



## **Widening the Exit Doors: Lessons from Fonkoze, CLM**

Anasuya Sengupta and Karishma Huda

### **Excluding the poorest**

Extreme poverty is a concept associated with those who have little social, economic and political capital. The extreme poor live on the fringes of society; but what is often most damaging is the hopelessness that overshadows many of their lives in a daily struggle for survival. This reality is most stark in Haiti, where 54% of the country's population live in extreme poverty<sup>1</sup>. They are faced with a complex web of constraints, including corruption and political violence; lack of state services and infrastructure in rural areas; environmental degradation and poor social accountability at the local level. The face of extreme poverty is also gendered, where extremely poor women are often trapped within abusive and exploitative relationships with men.

A devastating series events since 2008 have worsened their plight. They have contended with a 150% food price increase, four severe hurricanes, and finally the recent debilitating earthquake in January, 2010. While Haiti faces a cumbersome task of rebuilding the country after the earthquake, it perhaps presents a chance to break its curse of prolonged chaos. With a surge of aid into the country, one hopes that the silver lining is an opportunity to re-build Haiti and provide the country's most vulnerable with basic entitlements.

### **New Pathways from Poverty**

*"Should more effort now be made to tackle poverty indirectly, by widening the exit doors and allowing the poor people to make their own escape?"<sup>2</sup>*

Poor people do not move along a linear continuum- rather they oscillate in and out of poverty. Based on the premise that stabilising income generation and building assets are key to empowering the poor, a variety of approaches to poverty alleviation have become predominant. Social protection and microfinance are two of the mainstream models. These divergent approaches have emerged from different conceptual paradigms. On the one hand, social safety nets (e.g. food aid, conditional cash transfers, or social insurance) have been successful in reaching the extreme poor, which microfinance has failed to do. On the other, social protection measures on their own have been unable to create sustainable pathways out of poverty.

In response to these gaps, BRAC Bangladesh launched an innovative model that combined both safety nets with financial services. The Targeting the Ultra Poor (TUP) programme carefully selects the poorest female headed households in a village, and provides them with an income-generating asset, consumption support, health services, access to savings, and close hand-holding support for 24 months.

The outcomes of the TUP programme have been extremely positive. Impact assessment results illustrate that TUP beneficiaries purchased more productive assets (land, rickshaws, vans, and boats); enrolled more girls in primary school; have a much higher level of savings; and tend to use cash loans for income generating activities rather than for crisis coping, as compared to control group households<sup>3</sup>

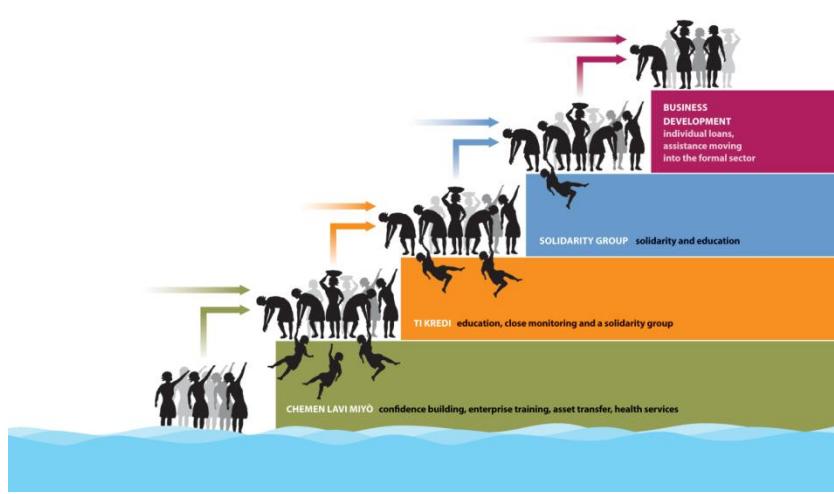
This has inspired civil society organisations around the world to adapt the model to their country contexts. To test the potential of this programme to reduce global poverty, CGAP and the Ford Foundation initiated the

<sup>1</sup> Using the World Bank definition of living under \$1/day

<sup>2</sup> Orr, A. et al (2002) "Pathways from Poverty", pg.2, Dhaka: University Press Limited

<sup>3</sup> Rabbani, et al (2006), Dhaka and Ottawa: BRAC and Aga Khan Foundation

Graduation Programme, a global attempt to understand how safety nets, livelihoods and microfinance can be sequenced to create pathways for the poorest out of extreme poverty. As part of this initiative, the CGAP-Ford Foundation Graduation Program is helping to implement nine Graduation Pilots in seven countries, in partnership with local organizations.



Fonkoze<sup>4</sup>, Haiti's largest MFI, implemented Chemin Levi Miyo (or Pathway to a Better Life in Haitian Creole) as the first graduation pilot. CLM covered five main areas of support:

A cash stipend and provision of productive assets to help build sustainable livelihoods and food security; access to health services and savings to reduce vulnerability; close support of

program staff who provide enterprise training, advice, and most important, moral support to help participants build skills, confidence and "agency"; provision of housing renovations, water filters, and school uniforms to improve social conditions; social links with village elites to help build up social networks for the poorest.

The graduation pilot in Haiti was creatively designed as a multi – tiered 'staircase out of poverty.' CLM is intended to help members develop resilient livelihoods, social networks, and necessary 'life skills' over an 18 month period. Members then graduate to TiKredi ('little credit' in Creole), a 6-month introductory microfinance program where they are introduced to the disciplines of microfinance, and encouraged to focus on building a sustainable enterprise. Lastly, they integrate into Kredi Solidè, which is Fonkoze's mainstream microfinance program.

It is notable that after 18 months, final evaluation results revealed that 93% ( 140 out of 150 participants) had strengthened their livelihoods and graduated into TiKredi, in spite of food price increases and the hurricanes. Some of the criteria in order to graduate into TiKredi include: an increase in the value of productive assets and asset diversification, minimum savings balance, a viable roof over their heads, enrolling malnourished children in a feeding programme, and conceptualising a future plan.

### **Learning from the Haiti experience**

Fonkoze's CLM Programme was the first of the pilots to be evaluated. The programme has been tracked since June 2007 in four phases: at baseline; 9 months (mid-point); 18 months (program end); 24 months (6 months post graduation). Key findings from the evaluation are summarised below.

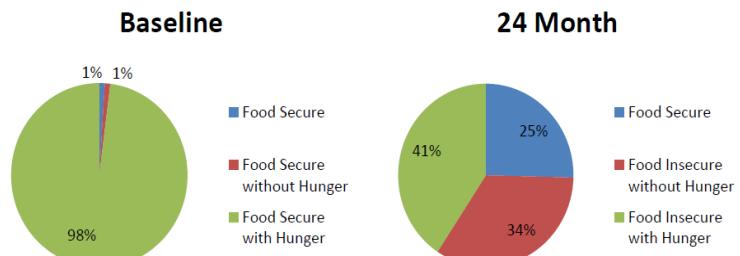
#### **Program processes:**

	At 18 months	At baseline
Average value of assets	HTG 14,036 (\$351)	HTG 5,400 (\$135)
Average value of formal savings	HTG 685 (\$17)	HTG 0
Percentage of clients with at least two income-generating activities	92%	4%
Percentage of clients not suffering from hunger	88%	NA
Percentage of clients who said they advanced on the 'ladder' out of poverty	99%	NA

<sup>4</sup> With technical assistance from Concern Worldwide, BRAC and funding from Concern Worldwide and CGAP

*Accompaniment and Service Delivery – “At every stage, we asked members what they wanted to achieve....”*  
Case-manager interface was probably the most significant determinant in how the participants performed during the programme. The contextualised programme responses by case managers to members’ needs – such as building a school in the absence of one – has been particularly influential to the outcomes of the programme.

*Transition into TiKredi – TiKredi*  
helped to ensure that gains from CLM were not eroded post graduation. At 24 months, 75 percent of CLM members graduated into TiKredi. In Boukan Kare, all CLM members who graduated into TiKredi successfully made the transition into Kredi Solidè.



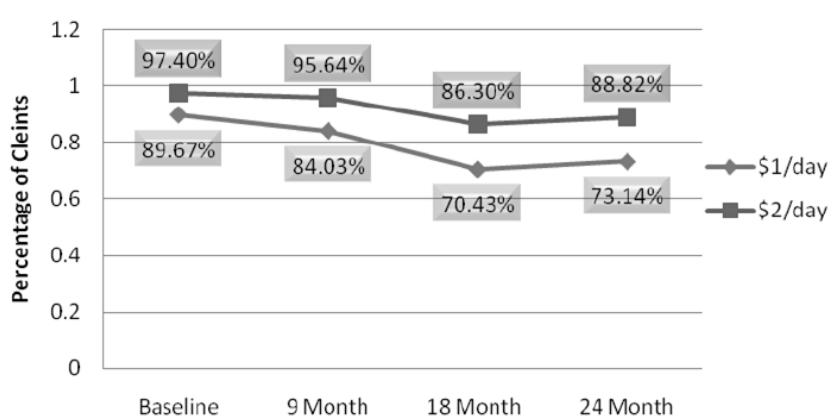
Source: Data from Freedom from Hunger Food Security Index

*Village Assistance Committee (VAC) – VACs, comprised of local leaders and the village elite, brought local level involvement, commitment and accountability to the CLM initiative. Over the course of the programme, VAC members mobilised resources for CLM members, resolved community level conflicts, and had monthly meetings where they would discuss pertinent issues with members. After the CLM pilot ended, the VAC continued to be active in one of the 3 implementing areas.*

#### Key Outcome Indicators:

*Poverty status:* CLM’s poverty scorecard revealed a striking improvement in the livelihoods of CLM members, even against a backdrop of increasing poverty in Haiti. Most notable were the following changes:

- Children regularly attending school increased from 27% to 70% overall.
- Food cultivation was hardly a common activity at baseline, but at 18 months the average value of vegetable gardens/crops stood at 2700 gourdes (approximately \$67)
- Percentage of members significantly owning large livestock (cows and horses) increased from 5% to 39%. These assets were purchased by members themselves and not provided by the programme.
- At baseline, 29% of members lived in a house with cement walls and a tin roof. Through programmatic support, this number increased to 81% at 24 months.



*Food security:* The percentage of CLM members suffering from food insecurity with hunger declined from 98 percent at base-line to 41 percent after 24 months, whilst members who are food secure shot up from 1% at baseline to 25% at 24 months. As for children, it was observed that severe wasting from malnutrition among CLM children decreased from 13% at baseline (summer 2007) to 4% at 24 months (summer 2009).

*Health seeking behaviour:* Initially, the common response to illness was to do nothing or use home remedies. However going to the health clinic or hospital went up from 14% to 46% at 24 months, while the percentage of people who 'did nothing' decreased from 24% to 6%. Owing to increased income and thus the ability to spend more on healthcare, treatment at health clinics was highest in all three areas *after* program support ended.

*"PIH (Partners in Health Hospital) is very good, but it takes so long to get there. It is difficult to do the journey when someone is very ill. Since we started earning more money, we've been going to private clinics."*

*Empowerment/gender relations:* Case studies with members highlighted two major cognitive changes: increased self-confidence and knowledge/skills of managing an enterprise.

*"I sold 3 goats and used my loan to start a charcoal business. I have enough wood to make 80 bags of charcoal – with those profits, I can build a cistern. I will be the first woman in Lagonav to have a cistern and I can sell water to those who need it."*

The biggest behavioural changes have been sending CLM children to school and family planning. However, other behavioural changes (e.g. using water filters and sanitary latrines) were less convincing. Relational changes were also observed between the participants and their male partners - women with supportive partners performed better in the programmes, thus increasing their chances of graduation.

*Resilience and sustainability:* At 24 months, the evaluators were able to examine the effectiveness of the transition from CLM to TiKredi, as well as identify the individual characteristics of success. CLM certainly succeeded in delivering the inputs that it identified as important in promoting and protecting extremely poor women's livelihoods in Haiti. However, the differences in outcomes between the 18 month and 24 month period shed light on the sustainability of programme impact on the participants.

#### **Who succeeds and who fails?**

Most participants managed to enhance and diversify their livelihoods over the 24 month period. However, in spite of starting out from a similar context of extreme poverty, there were stark differences between the performances of individuals. The following pre-existing conditions shaped individual trajectories of members, and separated the 'fast climbers' from the 'slow climbers.'

*Agency* – While not an easily identifiable indicator, examples of personal resolve, self – initiative and underlying aspirations came out as strong characteristic of successful members. The ability to take control of one's destiny was discovered to be critical to the individual pathways out of poverty.

*Previous business experience* – Previous business experience was a very important component for both success and resilience. In the absence of adequate markets and wage employment, self – employment is often the most viable form of livelihood. Members who had existing business skills most easily transitioned from stipend termination and into TiKredi, investing in an enterprise and thereby ensuring a regular source of income with which to feed their families.

*Cooperation of household members* – Most successful members were those with strong family support and fewer dependents. They share the fact that they have a spouse, mother or brother contributing to the household economy and fewer children. Support from their respective partners (e.g. by being actively engaged in the enterprise development) was particularly crucial to members' success in the CLM programme.

#### **Conclusion and Key Recommendations:**

Fonkoze's Chemin Lavi Miyo (CLM) programme presents an opportunity to create a foundation for economic democracy among the country's most vulnerable. While the outcomes of this pilot are promising, the greater challenges lie in scaling up a program like CLM throughout Haiti.

*The key recommendations arising out of the final evaluation:*

- Although provision of a holistic package is important, the key driver of change has been increased income. Strong livelihood choices, training and business supervision should remain the key areas of focus in scale-up.
- It is important to identify those that lack the propensity to succeed early on.
- Given the focus upon TiKredi as the exit strategy post CLM, the quality of TiKredi delivery and the early focus upon running a business in CLM are essential.
- Village Assistance Committees should be built to sustain post CLM and integrated into TiKredi.
- Gains from CLM can be easily eroded through a crisis or one-off shock. It is important to build resilience among CLM members through establishing sustainable savings behaviour and providing micro-insurance products.

Although the program's achievements have been remarkable, the challenge of sustaining improvements is stark. When the programme is scaled-up, Fonkoze will have to address other challenges such as identifying more sustainable livelihoods for participants; for example, the most viable strategy pursued by many program participants in one site is charcoal production in an already heavily deforested land. For those who are not ready to integrate into microcredit, finding alternative graduation pathways poses another challenge. Given the intense vulnerability of the population, there is always a demand for Fonkoze to do and provide more. While most graduation programmes rely on the government to deliver health, education and welfare benefits, Fonkoze does not have this luxury. Indeed the fundamental question that comes to mind is 'Does this programme offer Haiti a future of economic democracy – a stepping stone to wider transformation of Haitian society?

**Credits:** This research brief draws upon the Final (24 month) CLM evaluation by Karishma Huda and Anton Simanowitz. Karishma Huda is a Research Manager with the BRAC Development Institute (BDI), London. Anton Simanowitz is a researcher in the Vulnerability and Poverty Reduction team at the Institute of Development Studies (IDS), University of Sussex. BDI is currently researching, monitoring and evaluating other graduation pilots in India, Pakistan, Ethiopia and Yemen. Readers are encouraged to quote from the brief with due acknowledgement to the research and the institute. More information is available at [www.bracdevelopmentinstitute.org](http://www.bracdevelopmentinstitute.org) and [www.cgap.org/graduation](http://www.cgap.org/graduation).

For more information, e-mail the Graduation Programme Communications Officer at [sandeepkaur@bracu.ac.bd](mailto:sandeepkaur@bracu.ac.bd)

**Additional Resources:** Huda, K and A. Simanowitz (2010), "Chemin Levi Miyo" – Final Evaluation (24 months)", Concern Worldwide and Consultative Group to Assist the Poor (CGAP)  
<http://www.microfinancegateway.org/p/site/m//template.rc/1.9.43808>

Huda, K. and Simanowitz, A (2009), "A Graduation Pathway for Haiti's Poorest: Lessons Learnt from Fonkoze," Enterprise Development and Microfinance, 20 (2), Practical Action Publishing: London,  
<http://www.microfinancegateway.org/p/site/m//template.rc/1.9.37202>