

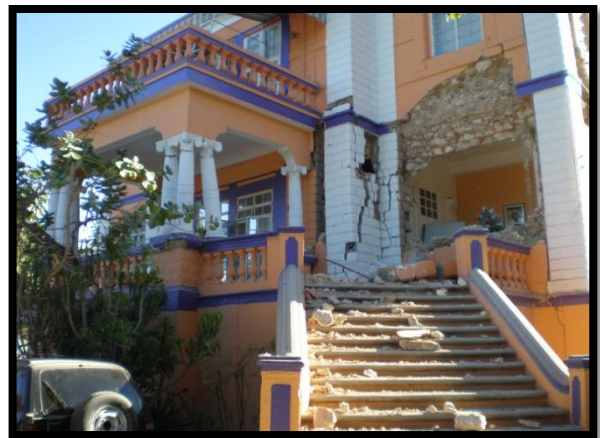


Innovating in the Wake of Disaster: Fonkoze's Earthquake Recovery Program *A Final Report for Our Partners*

January 12th: An Unprecedented Disaster

Plagued by tropical storms, floods and hurricanes, Haiti has a long history of struggling with Mother Nature. Every two years, and sometimes more often than that, the country is inevitably struck by a serious natural catastrophe. Following each of these disasters, Fonkoze's clients, who are mostly poor and already vulnerable, struggle to salvage what is left and maintain their footing on the staircase out of poverty.

For years, we at Fonkoze have strived to develop appropriate post-disaster responses for our clients. One example is our Hurricane Loan program developed in response to a string of storms that destroyed the livelihoods of 14,000 clients in late 2008. This one-time program swiftly put fresh capital into the hands of our clients and provided reduced interest and flexible repayment terms to help clients re-establish their businesses¹. However, our experience has taught us that, while special programs are effective, our clients deserve a permanent solution to help them better protect the assets they work so hard to build. Therefore, in 2009, Fonkoze and its local insurance partner, AIC, began developing the details of a new catastrophic insurance product that would cover the personal and business assets of Fonkoze clients in the case of natural disaster.



Fonkoze's severely damaged headquarters in downtown Port-au-Prince. *Photo: Leigh Carter*

However, on January 12th 2010, we were made painstakingly aware of another major threat when a 7.0 magnitude earthquake violently shook the ground beneath Port-au-Prince and the surrounding areas. These 35 seconds transformed the country as we knew it—taking the lives of over 300,000 of our neighbors, family members, and friends, ravaging homes and businesses, and ultimately sending shock waves throughout the country. Total damages and losses are estimated at a record-breaking US \$8 billion, or 120 percent of Haiti's gross domestic product². Fonkoze's infrastructure, staff, and clients suffered unprecedented losses from the earthquake as well. Ten of 41 branches collapsed or were severely damaged, over 450 of our employees suffered severe damage to or complete loss of their homes, and five of our employees were killed. Our clients endured paralyzing losses, as over 19,000 of them saw their homes, businesses or both wiped away during the earthquake and continue to crumble in the days following. Many clients who did not lose assets in the earthquake knew many who did, and overnight they became host families for some of the over half a million urban refugees who migrated out to rural Haiti in the weeks following the quake.

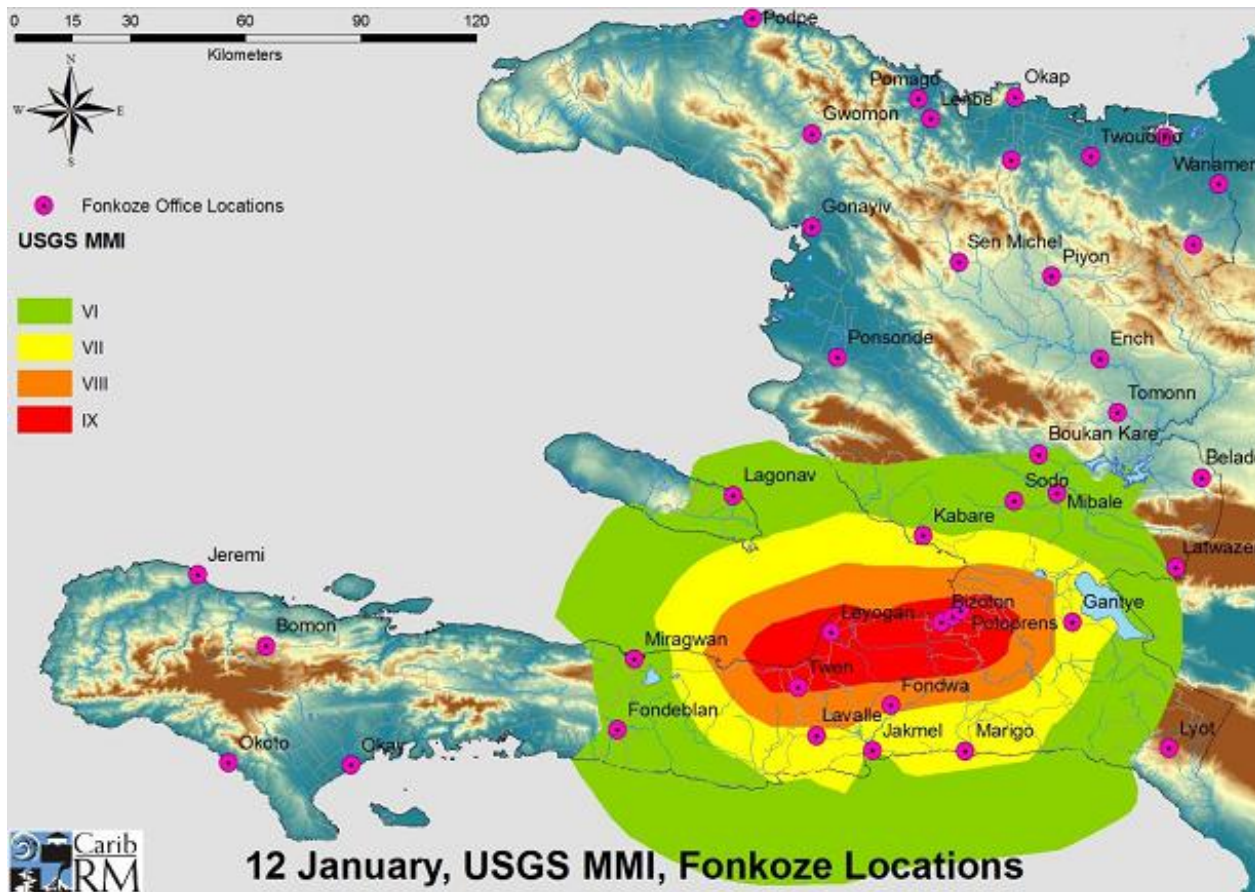
¹ To learn more about Fonkoze's Hurricane Loan program, visit the 2008 and 2009 Social Performance Reports at www.fonkoze.org.

² Haiti Post Disaster Needs Assessment available at: <http://www.refondation.ht/>

Kore Fanmi Fonkoze: An Unparalleled Response

Fonkoze's response to the January 12th earthquake required an initiative that was unparalleled in size and scope because the magnitude of the disaster demanded it. Through incorporation of past lessons learned, an understanding of our clients' current needs, the generous support of our partners, and a collective vision to drive innovation, Fonkoze was able to launch *Kore Fanmi Fonkoze* (Haitian Creole for "Program to Reinforce the Fonkoze Family"). *Kore Fanmi Fonkoze* is our most comprehensive and innovative disaster relief and livelihoods recovery program ever. Comprehensive, because it was tailored to the diverse needs of our clients post-earthquake and innovative because it seized the opportunity to address short-term demands while testing long-term solutions.

Micro-Insurance and Disaster Preparedness Education for Earthquake Victims



The 10 branches that fall in the red, orange or yellow were considered Fonkoze's "priority branches" for the program. Fonkoze rolled out *Kore Fanmi Fonkoze* to 100% of clients in the 10 priority branches and then to qualifying clients in the remaining 31 branches.

Earthquake victims were defined as clients who lost their home, business or both. Although Fonkoze had not yet launched the catastrophic micro-insurance product when the earthquake hit, we decided we could no longer wait to test the feasibility of such a product as a way to help clients stabilize and rebuild their livelihoods following natural disasters. Therefore, through *Kore Fanmi Fonkoze* we treated clients who were earthquake victims as if they had *already* been paying for catastrophic micro-insurance when the earthquake hit and provided them with the same benefits package they would receive under the insurance plan:

- a one-time cash grant of 5,000 HTG (US \$125) to assist with emergency needs;
- cancellation of pre-earthquake loan balance;

- a new loan to restart their business if they were ready, qualified based on Fonkoze’s careful capacity assessment, and agreed to pay a 2% fee.

Clients were asked to pay a one-time fee of 2% to communicate that there is a cost associated with insurance. A special triplicate receipt was created for clients to sign and keep which clearly stated that the one-time fee of 2% did not enroll them into an insurance plan, but would rather go toward a fund to help Fonkoze develop a permanent insurance product.

“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.”

All Fonkoze clients who already paid their \$6 life-time membership fee and were in good standing with Fonkoze were eligible for the program, regardless of whether they had a loan or not on January 12th. In addition, clients outside the ten priority branches qualified for the program if they lost their house, business, or both.

In addition to the micro-insurance benefits, Fonkoze also developed and piloted a new educational module on disaster preparedness and risk reduction with clients in our Léogâne branch, which is located at the epicenter of the earthquake. Fonkoze taught clients about risk management strategies, safe home construction, and how insurance can be an important tool to help mitigate the impact of future natural disasters on clients and their families. The intention of both the micro-insurance and education pilots was to inform the final development and roll out of our permanent catastrophic micro-insurance product and new disaster preparedness training module.

One-Time Cash Assistance for Host Families

The earthquake left over 2.3 million families homeless and drove over 600,000 individuals to flee the Port-au-Prince area to seek refuge with friends and family in the provinces. Realizing that many clients who did not lose their home or business in the earthquake were still affected because they were now hosting as many as 10 additional family members, Fonkoze added another component to *Kore Fanmi Fonkoze*—host family assistance. This component consisted of a one-time cash grant of 5,000 HTG for clients who did not qualify as earthquake victims but who had received one or more additional long-term house guests since the earthquake. The objective of the grant was to help off-set some of the financial burden associated with housing extra people. While host family assistance is not part of the permanent catastrophic insurance design, this component still provided a valuable opportunity to learn about its utility as a post-disaster intervention.

Partnering to Make the Program a Reality

In order to make *Kore Fanmi Fonkoze* a reality, Fonkoze was fortunate enough to forge new partnerships with a number of forward-thinking organizations. Not only did these partners believe in Fonkoze’s capacity to quickly get life-saving cash into the hands of earthquake-affected Haitians, but they also supported Fonkoze’s strategic vision of bringing sustainable, long-term protection to Haiti’s poor. Each partner’s contributions complemented those of another’s until comprehensive, nationwide coverage was achieved.

Table 1. Summary Table of Partner Support for Kore Fanmi Fonkoze

Partner	Support Provided	Where	# of Clients Supported
Earthquake Victims			
Mercy Corps	<ul style="list-style-type: none"> • One-time 5,000 HTG cash grants • Repayment of pre-earthquake loan balance • Disaster preparedness and risk reduction materials development and education pilot 	Léogâne	500
American Red Cross	<ul style="list-style-type: none"> • One-time 5,000 HTG cash grants • New loans for business recapitalization 	Nationwide	19,036
Citi Foundation	<ul style="list-style-type: none"> • One-time 5,000 HTG cash grants • New loans for business recapitalization 	Nationwide	155 (Business Development clients only)
Opportunity International Germany	<ul style="list-style-type: none"> • One-time 5,000 HTG cash grants • Repayment of pre-earthquake loan balance • New loans for business recapitalization 	Jacmel	120
Dioceses of Miami and Orlando	<ul style="list-style-type: none"> • Repayment of pre-earthquake loan balance 	Nationwide	67
Host Families			
American Red Cross	<ul style="list-style-type: none"> • One-time 5,000 HTG cash grants • New loans for business recapitalization 	Nationwide	9,637

We also wish to acknowledge that the implementation of this program would not have been possible without the generous institutional and infrastructural support provided to Fonkoze by its many partners. Resources were mobilized quickly to support Fonkoze’s institutional earthquake recovery efforts by our partners at the MasterCard Foundation, Whole Planet Foundation, the Inter-American Development Bank, Grameen Foundation, Fonkoze USA, American Jewish World Service, Starfish Group, Boston Foundation, Liz Claiborne, Raskob Foundation, as well as many other donors and private citizens.

Addressing Major Challenges

Program implementation was not without its challenges. Getting a program of this magnitude off the ground after such a significant destabilizing event, and while the country was still in a state of crisis, presented a host of difficulties that may be relevant to other MFI’s operating in a post-disaster environment. Below is a summary of some key challenges as well as a description of our efforts to address them.

Table 2. Summary of Key Challenges and Strategies to Address Them

Major Challenges Faced	Strategies to Address
<p>Operating at a significantly diminished capacity.</p> <ul style="list-style-type: none"> Fonkoze’s headquarters and nine other branches were destroyed making files, documents, etc. difficult to access. Many staff were deeply affected and were living in tents and dealing with the trauma of the disaster while attempting to return to work. 	<ul style="list-style-type: none"> Resumed work as quickly as possible: immediately following the quake we set-up offices in courtyards and within weeks we secured a temporary office space for the headquarters. Offered all staff group psychological counseling and provided one-time cash assistance to employees who suffered damage to their homes.
<p>Designing and delivering a responsible program quickly.</p> <ul style="list-style-type: none"> Clients had suffered devastating losses and their need for assistance was urgent; however, given their heightened state of vulnerability, we had to find a way to respond quickly while maintaining the discipline needed to design an appropriate and responsible program. We had to ensure staff had the training and tools they needed to educate clients on the micro-insurance pilot concept and to implement the program confidently. 	<ul style="list-style-type: none"> Conducted focus groups to understand our clients’ situation and expectations. Established a cross-disciplinary task force of over 12 staff members to work on different components of program design and roll out. Developed tailored policies and procedures, a special client evaluation guide, a training and communications plan which included detailed guidance on how to communicate the details of the program to clients. Rolled out training to staff in all 41 branches through a series of regional training over 6 weeks. Utilized a new “Post-Disaster Member Evaluation” and credit agent guide, designed to comprehensively assess client readiness for a new loan in the post-disaster context³.
<p>Developing an effective victim identification methodology.</p> <ul style="list-style-type: none"> In the 31 branches located outside of the worst-affected areas, we had to develop a process to identify clients who were “victims,” meaning they lost their home and/or business in the earthquake. Because of the nature of our clients’ business activities, which is mostly small trading, and an economy that is highly centralized in Port-au-Prince, clients who were very far from the epicenter of the quake also suffered significant losses; oftentimes reported losses were merchandise, which was difficult to verify. 	<ul style="list-style-type: none"> Developed a participatory process leveraging credit center leadership and branch staff structure to identify true victims: <ul style="list-style-type: none"> Fonkoze credit agents, along with client solidarity group members and center chiefs, identified clients who qualified as victims and host families. Branch and regional directors conducted a follow-up verification on a sample of clients to confirm whether their victim status was accurate.

Despite our best efforts to address the above challenges we learned of the following shortcomings through our monitoring and evaluation efforts:

- Not all staff or branch leadership used the program policies and procedures manuals as a resource, which led to inconsistencies during program implementation.

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. Visit the Smart Campaign website for more information: www.smartcampaign.org.

- There were cases of both branch staff and clients being confused about what truly qualified a client as a victim; as a result, we believe that there are zones where victims were under-selected or over-selected.
- Staff reported experiencing difficulties verifying whether members suffered from the reported losses; they also felt the time period was too short to do a thorough verification.
- Throughout the country, there were cases reported of clients who strongly believe they were victims but were not identified as such by their peers and by Fonkoze staff.

Our internal evaluation efforts allowed us to learn from these shortcomings and tweak the processes we'll use in the future to identify client victims of natural disasters, and to strengthen the training/communication strategies with our staff.

Evaluating Program Implementation and Results

Together, Fonkoze and its partners realized the following key achievements:

- Distributed one-time cash grants to **19,811** Fonkoze clients, benefitting a total of 89,150 family members (average of 4.5 persons per family)
- Cancelled the loan balances for **10,445** qualifying members who held a loan on January 12th
- Disbursed **10,993** new loans to earthquake victims who were ready to recapitalize their business
- Educated **527** clients in Léogâne on disaster preparedness and risk reduction strategies
- Provided **9,637** clients serving as host families with a one-time cash grant to reduce the financial burden of receiving house guests, and gave 4,576 of these clients who requested it a new loan.



Social Impact supervisor, Marc-Henry Fortuné, facilitates a focus group discussion with center chiefs in Léogâne.

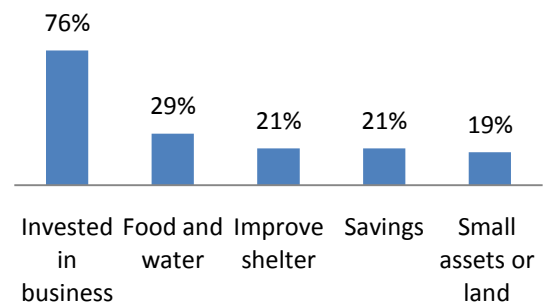
Funding from Mercy Corps and the American Red Cross enabled Fonkoze's internal monitoring and evaluation department, Social Impact, to carry out a series of activities to evaluate program outcomes and ensure optimal learning from these pilots. Evaluation efforts consisted of the following key initiatives:

- Individual interviews with **274 earthquake victims** to understand how they were affected by the earthquake, how they used the 5,000 HTG cash grant and new loan, overall satisfaction with the program, and interest in a permanent insurance product. We also collected poverty scorecard and food security data which will facilitate monitoring this cohorts' progress over the next year.
- A **special evaluation of the disaster preparedness education pilot** in Léogâne which consisted of a series of focus groups with program participants, peer facilitators, and Fonkoze staff better to understand client retention and use of the information, and overall satisfaction with the module materials and delivery method.
- Completion of **in-depth profile interviews of host family grant recipients** in five different branches to learn how the cash grant helped them meet the needs of their house guests and permanent house residents, while keeping their businesses afloat.
- **Assessment of key program processes and tools** such as the victim identification methodology and "Post-Disaster Member Evaluation." We conducted branch site visits, file audits and interviewed staff to understand which processes and tools were applied, constraints to doing so, and ideas for strengthening them in the future.

Monitoring and evaluation efforts yielded valuable insights on our clients' conditions and the effectiveness of our response. Full reports on our key initiatives are available in **Annexes A-C**, while some of the highlights are below:

- **Client losses 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 in the quake.
- **Cash grants for earthquake victims helped families to stabilize and begin the path the recovery.**
 - 76% of clients interviewed invested at least some of their cash grant into their business, and 28% chose to invest the entire 5,000 HTG into re-starting or growing their enterprise.
 - This statistic strongly supports our March focus group findings that clients were ready to re-start their businesses shortly after the disaster, and looking earnestly toward Fonkoze to assist them in doing so.
- **Repayment rates on new loans were high, indicating that clients are beginning to re-establish their livelihoods.**
 - 95% of clients surveyed (260 clients) chose to take out a new loan. With this new capital, 79% said they were able to grow their business. For most of the remaining clients, this new loan was the critical capital they needed to finally re-start their business.
 - As of December 31, 2010 the repayment rate of new loans issued under the program was **97%**--which surpasses even pre-earthquake levels. The high loan repayment rates are one indication that clients are managing their credit well and earning an income once again.
- **The disaster preparedness education evaluation showed high levels of participant satisfaction and examples of clients putting their newfound knowledge into practice.**
 - Most clients reported this program was the first time they had received information and materials about disaster preparedness.
 - All clients reported sharing what they learned with at least 3 other people, and usually more, in their communities.
 - Clients shared concrete examples of how they put their risk management lessons into practice in preparation for a late season hurricane: they made copies of important documents and brought them to trusted friends, and split up their cash into different places.
 - Credit agents also mentioned repeatedly how they saw these lessons directly translating into decreased delinquency since clients are managing their risks better.
- **Host families valued the cash grant because it helped them meet their households' immediate needs and keep their businesses strong.**
 - One client shared, "I had two children in Port-au-Prince on January 12th. I welcomed one of them in my home after the earthquake because his house was severely damaged. I spent most of the 5,000 HTG on clothes for my son and food for the house. With the remaining amount, I invested it in my second hand clothing business."
- **Tailored processes and tools helped staff implement the program and make decisions more confidently.**
 - One credit agent shared, "Yes, 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."

Top 5 ways victims spent their 5,000 HTG



"Haiti is a country ravaged by natural disasters. We have to take precaution! We have to be prepared! And these stories helped me and all the members in my center know just how to do that."

-Education program participant, Léogâne

In closing, feedback on the program was overwhelmingly positive with clients declaring that *Kore Fanmi Fonkoze* gave their families the support and hope that they needed to get back on their feet after the quake. Clients also expressed that through this experience they learned of the many benefits of a catastrophic insurance product, citing help with immediate needs such as food, water, and home repairs, debt elimination and support re-starting their business. Many clients referred to the peace of mind they would have with an insurance product, as well as the ability to recover quickly following a disaster, as the key reasons they wanted Fonkoze to make this product available quickly and permanently.

Making Our Post-Disaster Innovations a Permanent Reality

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 services to Fonkoze clients in the long-term. We 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 our permanent catastrophe insurance and disaster preparedness education module.

Kore W: Permanent Protection for Our Clients

Our permanent catastrophe insurance product, **Kore W** (which means “Strengthen 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. The insurance payout is structured in the same way as the benefits provided under *Kore Fanmi Fonkoze*: a 5000 HTG (\$125) cash payout to assist the client with immediate needs, as well as cancellation of the client's loan balance, and a commitment to make a new loan when the client is ready to restart her business.

One of the most difficult aspects involved in designing a micro-insurance product is how to assess clients' losses rapidly and accurately in the aftermath of a disaster. The experience of having evaluated the losses of thousands of clients during *Kore Fanmi Fonkoze* has given Fonkoze excellent experience and a good understanding of what may and may not work. Feedback from clients and staff clearly suggests that clients themselves are the best placed to understand how much each other has suffered in a disaster. Fonkoze will apply this insight by making use of its solidarity credit centers to rank losses of their members after a disaster, so allowing us to direct insurance payouts to those who need them most. Fonkoze will continue to monitor the pilot of its permanent product in order to tweak processes and product features as necessary.

Disaster Preparedness Education for All

In 2011, the Fonkoze Education department will lead an effort to roll out the disaster preparedness module piloted in Léogâne to all Fonkoze clients nationwide. Lessons from the pilot in Léogâne taught us that we can easily help our clients get access to valuable information by streamlining educational sessions into our existing credit center meeting structure. In this model, credit center leaders and credit agents are trained in how to facilitate the session during one of their two regularly scheduled bi-weekly meetings. Building on this experience, Fonkoze has taken the 4 disaster preparedness and risk management education sessions, and incorporated them into a booklet with 10 other important lessons on topics such as health, business management, and problem resolution. This booklet now comprises 14 educational sessions that each of our more than 1800 credit centers around the country will administer over the course of the year.

Fonkoze reflects back on this year with sadness for all the pain and loss the country suffered, but also with satisfaction with all we were able to accomplish. Thanks to the unwavering support and hard work of our partners and staff, Fonkoze not only brought hope to our clients in the wake of disaster, but we used our deep local knowledge and years of experience to develop and deliver permanent solutions—access to tools and knowledge that will continue to give our clients hope and confidence to face the future, no matter what it holds.