



Fonkoze
fondasyon kale zepòl

RAPID RESPONSE IN THE WAKE OF DISASTER:

Using the PPI to Design and Support Fonkoze's Earthquake Recovery Program

Introduction

Fonkoze is Haiti's largest, most innovative microfinance institution (MFI), currently serving more than 50,000 borrowers and 230,000 depositors in all departments of the country. For 15 years, Fonkoze has worked to fight rural poverty in Haiti by providing its clients, mostly women, with access to the financial and educational tools they need to realize lasting improvements in their lives. Since 2006, Fonkoze has used the Progress out of Poverty Index® (PPI®) as a versatile tool at multiple points throughout its social performance management (SPM) system to more effectively manage its progress toward achieving its mission. PPI data have helped Fonkoze *monitor* its clients' progress, *report* about their well-being to management, *inform* its decisions about programs and services, and make necessary *adjustments* in all facets of its work.

Years of commitment to building a robust SPM system that uses the PPI, alongside other tools, to better understand its clients' progress and respond to their diverse needs made Fonkoze

uniquely prepared to deal with a worst-case scenario — a massive and crippling earthquake that devastated Haiti on January 12, 2010. In the wake of this unprecedented disaster, Fonkoze's SPM system and in-house capacity enabled the institution to act quickly to design a tailored and appropriate disaster response that met clients' immediate needs while testing the viability of a long-term solution. This case study looks at how Fonkoze's sustained use of the PPI as part of an integrated SPM system enabled the institution to design and monitor an innovative post-disaster program, and position the institution to better support its clients in the future.

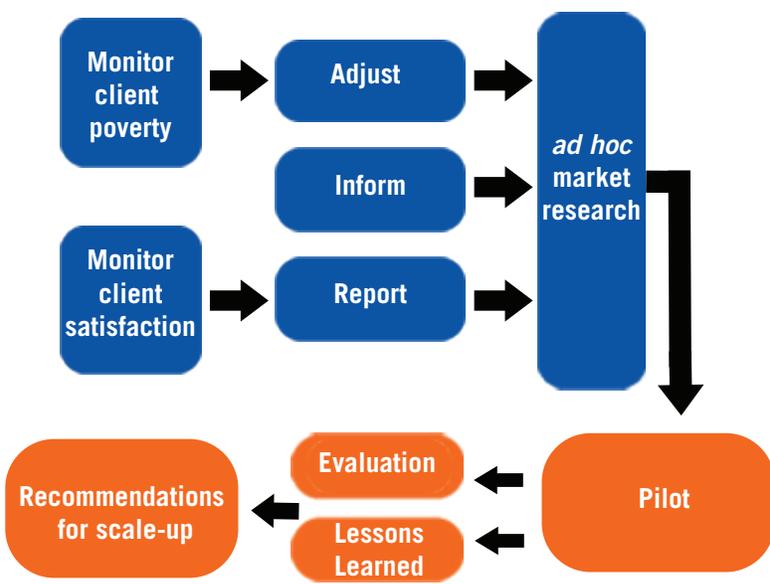
Social Performance Management and the PPI

Fonkoze's commitment to social performance management led to the creation of its unique Social Performance Monitoring and Market Research, or Social Impact department, in 2006. Social Impact Monitors (SIMs) from this department are based in branches throughout Haiti, where they work alongside operations staff and interact directly with clients to collect social and

economic data and anecdotal information to inform Fonkoze’s products and services. SIMs regularly collect client-level data using the PPI (embedded in Fonkoze’s Poverty Scorecard¹) alongside other research tools and techniques, such as one-on-one interviews, a food security survey, a client exit survey and focus group discussions. SIM research flows from the field to branch directors and Fonkoze headquarters, and then to managers at all levels of Fonkoze, constructing a vital feedback loop that enables Fonkoze managers to make informed decisions about daily operations, product design and enhancement, and institutional policymaking.

The map below illustrates the process followed by the SPM team in two key areas: 1) routine monitoring of clients, to inform ongoing programs and operations, and 2) monitoring and evaluation of pilot programs, to maximize lessons learned and make recommendations for scale-up.

MAPPING THE FONKOZE SPM PROCESS



¹ For more information on Fonkoze’s embedded PPI, please see “The PPI at Fonkoze: Applying Client Research to Programs and Services,” www.progressoutofpoverty.org

A History of Dealing with Disasters

Haiti is a country plagued by natural disasters. For years, Fonkoze has strived to develop appropriate post-disaster responses for its clients, who often suffer devastating losses each time there is a catastrophe. A little more than one year before the earthquake, in late 2008, Fonkoze developed a special Hurricane Loan Program in response to a string of storms that destroyed the livelihoods of 14,000 clients. This one-time program swiftly put fresh capital into the hands of clients and provided reduced interest and flexible repayment terms to help them re-establish their businesses.

To monitor client recovery during this program, Fonkoze’s Social Impact department collected baseline poverty scorecard and food security data on more than 300 hurricane victims in six branches who participated in the program, and re-interviewed them one year later. Results yielded from PPI data showed that the sample of hurricane-affected clients moved out of poverty at the same rate as non-hurricane-affected clients over the same time period. Approximately 2.3 percent moved above both the \$1/day and \$2/day poverty lines. In addition, hurricane-affected clients improved food security, living conditions and small asset ownership, re-started businesses, and expressed a desire for better protection in case of future disasters. The chart on page 3 illustrates the results from three evaluation tools: the Poverty Scorecard, a Food Security survey, and Client Focus Groups.

“The combination of the PPI, food security and

focus group results helped us conclude that we have the ability to help our clients successfully stabilize and begin recovery following natural disasters, and that we have the responsibility to develop a viable, long-term solution to help clients better prepare for future disasters,” says Natalie Domond, Director of Social Performance Monitoring. “While special programs can be effective, clients need and deserve a permanent solution to help them better protect the assets they work so hard to build.” In fact, Fonkoze had been working with a local insurance company since late 2008 to develop a catastrophe micro-insurance product. Unfortunately, before Fonkoze could absorb the results of the Hurricane Loan Program and pilot the new catastrophe micro-insurance plan, the earthquake hit.

A New Disaster: Designing an Appropriate Earthquake Response

The 7.0 magnitude earthquake took the lives of more than 300,000 Haitians, ravaged homes and businesses and sent shock waves through

out the country. Total damages and losses were estimated at a record-breaking U.S. \$8 billion, or 120 percent of Haiti’s gross domestic product. Ten of 41 Fonkoze branches collapsed or were destroyed, more than 450 employees suffered severe damage to or complete loss of their homes, and five employees were killed. Clients endured paralyzing losses, as more than 19,000 of them saw their homes and/or businesses devastated.

“We knew we had to respond quickly, yet responsibly. Yes, clients’ needs were urgent, but we wanted to make sure we designed a response that built on our past lessons learned and positioned us to serve our clients better in the future,” says Fonkoze Director Carine Roenen.

Fonkoze management did just that — reviewed lessons learned from the Hurricane Loan Program, completed a rapid assessment of clients’ post-earthquake needs (led by the Social Impact department), and evaluated new partnership opportunities in the post-earthquake environment. Reviewing this information gave Fonkoze managers the confidence they needed in a critical hour of decision-making.

EVALUATING FONKOZE’S HURRICANE LOAN PROGRAM

Poverty Scorecard Results

- Progressed out of poverty at the same rate as non-hurricane-affected clients
- Improved living conditions and small-asset ownership

Food Security Results

- 17% moved out of most vulnerable category
- Percent of clients considered “food secure” increased by only 1%

Client Focus Groups

- Businesses re-started
- Increased loyalty to Fonkoze
- Demand for better protection in case of future disasters

Given the scale and magnitude of the earthquake, and with the help of key partners, Fonkoze decided to pilot the micro-insurance product as part of *Kore Fanmi Fonkoze* (Haitian Creole for “Program to Reinforce the Fonkoze Family”), a disaster-relief and livelihood-recovery program that treated clients as if they had *already* been paying for a catastrophe micro-insurance plan when the earthquake hit.

Fonkoze provided 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:

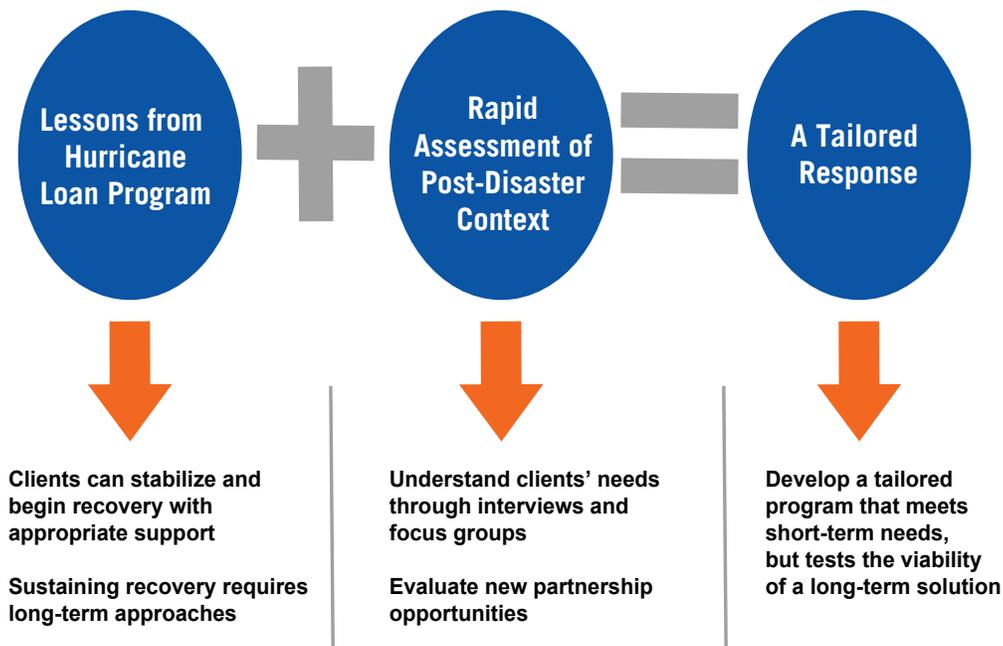
- A one-time cash grant of U.S. \$125 to assist with emergency needs
- Cancellation of a pre-earthquake loan balance

- A new loan to restart their business if they were qualified, based on Fonkoze’s careful capacity assessment, and ready to pay a 2 percent fee²

In addition, Fonkoze developed and piloted a new educational module on disaster preparedness and risk reduction. Understanding that clients were in a heightened state of vulnerability post-disaster, Fonkoze made sure to weave sound client-protection practices into every step of the program. In addition to a customized policies and procedures manual, Fonkoze developed and utilized a new “Post-Disaster Member Evaluation” and a credit agent guide, designed to comprehensively assess client readiness for a new loan in the post-disaster context³.

² Clients were asked to pay a one-time fee of 2% to communicate that there is a cost associated with insurance.
³ 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.

DECIDING ON AN APPROPRIATE POST-EARTHQUAKE RESPONSE



Ultimately, Fonkoze turned this devastating disaster into an opportunity to test micro-insurance as a tool to help clients stabilize and rebuild their livelihoods following natural disasters.

PPI for Monitoring and Evaluation of Program Effectiveness

In July and August 2010, after all clients had received their cash grants and new loans, the Social Impact department interviewed 274 earthquake victims in all three of Fonkoze's credit programs in four of the worst-affected branches to collect baseline PPI and food security data⁴. These tools were used alongside a specialized program survey designed to meet immediate information needs (i.e., clients' use of the cash grant, use of their new loan, their interest in a permanent catastrophe insurance product and overall satisfaction with the program). The PPI data will allow Fonkoze to monitor the recovery of earthquake victims and evaluate program effectiveness by tracking this cohort's progress over the next year. The Social Impact department plans to re-administer the surveys in August 2011.

⁴ Of the 274 clients interviewed, 50% were under \$1/day and 65% were under \$2/day. Of this same group, 62% of these clients were found to be food insecure.

Preparing for the Future

Fonkoze used the lessons learned from implementing *Kore Fanmi Fonkoze* to inform the final design and roll-out of a second, more in-depth pilot phase for its permanent catastrophe insurance. The re-vamped product was officially launched on January 12, 2011, one year after the earthquake. Fonkoze will continue to monitor the recovery of earthquake victims while collecting new data on clients as part of its permanent insurance-product monitoring.

The experience of using a disaster to create value for the future has taught Fonkoze that MFIs can make rapid, well informed decisions following crises by using the PPI as part of an integrated SPM system to:

- Maintain a holistic understanding of clients' changing needs
- Build the in-house capacity and technical skills to quickly solicit actionable information
- Establish and reinforce vital information-sharing and communication channels

Looking at data over time, which the PPI permits, has helped show how difficult it is to climb out of poverty in Haiti. But it also has shown Fonkoze how uniquely ready it has been to respond to disasters. Years of time, energy and commitment to measurement have made the seemingly impossible possible. ■

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This case study demonstrates one program's innovative use of the PPI as a tool to advance its social mission, offering valuable lessons for pro-poor organizations.

For more information on Fonkoze's earthquake recovery program visit www.fonkoze.org or email director@fonkoze.org. Fonkoze is located at #12 Rue Miot, Cite Wilson 1ere, Pacot Port-au-Prince, HAITI.



www.progressoutofpoverty.org