includes an embedded Grameen Foundation Progress out of Poverty Index (PPI) of which Fonkoze is a certified user. The PPI allows us to calculate the likelihood that the household lives below the \$1/day (extreme poverty) or \$2/day (poverty) at purchasing power parity (PPP) international benchmarks for poverty.⁵

2. Food Security Survey — This nine-question survey, adapted from Freedom from Hunger's Food Security Survey, classifies households as:

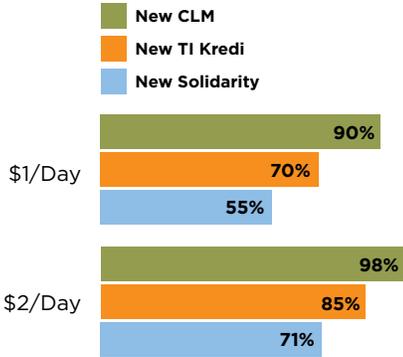
- ▶ Food Secure—the household has enough to eat on a regular basis
- ▶ Food Insecure *without* Hunger—the household has difficulty meeting food needs, but does not go hungry
- ▶ Food Insecure *with* Hunger—the household has difficulty meeting its food needs and goes hungry on a regular basis

All surveys are administered as part of a home visit where, in addition to capturing feedback in the client's own words, SIMs are able to make valuable observations of changes that have occurred in the client's business and personal situation.

In 2010 Social Impact interviewed 1,365 clients—854 new and 511 continuing. Data confirmed that we continue to reach Haiti's poor...and, despite tremendous odds, our clients are making steady progress while with Fonkoze.

FIGURE 3

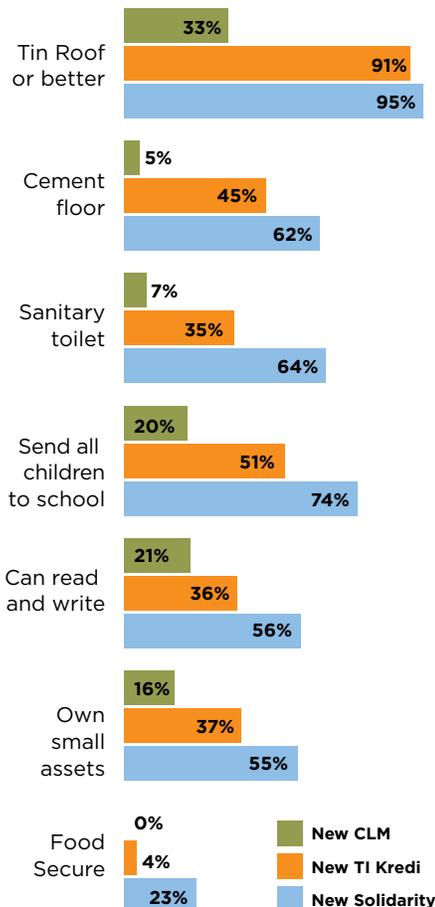
Percentage of Incoming Clients Living Below \$1/day and \$2/day by Program



Sample size for Figures 3, 4 and 5 = 75 CLM, 172 Ti Kredi, 607 Solidarity

FIGURE 4

Key Socio-Economic Indicators for Incoming Clients by Program



In 2010 the Social Impact department interviewed **1,365 clients—854 new and 511 continuing**. Data collected confirmed that we continue to reach Haiti’s poor with our products and services offered on the *Staircase out of Poverty* and, despite tremendous odds, our clients are making steady progress while with Fonkoze.

INCOMING CLIENTS: REACHING HAITI’S POOR

Due to the scale-up of the *CLM* and *Ti Kredi* programs this year and the recruitment of a full-time SIM dedicated to data collection on these two programs, we are able to compare the socio-economic situations of incoming clients across all three of our programs for the poor.

In 2010 SIMs collected data on 854 new clients—75 *CLM*, 172 *Ti Kredi*, and 607 *Solidarity*. These data highlight that these three programs continue to reach three different categories of clients, each with distinct characteristics and needs.

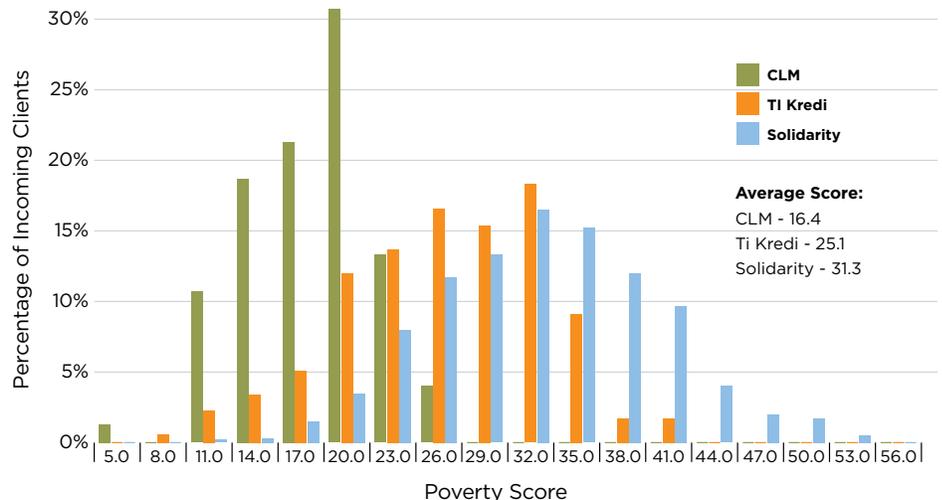
Figures 3 and 4 show differences with regard to poverty levels, living conditions,

children’s school attendance, literacy, asset ownership and food security. *CLM* members—those in our non-credit, livelihood promotion program designed for ultra-poor families—are consistently the poorest with 98% living on less than \$2/day, 100% living in food insecurity with hunger, and low scores in all the other key indicators of poverty analyzed. Incoming clients in *Ti Kredi*—our introductory micro-credit program for new entrepreneurs—fell in between their counterparts in *CLM* and *Solidarity*. Clients in *Solidarity*—our group lending program for more experienced businesswomen—were relatively better off across the board. Nonetheless, while incoming *Solidarity* clients were much less likely than *CLM* and *Ti Kredi* clients to be living under the international extreme poverty line of \$1/day, 77% of them were suffering from food insecurity, demonstrating that even clients eligible to start on the 3rd step of the staircase face significant challenges meeting the daily needs of their families.

For the 3rd year in a row we were able to create a histogram (**Figure 5**) to illustrate

FIGURE 5

Poverty Scores of Incoming Fonkoze Clients in 2010

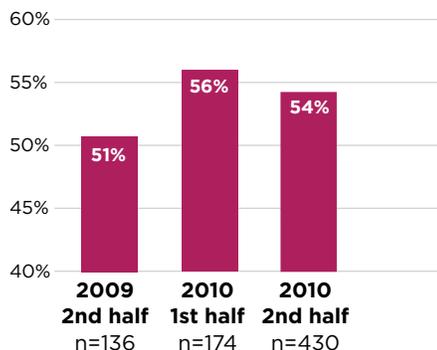


the distribution of points in our poverty scorecard (max 63.5) for clients entering the three different programs. The *CLM* and *Solidarity* curves maintained a similar average score and standard deviation this year in comparison to prior years; however, the *Ti Kredi* average score went up from 23.4 to 25.1 and the standard deviation increased from 4.9 to 6.6 resulting in more overlap with *CLM* and *Solidarity* clients. We also saw the percentage of incoming *Ti Kredi* clients living on less than \$1/day decrease from 73% to 70% this year. All of these statistics suggest that we may have been less effective in our selection process for *Ti Kredi* this year. As a result, in 2011 *Ti Kredi* managers will revisit their selection methodology to define clearer criteria for placement in the program.

Impact of the Earthquake: A Closer Look at Incoming Client Trends

Fonkoze saw a slight increase in the poverty levels of incoming *Solidarity* clients, our largest program and set of sample data, with the percentage of those living in ex-

FIGURE 6
**Percentage of Incoming
Solidarity Clients Living
Below \$1/day**



treme poverty increasing from 53% in 2009 to 55% in 2010.

To gain a deeper understanding of the potential impact of the January 2010 earthquake on our target population, we compared data collected on our *Solidarity* clients across three time periods: the last half of 2009 (pre-earthquake snapshot), the first half of 2010 (short-term effects), and the second half of 2010 (medium-term effects). Analysis of these data in Figure 6 shows an increase in the percentage of incoming clients living below the \$1/day extreme poverty line from 51% in the last half of 2009 to 56% in the first half of 2010, and then a slight decline to 54%. Given that there were no major changes in where and how Fonkoze was recruiting clients during this period this trend seems to reflect the economic impact of the earthquake.

THE FIRST STEP: CHEMEN LAVI MIYÒ - PATHWAY TO A BETTER LIFE

Fonkoze worked with the Consultative Group to Assist the Poor (CGAP) and Concern Worldwide to pilot *Chemen Lavi Miyò* (*CLM*)—a non-credit, livelihoods promotion program—with 150 families in 2007 in three different regions of Haiti. Convinced that we were not serving the poorest of Haiti's poor with our traditional micro-credit programs, we were determined to find a way to reach these “ultra-poor” families and to accompany them out of extreme poverty and into sustainable livelihoods.

Adapted from a successful methodology used by BRAC in Bangladesh, our 18-month *CLM* program strengthens the productive assets, social networks, and business and life skills of ultra-poor women, by providing them with assets for entrepreneurial use, enterprise training, health services, housing support, a short-term consumption stipend, and social links with village leadership. The



A *CLM* case manager working with a member learning to write her name during a weekly home visit

goal is for these women to have the foundation they need to provide sustainably for their families and better manage future economic shocks. If they so choose, upon graduation they may enter into Fonkoze's six-month, introductory micro-credit program, *Ti Kredi*.

The cornerstone of *CLM* is the work of the case manager—a staff person who visits the participant on a weekly basis, carefully tracking her progress, coaching her through the myriad of hurdles that may arise, and accompanying her steadily to graduation. The success of our pilot,⁶ which realized a 95% graduation rate, led us to work with 250 new families in 2009, and plan for greater expansion into the Central Plateau where the program is strengthened by our relationship with *Zanmi Lasante* (Partners in Health).

In 2010, a rapid scale-up of both the *CLM* and *Ti Kredi* programs quickly became a central component of Fonkoze's post-earthquake strategy as we realized the nationwide economic impact of the earthquake and the urgent need to accommodate families who slipped deeper into poverty following the catastrophe. Moreover, the Central Plateau's proximity to the capital made it one of the primary destinations for displaced urbanites, placing an additional strain on already struggling households. With our *CLM* team already based in Sodo, a town in the Central Plateau, we were well-placed to respond.

“My life has really changed after 18 months in CLM... My assets have grown a lot; I now have 6 goats, 45 guinea hens, 6 turkeys, 2 horses, 1 cow and 20 chickens. Fonkoze doesn’t have to worry about me anymore, because I’m not going backwards ever again!”

– A DECEMBER 2010 CLM GRADUATE, BOUKAN KARE

Together with our partners at the MasterCard Foundation and the Haitian Timoun Foundation, we set the ambitious goal of recruiting 1,100 ultra-poor households for the CLM program and 4,000 nascent micro-entrepreneurs into the *Ti Kredi* program to help rebuild and strengthen the livelihoods of these families.⁷

By the end of the year, CLM had enrolled 1,234 ultra-poor households in the Central Plateau, spanning 84 villages, some as far as five hours walking distance from the nearest Fonkoze branch. Consequently, in 2010 the CLM team added 20 case managers, four regional managers, a full-time Social Impact Monitor, and a new sector specialist. This expanded team was bestowed with the important task of ensuring lessons learned from the pilot made their way into this rapidly growing program.

The final independent evaluation of the pilot re-assessed all 150 program participants six months after graduation, or 24 months

since program start.⁸ Results published in early 2010 revealed that graduates sustained remarkable improvements, highlighted in **Figure 7**: 70% were still sending all or most of their children to school (up from 27% at baseline); 39% owned large livestock such as donkeys, cows or horses, notably all purchased by members themselves (up from 5% at baseline), and; 25% were food secure (up from 1% at baseline). 100% of the CLM pilot graduates in the Central Plateau graduated from *Ti Kredi* into the Solidarity program—the third step on Fonkoze’s staircase.

However, there were signs that graduates struggled to maintain their footing. We saw a slight increase in malnutrition and the percentage of graduates living below \$1/day and \$2/day (**Figure 8**), as well as a slight raise in the percentage of clients who say Fonkoze should “worry” about them. These changes are not completely surprising as many members who were interviewed in

2009 for the evaluation were still feeling the economic strains caused by a food crisis and series of destructive hurricanes in late 2008.

Encouragingly, results also showed that pilot members who chose to continue into *Ti Kredi* were more successful at preserving their gains than those who chose not to. These findings reinforce our understanding that one-off interventions are not enough

to build permanent resilience—especially for those fighting to escape extreme poverty in Haiti—and underscore our commitment to provide ongoing accompaniment as our members progress on their different pathways out of poverty.

The year closed with the achievement of another major milestone: In December 2010, CLM proudly graduated 110 of the original 115 members from the first CLM class since the pilot, representing a 96% graduation rate. These women met stringent graduation criteria, such as having a viable roof on their house, at least two income-generating activities, no malnourished children and a defined

FIGURE 7
CLM Pilot 24-Month Evaluation Results – Changes in Key Indicators

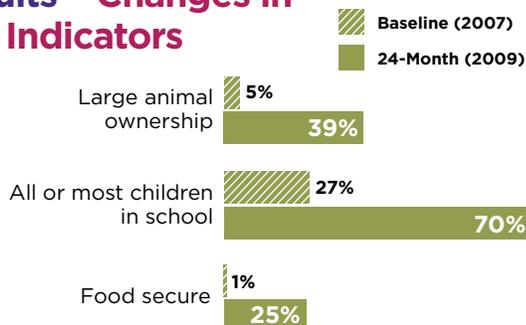
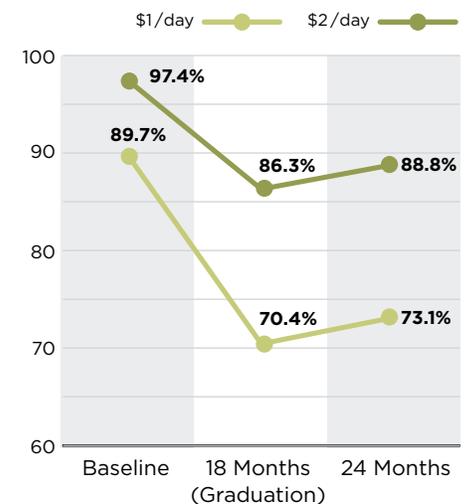


FIGURE 8
CLM Pilot 24-Month Evaluation Results – Change in Poverty Levels



plan for the future. Ninety percent of graduates chose to enroll in *Ti Kredi* (up from 85% in the pilot) and received their first loan the day of graduation.

We are greatly encouraged by the results of 2010 and are proceeding with planned improvements for 2011, which include:

- ▶ Identifying “fast and slow climbers” in the first six months of the *CLM* program so that we can customize support based on their needs;
- ▶ Using an animal husbandry expert to train all members in how to provide basic animal care to preserve their live-stock investments;
- ▶ Leveraging the side-by-side scale-up of *CLM* and *Ti Kredi* to strengthen collaboration between the two programs and facilitate a smooth transition for *CLM* graduates into *Ti Kredi*; and
- ▶ Inviting graduates who choose not to enter into *Ti Kredi* to still participate in the group meetings and training sessions so they can maintain ties with their peers and enter *Ti Kredi* when they feel ready.

The placement of a full-time Social Impact Monitor with the *CLM* and *Ti Kredi* teams will significantly enhance Fonkoze’s ability to follow the evolution of these highly vulnerable members over time. Although *CLM* is still quite new, results to date lead us to believe this program presents a promising approach to eradicating extreme poverty in Haiti, starting with the Central Plateau.

STEP 2: TI KREDI - LITTLE CREDIT

In 2010, the *Ti Kredi*, or Little Credit, program continued to expand its presence nationwide,⁹ establishing the program as an important entry point into the staircase for women who are not quite as poor and vulnerable as our *CLM* members, but who lack the confidence or experience to



Two *Ti Kredi* graduates from Twoudinò with their certificates

thrive in the Solidarity program. *Ti Kredi* proved particularly valuable this year as an effective post-earthquake strategy to help vulnerable families restore their livelihoods and rebuild their economic base.

This year 4,845 clients went through the *Ti Kredi* program—85% more than last year—with a graduation rate of 91%. At the end of 2010, *Ti Kredi* had 21 credit agents operating in 12 of Fonkoze’s 43 branches and comprised 4% of Fonkoze’s client portfolio.

In order to graduate from *Ti Kredi*, clients must have an active savings account, a func-

tioning business, and have repaid all three of their loans. As illustrated in the Incoming Clients section, *Ti Kredi* clients start off in a markedly less favorable condition than our Solidarity loan clients. In 2010, new *Ti Kredi* clients were 15% more likely to be living on less than \$1/day and 35% more likely to suffer from hunger than our Solidarity clients.

When clients start in *Ti Kredi* we help them open a savings account, start them off with a one-month \$25 loan to establish a business and ease them into lending activities, and meet with them on a weekly basis to provide them with intensive education and coaching to help them build a successful business. While dramatic changes in poverty levels are usually difficult to see over the program period of six months, data collected in 2010 are showing noticeable improvements in poverty levels and food security, as well as countless testimonies of life-changing transformation in this short period (see Figure 9).

Social Impact analyzed data on 84 clients from five branches who graduated from *Ti Kredi* this year. Of this group, 86% were

Why do some *Ti Kredi* clients not succeed?

In 2010, Social Impact completed a special study of former *Ti Kredi* clients who did not graduate from the program, or who left shortly after enrolling into Solidarity, to understand their reasons for leaving Fonkoze.

The study discovered that the main reason clients left was because of business failure. What was particularly interesting was that most of those clients who were unsuccessful in managing their business while in the *Ti Kredi* program had failed at previous attempts to manage a business.

These findings suggest that clients who have failed once before in managing a business are at greater risk for failing again. In addition to underscoring the importance of *Ti Kredi* agents discussing business plans and options with clients before taking out each loan, these insights also suggest that not everyone will be successful as a micro-entrepreneur and may fare better with a job.

In 2011 Social Impact will collaborate with *Ti Kredi* to develop a more formal review process of clients’ businesses mid-program, just before their third and final loan, to make sure their businesses are evolving well, the clients’ investment plans are sound, and they are preparing themselves well for success in the Solidarity program.

“For the first time in my life I feel relieved because I can put food on the table for my family.”

— A *Ti Kredi* GRADUATE FROM TYÒT

considered “Food Insecure with Hunger” at program start. This classification describes families who experience hunger regularly and often do not know when and where they will eat their next meal. Over the course of six months, the number of families in this highly vulnerable state decreased to 46% (Figure 9).

Interviews with *Ti Kredi* clients also revealed their assets were increasing with declarations such as: “I was able to buy two goats with my business profits,” or “With my business profits I bought four chickens and one piglet.”

A high priority for Fonkoze now is to ensure we provide the ongoing accompaniment necessary for *Ti Kredi* clients to sustain their progress after they graduate in order to become prosperous Solidarity clients. Just as we

learned for *CLM* that a smooth transition into *Ti Kredi* is vitally important, we have learned the same for clients graduating from *Ti Kredi* into Solidarity. For this reason, in 2010 Fonkoze piloted a new approach where *Ti Kredi* clients make the transition to Solidarity Credit with their *Ti Kredi* credit agent. Of 15 *Ti Kredi* credit agents who began in 2010, nine of them transferred to the Solidarity program with their *Ti Kredi* graduates. We believe that providing more continuity and close support for our clients as they climb the staircase and take on more responsibility and autonomy will position them for greater success.

In 2011, Fonkoze will continue to strengthen monitoring systems to track a growing number of *Ti Kredi* clients as they advance in the Solidarity program.

Preliminary results of a joint study between Fonkoze and the Grameen Foundation show that *Ti Kredi* clients are staying with Fonkoze longer and realizing socio-economic improvements at a faster rate than those who enter directly into Solidarity. The study will be completed in 2011, but the preliminary results present a compelling double bottom line business case that would allow Fonkoze to comfortably invest more resources in *Ti Kredi*, independent of external funding.

STEP 3: SOLIDARITY CREDIT

Solidarity Credit is Fonkoze’s largest lending program. It provides loans ranging from \$75 to \$1,300 to women micro-entrepreneurs organized in solidarity groups of five. Five to 10 of these small groups come together to form a Solidarity Center that meets twice a month for repayments, training, and peer support.

By the end of 2010, the Solidarity program had 47,524 borrowers—a 15% increase over year-end 2009—with nearly 1,800 Solidarity Centers reaching some of the most rural and isolated areas of the country. Solidarity clients were significantly affected by the earthquake, representing 93% of the 19,831 clients who benefitted from *Kore Fanmi Fonkoze*.

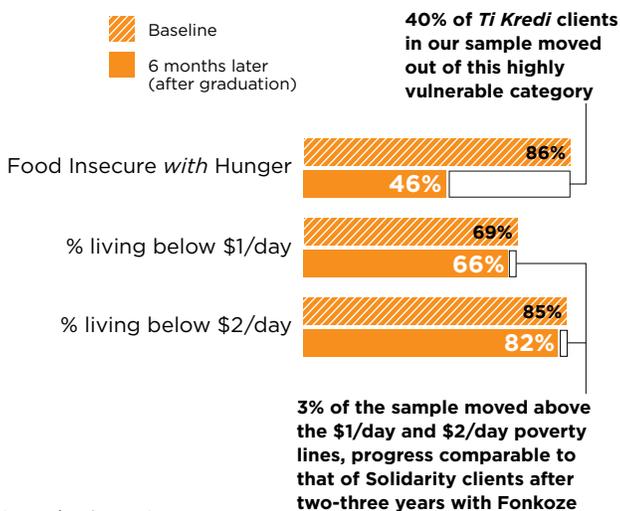
As our oldest lending program, Solidarity clients are the main contributors to our longitudinal study—panel data on clients that we have been able to re-interview on an annual basis. In 2010, Social Impact interviewed 1,041 new and continuing Solidarity clients in 11 different branches as part of our routine client monitoring, not including interviews conducted as part of special research or evaluation efforts. In addition to the 607 new clients interviewed who were discussed in the Incoming Clients section, we also followed up with 434 continuing clients who had been with Fonkoze one year or more.

Thanks to improved client retention and strengthened data collection tools and processes this year, Social Impact Monitors interviewed the largest sample ever of clients who have been with Fonkoze for two years or more. These data provide deeper insights into client patterns, the sustainability of progress over time, as well as the greatest areas of client vulnerability.

Progress out of Poverty

Despite significant challenges and setbacks clients faced this year, clients in all cohorts

FIGURE 9
2010 *Ti Kredi* Results:
Progress After Six Months



Despite significant challenges and setbacks clients faced this year, clients in all cohorts did in fact demonstrate improved food security and modest progress out of poverty.

— 2010 SOLIDARITY RESULTS

did in fact demonstrate improved food security and modest progress out of poverty. Moreover, we are seeing a consistent pattern of steady, small improvements for client groups across the years, suggesting a general trend of improvement in our clients' lives while with Fonkoze.

After one year with Fonkoze. Social Impact re-interviewed 198 clients who had advanced to Cycle C, their third loan cycle with Fonkoze, which takes approximately one year. These clients made slight progress out of poverty with 1% moving above the \$1/day line and 2% moving above the \$2/day line. However, we saw significant improvements in food security and the percentage of clients sending all their

children to school (**Figure 10**). Since many of these clients were earthquake victims, the fact that they were not only able to maintain their footing on the staircase but also to make slight progress is encouraging and inspires confidence that with the right ongoing accompaniment this trajectory can continue.

Two years with Fonkoze. This year we re-interviewed 205 clients in eight different branches¹⁰ who advanced to Cycle E, the 5th loan cycle in the Solidarity program, which takes approximately two years. This year's Cycle E sample is significantly larger and more geographically diverse than the 2009 sample, therefore giving us our most representative portrayal to date of progress for clients who have been with Fonkoze for at least two years (**Figure 11**).

Three percent of this cohort moved above both the \$1/day and \$2/day lines, and 17% became food secure since starting with Fonkoze two years ago. In addition, they made progress in all of the key socio-economic indicators that we track, including those that relate to our six commitments. Forty-nine percent of the clients in this cohort came from branches where clients were severely affected by the earthquake (Jakmèl, Lavale and Gantye), making the progress in this cohort even more remarkable.

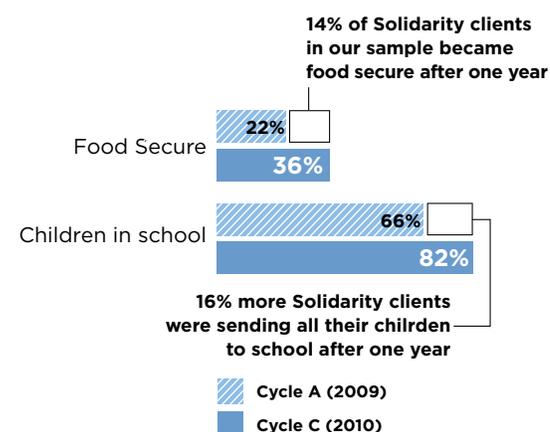
When looking at indicators with the greatest improvements, they suggest that as clients realize increased economic capacity, they first invest in feeding their family, sending their children to school, and purchasing small assets that improve their quality of life. The areas of slower improvement, such as learning to read and write, having a cement floor, or a sanitary toilet, may reflect the more time or capital intensive nature of these changes, and therefore will take more time to make.

Three years with Fonkoze. In 2010 we re-interviewed 30 clients in four branches—Folibète, Twoudinò, Lavale and Jakmèl—who took out a Cycle G, or 7th, loan. On average these clients have been with Fonkoze for three years with most of them starting in 2007. 2010 is the first year we have enough Cycle G clients in the sample to enable us to begin looking at the results at this stage.

Of the 30 clients in this cohort, an estimated 3% moved above the \$1/day line and 2% moved above the \$2/day line since they started three years ago (**Figure 11**). We cannot report on changes in food security since the Food Security Survey was only introduced in 2008 and therefore we have no baseline data for this cohort. Nonetheless, we are able to report on the most recent Food Security Survey results for these clients, which indicate that 63% are food secure. Given the historical trend of the majority of incoming clients being food insecure, we can reasonably deduce that these 30 clients have made significant progress with regard to food security.

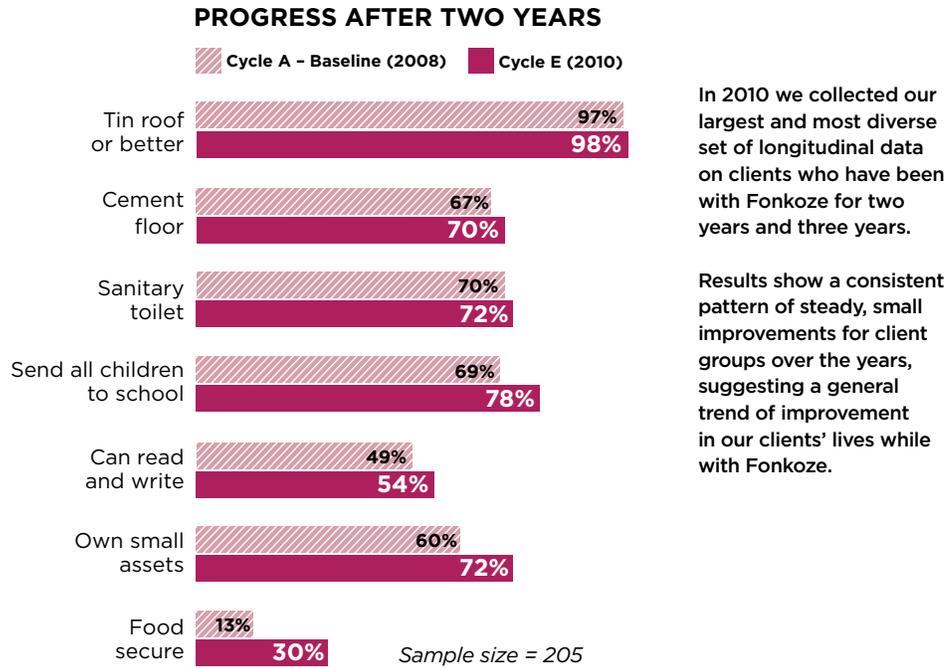
Although the size of this year's Cycle G cohort is relatively small, the patterns we see in their progress out of poverty—incremental improvements in food security, housing conditions, child education access, asset ownership—are consistent with

FIGURE 10
2010 Solidarity Results:
Progress After One Year



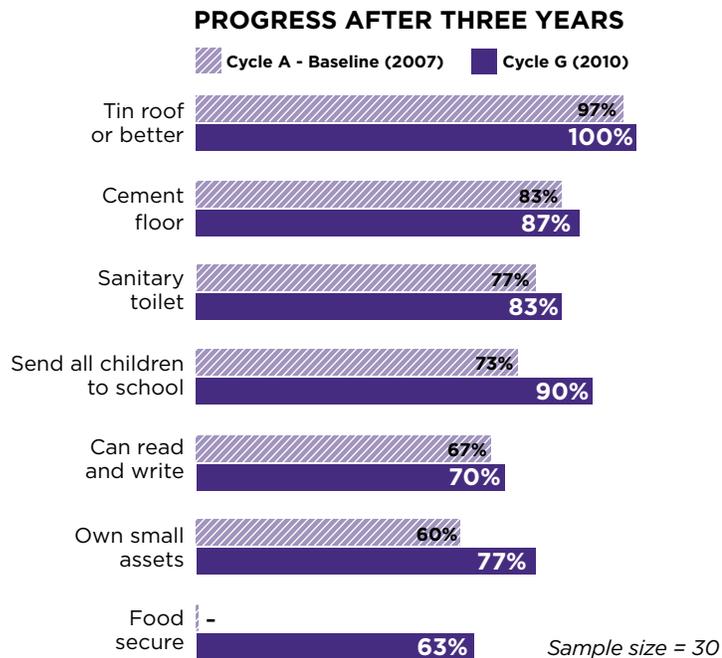
Sample size = 198

FIGURE 11
2010 Solidarity Results: Client Progress by Key Indicators After Two and Three Years with Fonkoze



In 2010 we collected our largest and most diverse set of longitudinal data on clients who have been with Fonkoze for two years and three years.

Results show a consistent pattern of steady, small improvements for client groups over the years, suggesting a general trend of improvement in our clients' lives while with Fonkoze.



what we are seeing with clients after one and two years with Fonkoze.

While our longitudinal study suggests a general and consistent pattern of improvement in our clients' lives over time, we realize that progress is not linear and is often riddled with shocks and setbacks. One client interviewed by Social Impact this year, Anne-Marie Joseph, has been a Fonkoze member for over five years. She spoke candidly about how repeated challenges in 2010—losing everything in the earthquake and then again to theft—set her back. But with the help of Fonkoze she has been able to “bounce back each time.”

It is testimonies like Anne Marie's and many other stories like hers that deepen our understanding of our clients' vulnerabilities and the risks they face. In 2011, we will prioritize equipping all of our clients with appropriate risk management tools that will strengthen their resilience so they can preserve their gains and “bounce back” more easily each time.

STEP 4: BUSINESS DEVELOPMENT LOANS

Currently, Business Development (BD) is the final step on Fonkoze's *Staircase out of Poverty*. BD is designed to accommodate women who graduate from our Solidarity program or other business men or women with an established micro or small enterprise who can manage a 12-month individual loan of \$1,300 or more.

BD clients were heavily affected by the earthquake. Twenty five percent of these clients (343) were considered earthquake victims and benefitted from *Kore Fanmi Fonkoze*; however, many other clients did not qualify for the program but reported difficulties acquiring new merchandise and a decrease in sales due to competition with relief organizations distribut-

ing goods. With greater capital amounts invested in their established businesses and more complex business management needs than our Solidarity clients, it proved to be more difficult for many BD clients to get back on their feet in the aftermath of the earthquake.

While BD clients nationwide struggled with delinquency this year, we did not want to assume that the earthquake was the sole cause of this. Therefore, in the latter part of the year we conducted interviews with a sample of delinquent clients to understand better why they could not make their loan payments. Most of these clients had a strong track record of repayment prior to their delinquency, often paying in full or in advance. The main reasons clients identified for struggling to repay were:

1. Catastrophic loss: Destruction or liquidation of assets due to events other than the earthquake such as fire, robbery, and kidnapping
2. Health problems or pregnancy
3. Business structure breakdown
4. Competition with aid organizations disbursing similar products for free
5. Death of a family member

The year ended on a disappointing note with the total number of borrowers in the BD program decreasing to 954, a 29% reduction from year-end 2009. Of the 282 new clients this year, 34% graduated into the program from Solidarity credit.

Historically BD was our only program targeting the small and medium enterprise (SME) sector, and has averaged loan sizes of about \$1,700; however, in the aftermath of the earthquake this year we began to explore the greater array of opportunities and needs of this undercapitalized, yet vital, sector of the economy. In April we introduced *Zafen*, an online

platform where individual investors can lend to socially responsible SMEs throughout Haiti. In September Fonkoze piloted a new product called *Kredi Cho* to provide two- to three-month working capital loans to women importers known as *Madanm Sara*, organized in a very strong association. These women are the suppliers of many of our Solidarity clients who are *ti machann*. These pilots performed well, demonstrating high repayment rates and an average loan size of \$4,000 for *Zafen* and \$20,000 for *Kredi Cho*.

Given what we have learned this year, in 2011 we will complete a thorough evaluation and rethinking of the BD program to see how we might strengthen

it and better accompany these clients with business mentoring and training. We will also revisit our overall strategy vis-à-vis the SME sector. The success of our new pilots may indicate another way for Fonkoze to build on the existing Staircase by supporting more sophisticated, job-creating SME's that are essential to the long-term economic development of Haiti. A more robust product mix targeting the SME sector may also present a promising path to strengthen our financial bottom line, in turn allowing us to sustainably fund our programs for the poor. •

PROFILE

Anne-Marie Joseph, Solidarity Client, Lenbe Bouncing back with the help of Fonkoze

Anne-Marie Joseph was a member of Fonkoze even before the opening of her local branch, Lenbe, in 2008. She runs a small business selling food items and cosmetics and uses her profits to provide for her four children. Her story is one of the many that helps us to better understand the struggles of our clients and inspires Fonkoze to increase efforts to help clients preserve and protect what they work so hard to build.

Anne-Marie has faced a series of setbacks that have made it difficult for her to sustain progress out of poverty. On January 12th, she lost much of her business investment because she was buying merchandise in Port-au-Prince when the earthquake hit. She benefitted from *Kore Fanmi Fonkoze*—our earthquake recovery program for clients—and received \$125 cash, repayment of her outstanding debt, and access to a new loan. In September 2010, she took out her fifth loan with Fonkoze for US\$375. As she began to get back on her feet, several months later, all her money was stolen, including loan repayments other Fonkoze clients had given her to submit on their behalf. Anne-Marie recounts, “At that point in time I was forced to sell my cow to make up for the money I had lost.” This was a sad day for her. However, Anne-Marie shared that Fonkoze has been a critical source of support for her: “If I hadn’t run into all these difficulties this past year, I would have undoubtedly made more progress. But, in fact, it’s with Fonkoze’s support that I have been able to bounce back each time.”





Fonkoze clients study their education booklet with their credit agent

Complementary Products and Services to Facilitate the Climb

In addition to our core programs on the Staircase out of Poverty we offer a set of complementary products and services—Insurance, Education, and Health—designed to empower our clients with the knowledge, tools, and confidence that will help them steadily make and sustain progress.

In 2010, our Micro-insurance, Education, and Health programs each played a central role in Fonkoze's response to one or more of the year's major challenges. Each program realized groundbreaking pilots that responded quickly to our clients' urgent needs, while laying the foundation for more permanent solutions. Evaluations led by Social Impact allowed Fonkoze to gather staff and client feedback, extract key lessons learned, and make recommendations for scale-up to ensure ongoing effectiveness. In 2011, Fonkoze will prioritize the scale-up

of these innovations that are proving to be essential in building our clients' resilience.

MICRO-INSURANCE

Fonkoze believes that micro-insurance has a critical role to play in helping our clients better protect themselves, their families, and their assets from all the risks they face. In late 2007, we launched a credit-life insurance product in partnership with Haiti's Alternative Insurance Company (AIC). This service protects a client's family in the event of her death by paying out a one-time indemnity of 5,000 HTG (US\$ 125) and covering the outstanding balance of the client's loan. In 2010, AIC paid out 134 claims, making a total of 481 payouts since 2007. We are still the only microfinance institution in Haiti to offer such a product to all its borrowers.

In 2010 we saw several years of client education and exposure to micro-insur-

ance pay-off. Less than two months before the earthquake, Social Impact completed a series of 12 focus groups in seven branches throughout Haiti on the topic of micro-insurance. Clients reported high levels of satisfaction with the credit-life product and a deepened understanding of insurance as a tool to help them manage risk in their lives. When we asked clients what other types of insurance products they would like, coverage for health, death of family members, theft, and natural disasters were all cited repeatedly.

Analysis of these focus groups results following the earthquake played a critical role in assuring Fonkoze managers the time was ripe for us to pilot the catastrophe micro-insurance product that was under development. The Earthquake Response and Evaluation section of this report discusses this pilot in more detail.

“I want Fonkoze to give us insurance for hurricanes because when that catastrophe hits it leaves nothing for me: it ravages my garden, crushes my home and strips my land.”

— SOLIDARITY CLIENT, LAVALE, DURING A FOCUS GROUP ON MICRO-INSURANCE

Insights gained from the earthquake recovery program fed directly into the design of *Kore W*, our permanent catastrophe insurance product. *Kore W*, which means “Reinforcing You” in Haitian Creole, was launched on the first anniversary of the earthquake, and is being rolled out to all Fonkoze credit clients during the first half of 2011. In 2011, Social Impact will continue to work closely with our micro-insurance team to monitor critical aspects of this new product such as:

- ▶ Effectiveness of staff and client training and education
- ▶ Effectiveness of loss assessment methodology
- ▶ Client satisfaction

EDUCATION & LITERACY PROGRAM

Since 1996 when we first introduced our literacy program, Fonkoze’s Education and Literacy department has worked to develop and deliver high impact educational modules that respond to the diverse developmental needs of our clients. Courses in basic and intermediate literacy, business skills, environmental protection, children’s rights, and sexual and reproductive health, empower our clients with knowledge and confidence to improve their quality of life and be agents of change in their homes and communities. In 2010, the Education department

delivered 12,670 modules to clients in 20 branches throughout the country.

This year, the Education program used its expertise to achieve a major milestone for Fonkoze—the development and pilot of disaster preparedness training sessions. The four-session booklet uses brief, illustrated stories and informational texts to educate clients about personal and business risk management strategies, including insurance as a risk mitigation tool, as well as principles of safe home construction. These new training sessions represent a critically important complement to Fonkoze’s overall effort to help clients better protect themselves and their families from the devastating consequences of natural disasters.

The pilot took place in Leyogàn and reached all 527 credit clients in the branch who benefitted from *Kore Fanmi Fonkoze*. The Education department trained 28 borrowers—one nominee from each Solidarity center—to facilitate the educational session

once per month during a regularly scheduled center meeting. Each peer facilitator was trained in the module’s content as well as Fonkoze’s primary education method, “reflection circles,” which enables clients, regardless of their literacy level, to fully participate and learn from one another.

Social Impact evaluated the pilot through a series of focus groups with program participants, peer facilitators, and Fonkoze staff. Results showed high levels of participant satisfaction and examples of clients putting their newfound knowledge into practice. Some highlights include:

- ▶ Most clients reported this program was the **first time they had received information and materials about disaster preparedness**, and all clients said they learned something they didn’t know before.
- ▶ All clients reported **sharing what they learned with at least three other people**, and usually more, in their com-



Leyogàn center chiefs during the disaster preparedness education facilitator’s training

This year, the Education program used its expertise to achieve a major milestone for Fonkoze —the development and pilot of disaster preparedness training sessions.

munities, suggesting that nearly 1,600 additional people may have been reached.

- ▶ Clients shared **concrete examples of how they put their risk management lessons into practice** in preparation for a late season tropical storm, such as making copies of important documents and distributing them to trusted friends, and storing their cash in different places.
- ▶ Credit agents also mentioned repeatedly how they saw these **lessons directly translating into decreased delinquency** since clients were managing their risks better.¹¹

The lessons from the pilot taught us that incorporating short, peer-facilitated education sessions into center meetings once per month could be a cost-effective way for us to reach all of our members with at least some basic education on an annual basis—an important objective we have been looking to achieve.



Consequently, in late 2010 the Education department took the four lessons from the disaster preparedness training sessions and combined them with 10 other essential lessons to form a 14-lesson educational booklet called *Ti Koze nan Sant la*, or “Litte Chat in the [Solidarity] Center.” While these short lessons administered during the center meetings would not serve as an adequate replacement for our more intensive modules, such as literacy, this new approach presents an exciting opportunity for us to reach all members with nuggets of information to substantially improve their businesses and personal lives.

In 2011, Fonkoze will roll out *Ti Koze nan Sant* to every branch, ultimately reaching every Solidarity client in our network. In the meantime, the Education department will continue to pursue new partnerships to support the delivery of our more intensive modules that continue to be in high demand.

SANTE - HEALTH PROGRAM

Health-related challenges present one of the biggest hurdles for our clients to make progress out of poverty. Since Fonkoze began conducting client exit interviews in 2006, health-related expenses and/or emergencies were continuously cited as one of the primary reasons a client leaves Fonkoze. In 2010, this was true for 15% of the interviewed exiting clients. In 2008, Fonkoze established the Health, or *Sante*, program to begin identifying and acting on ways Fonkoze could help clients better preserve their and their family’s health and cope with health-related crises.

Ti Koze nan Sant la is a new educational booklet to support center chiefs in facilitating discussions around key issues, including disaster preparedness, in one of the two center meetings per month.

Access to clean water is a major challenge to combatting the spread of cholera, especially for our clients, as is portrayed by the following 2010 statistic: Percentage of Fonkoze incoming clients interviewed who reported drinking from a clean water source:

- ▶ **Solidarity – 61%**
- ▶ **Ti Kredi – 33%**
- ▶ **CLM – 11%**

In 2010, Fonkoze’s ability to support the healthcare needs of clients was put to the test when Haiti was hit by the outbreak of a deadly, fast-spreading cholera epidemic in October. By the end of 2010, the Government of Haiti (GoH) reported 223,407 cholera cases and 4,452 deaths. Sadly, Fonkoze lost 29 clients and many more of their family members to the epidemic.

Though cholera is a preventable and easily-treated disease, those living in impoverished conditions, such as our clients, often lack basic information and necessary resources—mainly clean water—to effectively thwart its spread. Client interviews around the country reported lengthy and expensive travel to far-away clinics as a major barrier to cholera treatment.

With this in mind, *Sante* sprang into action with a cross-departmental effort to quickly get staff and clients critical information and supplies. *Sante* recruited 21 staff members from Education and Social Impact to complete a Training of Trainers on cholera prevention and

A Mibale center chief training fellow clients on cholera prevention and treatment strategies



“I’m really proud to walk alongside Fonkoze. Thanks to them, us ti machann will stop dying from drinking untreated water. Now Fonkoze is giving us a way to fight cholera.”

— SOLIDARITY CENTER CHIEF, OKAY

“I was scared because I had two members of my family who already died from cholera and I felt like I had no help. Thanks to Fonkoze’s training, now I know all that I need to do. I am going to save lives in my center and in my community.”

— SOLIDARITY CENTER CHIEF, TWOUDINÒ

treatment. These trainers were promptly dispatched throughout Haiti to empower our nearly 1,800 center chief—borrowers elected by their peers—with critical health information they could then pass on to their solidarity centers and communities. Within a few short weeks, the Fonkoze staff trainers implemented training in all 43 Fonkoze branch offices. Each session gathered dozens of Center Chiefs from the surrounding provinces for coaching and support to combat the cholera epidemic at a community level.

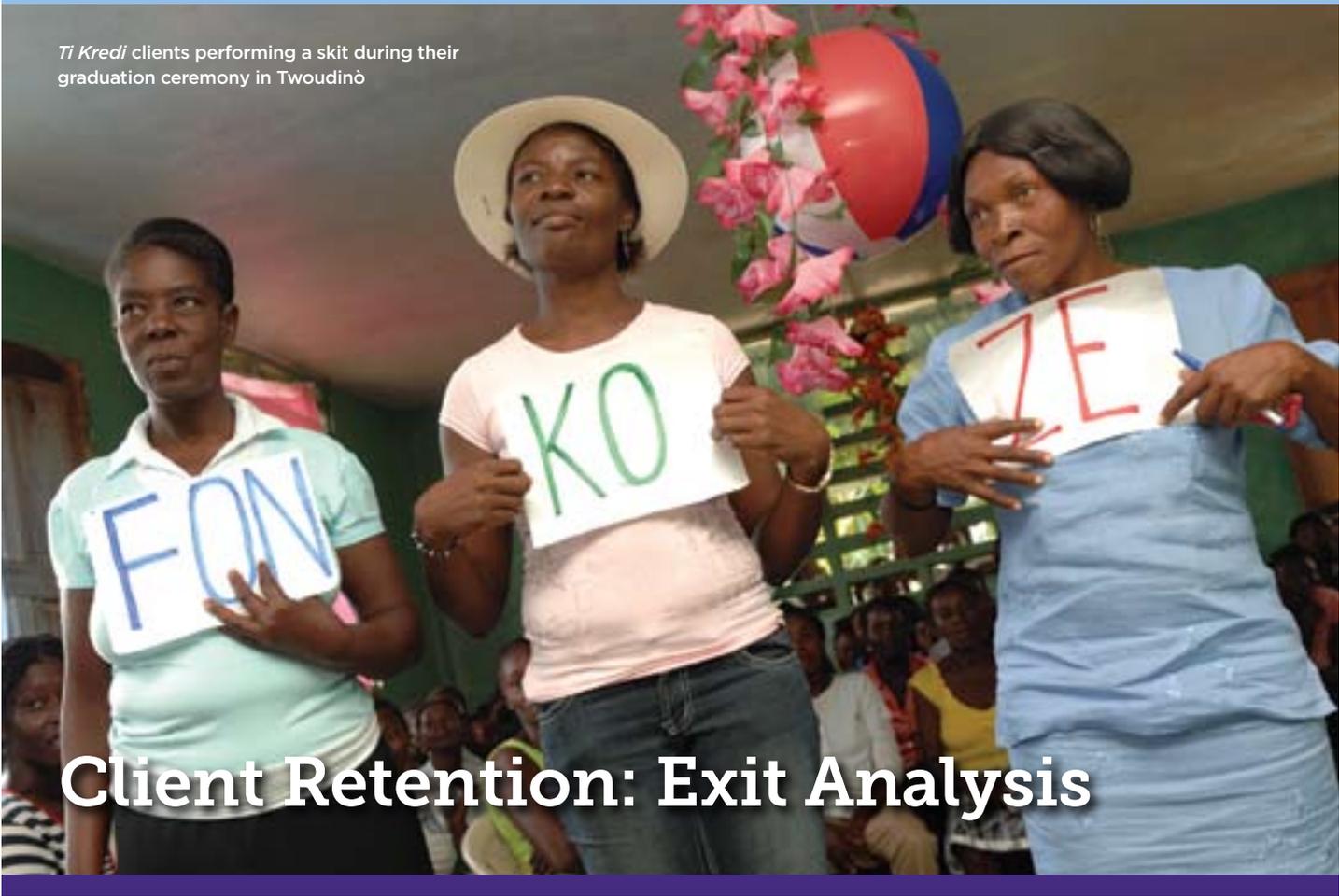
Along with empowering center chiefs to serve as community health educators, Fonkoze equipped motivated clients with a free starter kit to set-up their own community-based mini-pharmacy. Each kit included 20 oral rehydration solution packets and enough water purification tablets to

treat 200 gallons of water. Whereas this allowed us to get essential supplies to our centers very rapidly, the idea of developing these into sustainable mini-businesses did not work out, with free supplies being available to our clients and their communities widely across the country.

In 2011, Social Impact will work with *Sante* to complete market research for a new health program that will be piloted in the Lenbe branch. The initiative will aim to improve the health knowledge, skills and practices of Fonkoze clients and their families, through a community health worker based in the Fonkoze branch. The Fonkoze health worker will also link our clients with existing health services where they are available, and directly deliver preventative and curative services to the centers where they are not.

While we are encouraged by the 2010 accomplishments of our Education and Health programs, this year has reminded us that there is much more work to be done to respond to our clients’ developmental needs and strengthen their chances of sustaining their progress. For this reason, in 2011 Fonkoze will combine Education and *Sante* under one department—the Human Development department. Human Development will begin with Education and *Sante* looking at ways to enhance their individual service offerings, create synergies, and develop new services that will facilitate more permanent progress and life-long transformation for our clients and their communities. •

Ti Kredi clients performing a skit during their graduation ceremony in Twoudinò



Client Retention: Exit Analysis

Fonkoze finished the year with a retention rate of 86%¹²—a remarkable achievement considering the many obstacles Fonkoze and our clients faced this year. Since 2006, Social Impact has routinely interviewed a sample of former clients to understand their reasons for leaving Fonkoze, their satisfaction with our programs, and ultimately, understand how we might improve client retention. SIMs use an exhaustive client exit survey and Fonkoze’s Poverty Scorecard to conduct the interviews.

This year Social Impact interviewed a sample of 265 former Solidarity clients from 11 different branches as part of routine monitoring efforts. Of the 265 interviewed, on average they tended to have spent longer in the Fonkoze credit program than we found in previous years: on average they had spent more than two years as a Fonkoze credit client, and only 18 had exited after

their first credit cycle. Analysis of client exit surveys revealed the top five reasons clients reported leaving Fonkoze in 2010:

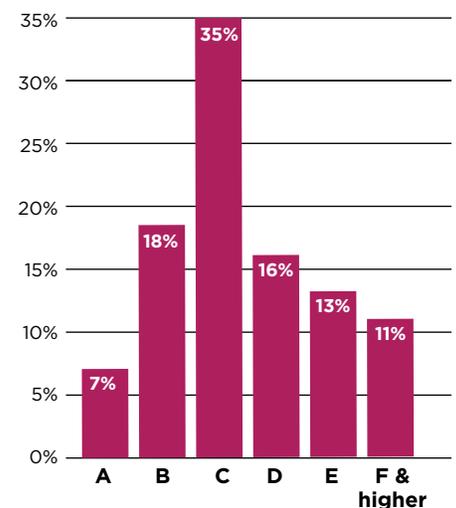
- ▶ Unable to sell her goods in the market – 16%
- ▶ Healthcare emergency or death in the family – 15%
- ▶ Problems with her solidarity group – 15%
- ▶ Money or merchandise was lost or stolen – 9%
- ▶ Decided to “take a short break” from credit – 8%

These reasons are consistent with what we learned in 2008 and 2009.

In the second half of 2010, we began to ask exiting clients specifically whether it was damage suffered to their business as a result of the earthquake that caused them not to be able to make their loan repayments. Of 68 clients to whom we

asked this question, only 26% responded affirmatively. This relatively low rate is re-

FIGURE 12
2010 Client Exit by Loan Cycle



Sample size = 265

assuring since it is another indicator that suggests that Fonkoze’s post-earthquake relief program was effective.

With regard to client satisfaction, when interviewers asked exiting clients for their opinions on the Solidarity loan program, a majority (59%) had no criticisms at all. For those who did have a complaint, 31% expressed dissatisfaction with their loan terms, such as the loan size being too small, repayment periods too short, and interest rates too high. However, 87% of all exiting clients interviewed still said their loan with Fonkoze “helped my family a lot,” or “helped my family somewhat,” and 85% said that they would recommend Fonkoze to a friend.

POVERTY LEVELS OF EXIT CLIENTS

In the past we looked at poverty levels of exiting clients in comparison to continuing clients at an aggregate level (all exiting versus all continuing) and as a snapshot in time (the year of client exit). This analysis showed in 2008 and 2009 that exit clients were poorer than the average continuing client and left Fonkoze management speculating whether these clients were poorer when they began or became poorer while with Fonkoze. This year we did several additional analyses to gain a deeper understanding of this phenomenon.

1. Of the 265 exit clients interviewed this year 115 of them were part of our longitudinal data sample; therefore, we had poverty data for these clients when they began and when they left Fonkoze, allowing us to look at changes in this group’s poverty level while with Fonkoze. Analysis of these data revealed some interesting insights: these clients experienced little or no change in their poverty levels while in the Fonkoze loan program. This is an important find-

From Exit Interview to Action: Learning from a Special Study in Piyon

In 2010, Social Impact led a special study on exit clients in Piyon—a branch known for its high-performing staff and low delinquency—to understand why clients were still choosing to leave the Solidarity program. Social Impact used Fonkoze’s existing client exit survey to interview a random sample of 46 clients, representing 19% of clients who left the branch in the latter part of 2009. To analyze the data, Social Impact developed a new analytical framework. The goal of this approach was to help Fonkoze better categorize exit interview results and more effectively map reasons for exit to a set of appropriate actions to be taken at the individual branch or throughout the institution.

In the Piyon study we identified 18 different reasons that clients left Fonkoze, and we grouped these reasons into five different categories: 1) institutional/policy, 2) branch/procedural, 3) personal decision (includes business failure) or community influence, 4) competition, and 5) other. Social Impact then came up with a set of 22 recommendations divided between the five categories. Below are a few examples:

| CATEGORY | REASON FOR EXIT | RECOMMENDED ACTION |
|-------------------|---|--|
| Competition | Client left to take a loan somewhere else that offered more attractive loan terms. | Complete a study of the local market to understand what competitors are offering; retrain staff in how to market the advantages of Fonkoze’s products and services. |
| Personal decision | Client left because she was afraid of not being able to repay her next loan, usually because of business failure. | Retrain credit agents in techniques to monitor client use of the loan and offer business advice; develop guidelines for appropriate and inappropriate collections practices so clients know what treatment they should expect. |

Following completion of the report, five senior managers—Chief Financial Officer, Chief Operating Officer, Chief Executive Officer, Social Performance Director and the Director of Training—held a workshop with branch staff to discuss the report’s findings and recommendations, and brainstorm on a plan for moving forward.

To ensure the lessons and ideas from this exercise extended beyond the Piyon branch, the Director of Training was charged with developing a new training module for branch staff on improving client retention. Training elements include how to recruit and manage successful Solidarity groups, how to effectively market Fonkoze’s products and services, and guidance on employing sound client protection practices. The Fonkoze Training Center began delivering this new course to all credit staff and branch directors in early 2011.

Going forward, Social Impact will explore ways to build on this experience in Piyon to equip all Fonkoze branches with a small guide to identifying reasons for client exit and developing tailored action plans.

87% of all exiting clients interviewed still said their loan with Fonkoze “helped my family a lot,” or “helped my family somewhat,” and 85% said that they would recommend Fonkoze to a friend.

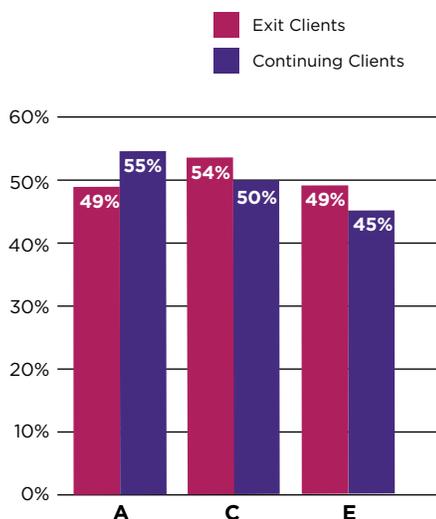
ing for Fonkoze because although these clients did not improve their wellbeing while in our program (as measured by our tools), they did not become worse off either.

- As a separate analysis, we did a comparison of poverty levels between all 265 exit clients and a random sample of continuing clients of the same loan cycle to see if exit clients were significantly poorer or richer than their peers who continued with Fonkoze. **Figure 13** compares poverty levels of exit and continuing clients for loan cycles A, C, and E. At a 95% confidence level, there is no statisti-

cally significant difference in poverty levels between clients who left Fonkoze and those of their peers in the same loan cycle that stayed with Fonkoze.

While this year’s client exit analysis enabled us to look more deeply at the poverty profiles of exit clients and feel more confident we were not harming this client group, questions remain about the status of former clients several years after they leave Fonkoze. Therefore, in 2011 we will begin plans for a special study to re-interview clients who exited from 2006 to 2009 to learn what changes have occurred in their lives since leaving Fonkoze. Comparing changes in the lives of clients who left Fonkoze with those who stayed should yield interesting and important insights as to the potential benefits of staying (or not staying) with Fonkoze. •

FIGURE 13
Poverty Levels (\$1/day)
of Exit vs. Continuing
Clients by Loan Cycle



Social Performance in 2011

The outcomes of 2010 were a powerful testament to the merits of social performance management, and the indispensable role of the Social Impact team at Fonkoze. As highlighted throughout the report, in 2011 Fonkoze will build on the accomplishments and lessons of 2010 to make the essential products and services that reinforce our clients' resilience, and help keep them on the staircase, a permanent reality.

In 2011 we will also celebrate the



An overarching priority for Fonkoze will be the implementation of our Smart Campaign 2011 Work Plan, which includes 20 initiatives to strengthen client protection practices at Fonkoze this year.

five-year anniversary of the Social Impact department. We reflect proudly on the growth and achievements of this department but continue to strive to uphold the highest standards of social performance management, as our staff and clients deserve it. Therefore, we will mark Social Impact's five-year anniversary with a comprehensive review of the department, looking at current capacity, tools, processes, strengths and shortcomings, and identify how these can all be improved and strengthened to support the growing demands of an institution as dynamic as Fonkoze.

We will also complete an in-depth review and analysis of all data collected on incoming, continuing, and exiting clients since 2006. This includes data from over 5,000 interviews across the span of programs Fonkoze offers. Through this review we will aim to identify key trends over time by region, program,

and client groups, and identify indicators and data that yield the most productive insights. We will also brainstorm on new indicators, tools and methods that would enhance the department's ability to track client progress—and understand the causes of client setbacks—in the future.

Finally, an overarching priority for Fonkoze will be the implementation of our Smart Campaign 2011 Work Plan, which includes 20 initiatives to strengthen client protection practices at Fonkoze this year. While Fonkoze's Smart Campaign Task Force is chaired by the Social Impact Director, it is comprised of nine staff representing operations, internal audit, human resources, and programs, each who serve as a champion for one or more initiatives.

Strengthening our social performance and improving our client protection practices go hand-in-hand. As an institution whose mission is to empower the poor and vulnerable to make permanent progress in their lives, we must promote an institutional culture, policies, and practices that protect the rights and interests of our clients, allowing them to make the journey out of poverty with the dignity and respect they deserve. •

References

1. Key partners in our earthquake recovery program were: Mercy Corps, American Red Cross, Citi, Opportunity International Germany, and the Dioceses of Miami and Orlando.
2. Fonkoze's Post-Disaster Member Evaluation and Guide were highlighted by the Smart Campaign as a model tool for evaluating client readiness for a new loan in the post-disaster context. Visit the Smart Campaign website for more information: www.smartcampaign.org.
3. For a more in-depth look at the role of the Social Performance department and the PPI in designing Fonkoze's earthquake recovery program, please read "Rapid Response in the Wake of Disaster: Using the PPI to Design and Support Fonkoze's Earthquake Recovery Program," at www.progressoutofpoverty.org.
4. Funding for our housing initiative was provided by the MCC through the Mennonite Economic Development Associates (MEDA) of Canada, the Canadian Hunger Foundation (CHF), and the American Jewish World Service (AJWS). Homes were built in partnership with BRAC and Haven.
5. Fonkoze's tool uses the \$1/day extreme poverty line of \$1.08 at 1993 PPP and yields results within a margin of error of +/-1.9%. It is based on the most recent available national income data, the 2001 Haiti Living Conditions Survey. Fonkoze has been using the PPI since 2006 and in 2011 became a certified user, shortly after Grameen launched its certification program. For more information on Fonkoze's Poverty Scorecard and the PPI certification process, see the "Haiti PPI Design Document," "The PPI at Fonkoze: Applying Client Research to Programs and Services," and the Certification section of the PPI website at: www.progressoutofpoverty.org.
6. The CLM program is an adaptation of a successful model developed by BRAC in Bangladesh and was piloted by Fonkoze in Haiti from June 2007- December 2008 with funding from the Consultative Group to Assist the Poor (CGAP) and Concern Worldwide and with technical assistance from BRAC and Concern Worldwide.
7. Important support for CLM was also provided by many generous donors through Fonkoze USA, as well as the Greater Philadelphia Friends of Fonkoze that focuses particularly on the children of CLM members.
8. Conducted in 2009 by the Institute for Development Studies (University of Sussex) and BRAC Development Institute with the support of Fonkoze's Social Impact department. The complete final evaluation report is available on the Fonkoze website.
9. Thanks to the following Ti Kredi supporters: MasterCard Foundation, Plan International, Starfish, CHF International and Johnson & Johnson.
10. The sample of 205 Cycle E clients are from 8 branches: Fòlibète, Gantye, Jakmèl, Lavale, Lenbe, Montòganize, Twoudinò, Wanament.
11. For the complete disaster preparedness education pilot evaluation report, please consult "Innovating in the Wake of Disaster: Fonkoze's Earthquake Recovery Program, A Final Report for Our Partners," at: www.fonkoze.org/publications/evaluations.html.
12. Fonkoze calculates its retention rate using the formula endorsed by the Social Performance Task Force and the Microfinance Information eXchange, which is: $\text{retention rate} = \frac{\text{borrowers at the end}}{\text{active borrowers at beginning} + \text{new borrowers}}$

Acknowledgements

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We would also like to thank all Fonkoze staff and volunteers who contributed to this report, especially: Natalie Domond, Cristina Garmendia, Rob Fuller, Tyler Tappendorf, James Kurz, Anne Hastings, Carine Roenen, Sandra Uwantege Hart, Mor Goldberger, Gauthier Dieudonné, David Garfunkel, Laurence Camille, Mystal Singer, and the entire Social Impact department. Finally, we are very grateful to Brad Latham, who worked tirelessly on the layout and design of this report, and exceeded our every expectation with the final product.

Photography: Cover, page 1, 4, 8, 9, 11, 15, 19, 24, 28, 31, back – Darcy Kiefel

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FONDASYON KOLE ZEPÒL & SÈVIS FINANSYE FONKOZE



FONKOZE USA

1700 Kalorama Road NW, Suite 102
Washington, DC 20009
202.628.9033

www.fonkoze.org

FONDASYON KOLE ZEPÒL

#12 Rue Miot
Cite Wilson 1ere, Pacot,
Port-au-Prince, Haiti
+509.3990.1003

SÈVIS FINANSYE FONKOZE

#12 Rue Miot
Cite Wilson 1ere, Pacot,
Port-au-Prince, Haiti
+509.3701.3910