

## Annex 4

### Overview of Fonkoze's Chemen Lavi Miyo

Closely modelled on BRAC's CFPR-TUP, Fonkoze's Chemen Lavi Miyo (CLM) or the Pathway to a Better Life, is a programme to work with those on the margins of society in Haiti. CLM is Fonkoze's programme for graduating into microfinance, those too poor originally to take on the rigours of the activity. In 2007-08 Fonkoze piloted the CLM program with support from Concern Worldwide, CGAP, Plan International, BRAC and Zanmi Lasante. This pilot is part of the CGAP-Ford Foundation Graduation Program, a global effort to understand how safety nets, livelihoods and microfinance can be sequenced to create pathways for the poorest out of extreme poverty, adapting a methodology developed by BRAC in Bangladesh. Fonkoze's pilot programme was for 150 families. In May 2009, Fonkoze began the process of "scale-up" starting with 180 new CLM families, with the goal of eventually extending the program to 5,000 ultra poor families.

#### **1 Area of intervention and rationale<sup>1</sup>**

A significant part of the Haitian population lives in extreme poverty a problem arising and accentuated by a web of interlocking constraints such as political instability, extreme isolation, degradation of natural capital, poor infrastructure, unemployment and rising population. About 75% of Haiti's population lives below US\$2 per day and 49% lives in extreme poverty (below US\$1 per day). Thus, nearly 4 million people out of Haiti's population of 8 million live in extreme poverty with the vast majority living in rural areas. As in most fragile states, the extreme poor in Haiti face increasing inequality, social marginalisation and lack of sustainable livelihood options. This was reinforced by a significant spike in global food prices in 2008-9 and devastating earthquake in early 2010.

Poverty in Haiti is characterised by livelihood insecurity, vulnerability and absence of social safety nets. Rather than being chronically poor through generations, extreme poverty often results from a serious shock (health related or death), with families being forced to sell off their assets or accumulate significant debt.

Fonkoze's CLM program was run in rural Boukan Kare, Twoudino and Lagonav in Haiti – areas that exhibit characteristics similar to the ones discussed above and which are witnessed in most parts of the country.

#### **2 Key phases in the program**

##### **2.1 The Identification Process**

To be eligible for inclusion under Fonkoze's CLM program, a household needed to satisfy the following selection criteria

- Headed by woman with multiple children

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<sup>1</sup> Much of the discussion material in this section is taken from "*A graduation pathway for Haiti's poorest: Lessons learnt from Fonkoze*", Karishma, Huda and Simanowitz, Anton 2009

- Have no income-generating assets
- Do not have any children of school going age attending school
- Do not have proper access to food, and are often hungry
- Do not have access to healthcare or do not know how to access it, and
- Do not receive assistance from any NGO.

To identify the households satisfying the above criteria, Fonkoze first conducted Participatory Wealth Rankings in the identified locales, asking the population to rank themselves and their neighbours according to their wealth status. In this way the demography of the area was stratified into various categories of poor with only the poorest of them comprising of the intended beneficiaries. Following this exercise, Fonkoze staff visited the shortlisted households to verify their eligibility for participation based on the selection criteria mentioned earlier.

## **2.2 Enterprise selection and training**

After the selection of beneficiaries Fonkoze staff helped members decide upon the best asset choice for them. The assets distributed comprised of livestock (chicken/goats) and merchandise to sell. In all, 247 goats, 110 chickens and 42 merchandise items were distributed amongst the 150 beneficiaries. Intensive classroom training was provided to the members to enable them to acquire the skills of enterprise management. In addition, weekly house visits were conducted by Fonkoze staff to check upon the status of beneficiaries' assets and provide further assistance/training in enterprise management if needed. Veterinarians also periodically visited members' livestock assets. The average asset cost was \$140 – as shown by the Annex table below.

## **2.3 Consumption Support**

The beneficiaries were entitled to receive a consumption stipend of about \$1/day for eight months to meet basic household expenses while their enterprises were taking shape.

## **2.4 Savings**

Each beneficiary also got a Fonkoze microfinance savings account, where they were required to save a stipulated minimum amount every week.

## **2.5 Weekly follow-up and monitoring**

Following asset transfer, Fonkoze staff conducted weekly house visits of the beneficiaries with the aim of

- Providing regular enterprise specific training
- Providing awareness on social issues such as child pregnancy, HIV/AIDS etc.
- Imparting awareness on health issues such as the benefits of consuming boiled water, washing hands, water disinfection and the like. Case managers were given basic medical training and medical supplies as preventive health mechanisms. A doctor was also hired to provide additional door-to-door medical attention for beneficiaries.

The main aim of these follow-up visits was to educate the beneficiaries on various aspects of social development and healthcare and keep a close watch on the progress made by them on the economic and social fronts. All these were expected to instill a sense of confidence amongst ultra

poor beneficiaries that would have helped them to stay motivated and ensure their continued participation in the program.

### 3 Other components of the programme

- **Housing support:** To ensure that members have access to reasonable accommodation and to prevent asset depletion, they were provided with a 9m x 9m home with a sturdy roof and floor and a toilet
- **Healthcare:** As additional interventions in the health space, Fonkoze also partnered with local health agencies to ensure that members receive all medical services free of cost. Besides, Concern Worldwide and Plan International provided sanitary latrines and water filtration systems as preventive health mechanisms.
- **Village Assistance Committees (VACs):** Fonkoze formed VACs in each of the CLM villages which comprised of three to six influential villagers, a member of Kredi Solidaire (mainstream microfinance) program and a CLM member. The main functions of VACs were to
  - provide support in managing assets
  - provide support in coping with problems relating to assets, family and community
  - provide psychological support

The VACs have been a tremendous social network for CLM members who previously had very few individuals to rely upon. VAC achievements include helping CLM children to enrol in local schools, providing transport and financial assistance for CLM members' medical needs, obtaining birth certificates for CLM children, paying for funerals of CLM households and donating materials for CLM members' home repairs.

### 4 Program outcome

At the completion of the eighteen month of the programme each of the 150 beneficiaries were evaluated on a set of graduation criteria (see annex below) to assess their readiness to undertake debt through traditional microcredit. Of the 150 beneficiaries, 143 (95%) met the criteria and graduated out of CLM. Of these 75% took their first small loan (~US\$25) through Fonkoze's Ti Kredi program immediately after graduating. Additionally, 99% of CLM members reported having the confidence to provide for their families and that they had made progress on a pathway out of poverty.

### 5 Expansion phase

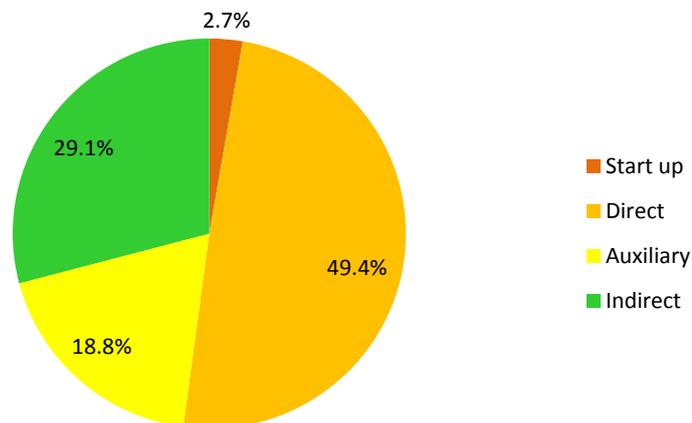
Low population density and higher input costs contributed to the high costs of the pilot phase. With healthcare as a programme component being given high priority, Fonkoze has decided to scale up only in Boukan Kare where their strongest health partner is present. Fonkoze aims to reach 2,500 households through this initiative by 2013 and finally bring 5,000 members under its ambit by 2015.

Estimated costs for the expansion programme, relative to the pilot, are presented in **Annex Table 2** and the segmentation of costs incurred in the pilot phase is presented in the figure below:

- start up expenses are those incurred on the preliminary survey and client selection processes; direct expenses are those incurred on providing and directly supporting the economic assets provided to each graduation client;
- auxiliary expenses consist of expenses incurred on health or other social development activities, while indirect expenses are overhead and administration expenses incurred at the head office.

Fonkoze’s cost segmentation shows a relatively high indirect cost allocation for an economic-focused programme of this type. This may be partly on account of the degree of head office supervision deemed necessary in the early stages of the programme.

**Figure:** Segmentation of costs in the Fonkoze graduation programme



Cost estimates for the expansion of the programme result in cost savings of the order of 20% since the same head office supervision is to be spread over a larger number of clients and from other overheads (office rent and utilities) being similarly, more effectively deployed.

Sources:

1. “*A graduation pathway for Haiti’s poorest: Lessons learnt from Fonkoze*”, Karishma, Huda and Simanowitz, Anton 2009
2. <http://www.fonkoze.org/aboutfonkoze/whoweare/howworks/119.html>
3. <http://www.cgap.org/p/site/c/template.rc/1.11.1925/1.26.2605/>

## Annex 1: Graduation indicators

<b>Indicators</b>
<b>Descriptive Indicators</b>
Average number of children Average age of program participants
<b>General Criteria-Graduation Evaluation Tool</b>
Average score on general criteria (max score= 8) Average score on absolute criteria (max score= 3) Average savings balance (USD) Average total assets (USD) Average value of merchandise (USD) Average value of animals (USD) Average value of garden (USD) Average value of other assets (USD) Percentage of members eating at least one cooked meal/day Percentage of members with a garden Percentage of members with at least 2 income-generating activities Percentage of members with a “plan for the future” Percentage of plans that involve commerce Percentage of members who “advanced on the ladder” Percentage of members who say “Fonkoze should not worry about them” Percentage of members meeting the savings requirement
<b>Absolute Criteria-Graduation Evaluation Tool</b>
Number of members with malnourished children Number of members too sick to work (self- reported, corrected after verification by doctor) Number of members <i>without</i> a viable roof Percentage of graduates
<b>Poverty Scorecard</b>
Percentage of members who improved score on baseline poverty scorecard Average improvement in poverty scorecard score (points) Percentage under \$1/day at graduation Percentage under \$2/day at graduation Percentage of movement above \$1/day (over 18 mos.) Percentage of movement above \$2/day (over 18 mos.)
<b>Food Security Survey</b>
Percentage of members who are food secure Percentage of members who are food insecure <i>without</i> hunger Percentage of members who are food insecure <i>with</i> hunger

**Annex Table 2**  
Costing of Fonkoze's CLM programme

	<b>Mini scale-up (after pilot)</b>	<b>CLM expansion*</b>
Number of clients	180	500
Case Managers	4	10
<b>Caseload</b>	<b>45</b>	<b>50</b>
<b>All numbers are per graduation client</b>	<b>US\$</b>	<b>US\$</b>
<b><u>Start-up expenses</u></b>		
Branch setup and initial survey	5.00	5.00
Staff salaries	28.73	25.86
Staff training		
Other expenses	18.98	14.00
<b>Total start-up expenses</b>	<b>52.71</b>	<b>44.86</b>
<b><u>Direct expenses</u></b>		
Asset cost	140.00	140.00
Food subsidy/stipend	180.00	180.00
Veterinary services/sector specialist		
Staff salaries	201.11	181.00
Staff training		
Beneficiaries' training	187.00	187.00
Travel	132.85	98.00
Office rent and utilities	100.27	36.10
Material expenses	13.33	4.80
Other equipment		
<b>Total direct expenses</b>	<b>954.56</b>	<b>826.90</b>
<b><u>Auxiliary expenses</u></b>		
Staff salaries	57.46	51.71
Staff training		
Travel	37.96	28.00
Material expenses	222.00	222.00
Stationery and course materials	5.44	3.40
Other expenses	40.00	40.00
<b>Total auxiliary expenses</b>	<b>362.86</b>	<b>345.12</b>
<b><u>Indirect expenses</u></b>		
HO management costs (salaries and travel)	375.61	135.22
Other expenses	186.79	139.61
<b>Total indirect costs</b>	<b>562.40</b>	<b>274.83</b>
<b>Total</b>	<b>1,932.52</b>	<b>1,491.70</b>

\* based on expenses incurred in mini scale-up as reported in a study by the Grameen Foundation.