

Nouvel Fonkoze

July 1996

Volume 1 Issue 1

Fonkoze Is In Business!

Dear Friends,

As I reflect on the progress Fonkoze has made this last year, I am struck by how far we have come in such a short time. It was only last October that Fonkoze held its first national convention to develop a strategy for organizing the economic battle on behalf of the poor. More than 150 people, representing over 70 grass-roots organizations, attended.

At that conference we agreed that we could not fight this battle without the support and assistance of our friends and fellow Haitians abroad. Hence, we

organized an international conference in Miami in March, where Fonkoze received overwhelming support for establishing an investor-based revolving loan fund to service grass-roots organizations and their members engaged in income-producing activities.

Our supporters abroad have committed to helping us develop an international fundraising capacity to carry Fonkoze until sufficient investment is available. At least three fundraising/investment centers are planned: Fonkoze-USA, Fonkoze-Kanada, and Fonkoze-Karayib. *(continued on page 3)*

Who Are The Members Of Fonkoze?

Fonkoze currently has 21 members. They include organizations like these:

MODEC: Movement for Community Development - A peasant organization in the western part of Haiti (in Ti Gwav) that works to improve the lives of farmers in the area by digging wells, setting up a "bank" of tools from which farmers can borrow what they need, and building a warehouse to store food that can be distributed during hard times. MODEC has about 150 members.

K O M O G : Koperative Montay Godèt

- This cooperative, founded in 1983, is located in the far northwest area of the country (Jan-Rabèl). In this part of the country, people have been relying on the sale of charcoal to survive and, as a result, there is a serious problem of deforestation and soil erosion. Another problem they have faced is that because the must sell their grain right after the harvest, when it comes time to plant they have no seed. Often the farmers miss the best planting time because they are not able to pay for seed. The cooperative, with almost 200 members, has begun a grain storage project to allow them to store *(continued on page 2)*

Each of the 5 understands that she is ultimately responsible for the repayment of the entire loan, if one or more of the women are unable to repay their portion of the debt.

Fonkoze Lending In Action!

Fonkoze is making two types of loans: loans to solidarity groups of micro-entrepreneurs and loans to its member organizations engaged in income-producing activity. Solidarity group lending is a methodology that has been tested in many countries and found to be an excellent way to improve repayment rates. It has proven to be more successful at solving the problem of risk than more thoroughly analyzing loans or requiring more collateral:

- Each of the members of the solidarity group understands that if one or more of the women is unable to repay their portion of the debt, she is ultimately responsible for the repayment of the entire loan. In essence, each woman is guaranteeing the other's loan.
- Solidarity group loans are for six months, with an interest rate of 18% per year (9% for the six months). While this rate may seem high, it still constitutes a *subsidized* loan because the inflation rate in Haiti is currently estimated at 20-25%. As we gain more experience, we hope to experiment with more market-based pricing.

An example of a loan to a member organization is the one-year, 18% loan we made to Koperativ Depaye de Kredi Abondans Bosejou. For the last several years, this cooperative has been producing liquors from locally grown fruits. Convinced of the marketability of their product, Fonkoze has given the cooperative a loan in the amount of \$4,000 H that will allow them to purchase the materials and equipment they need to increase their production.

