



Shocks in the Lives of the Most Vulnerable: Protecting Assets, Preventing Over-Indebtedness

Presented to the Savings and Credit Forum:
Good Practices in Preventing Over-
Indebtedness of Low-Income Borrowers

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Shocks Threaten Assets, Lead to Over-Indebtedness

What We Know:

1. Contributions of family/friends insufficient
2. Clients have no choice but to:
 - a. Reduce food intake
 - b. Remove children from school
 - c. Deplete savings
 - d. Sell assets
 - e. Borrow from loan sharks

How We Came To
Recognize the Problem



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Fonkoze
fondasyon kale zepòl

BIWO LATWAZON

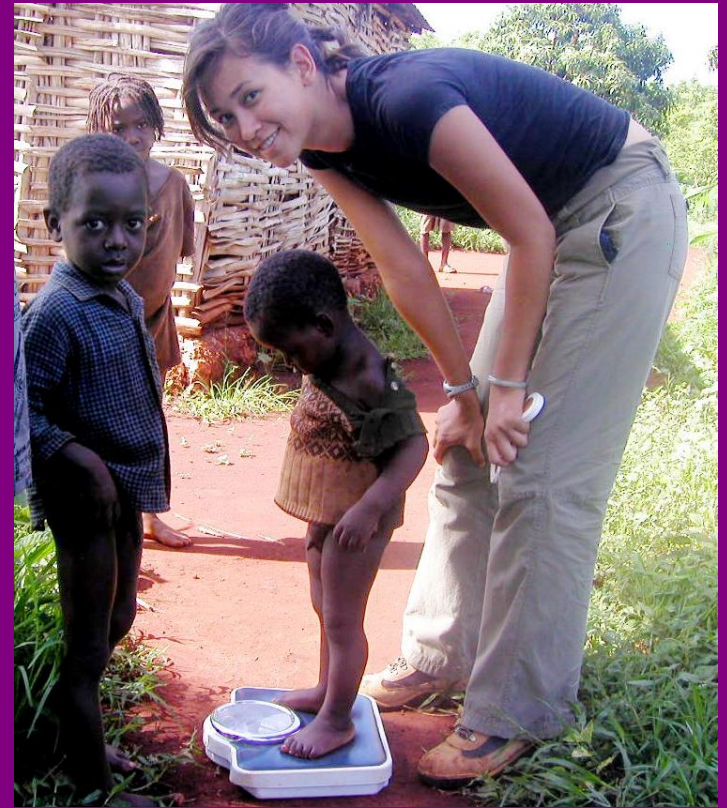


Fonkoze
fondasyon kale zepòl

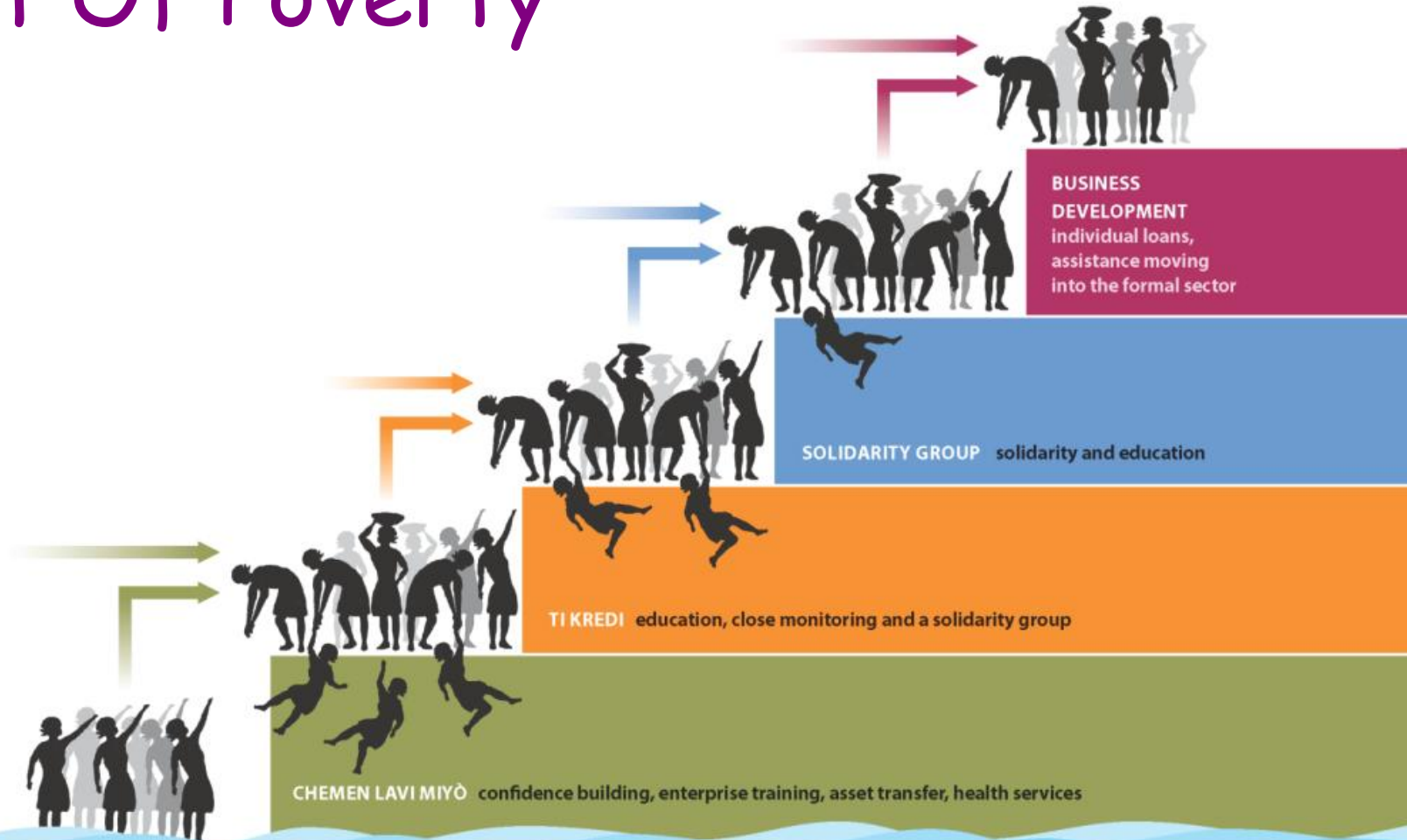


Fonkoze's Branch Network Covers Most Of Haiti And Is Still Growing





Fonkoze's Staircase Out Of Poverty

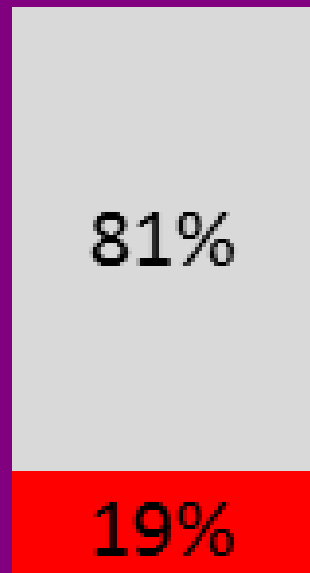


Do MFIs Really Reach the Poorest, Most Vulnerable Families?

Microfinanza study:

65 MFIs with social missions, in 30 countries, with a sample of 12,000 new clients

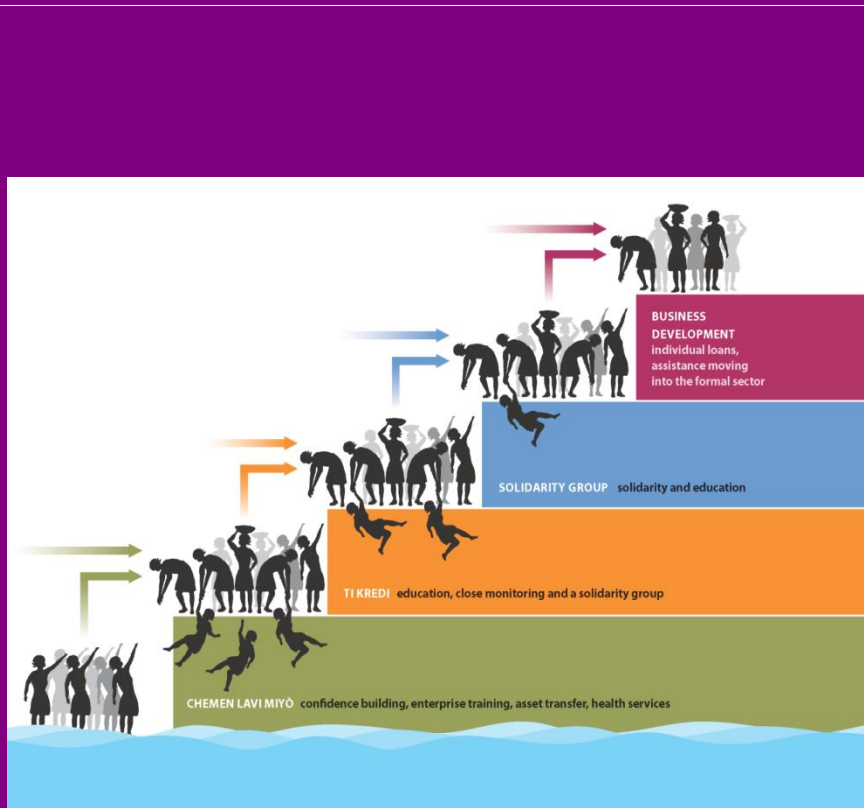
Globally only 19% of the clients in the sample were poor when they entered the MFI!



Non-poor (Above \$2PPP/day)

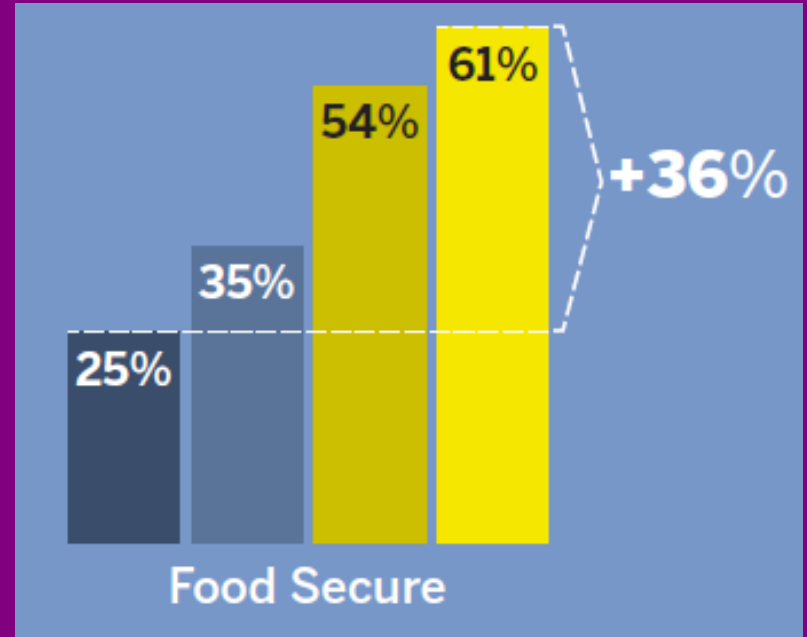
Poor (Below \$2PPP/day)

Fonkoze Does Reach the Poor and Poorest



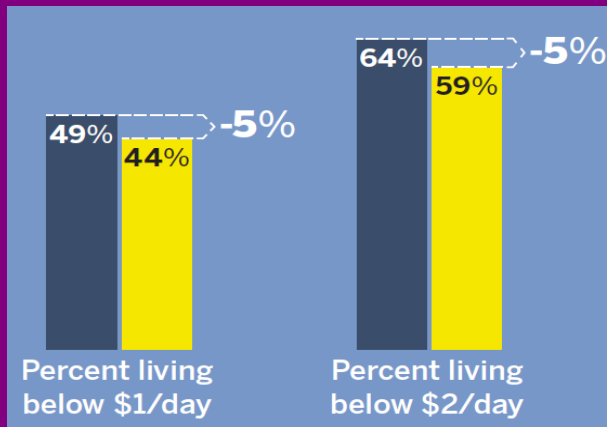
Product Type	Percent < \$1/day	Percent < \$2/day
Solidarity Loans Sample Size: 815	53%	69%
Tikredi Loans Sample Size: 276	68%	84%
Chemen Lavi Miyo Sample Size: 310	93%	98%

Number of months In Fonkoze



As Clients Received Their 1st loan

As Clients Received Their 7th loan



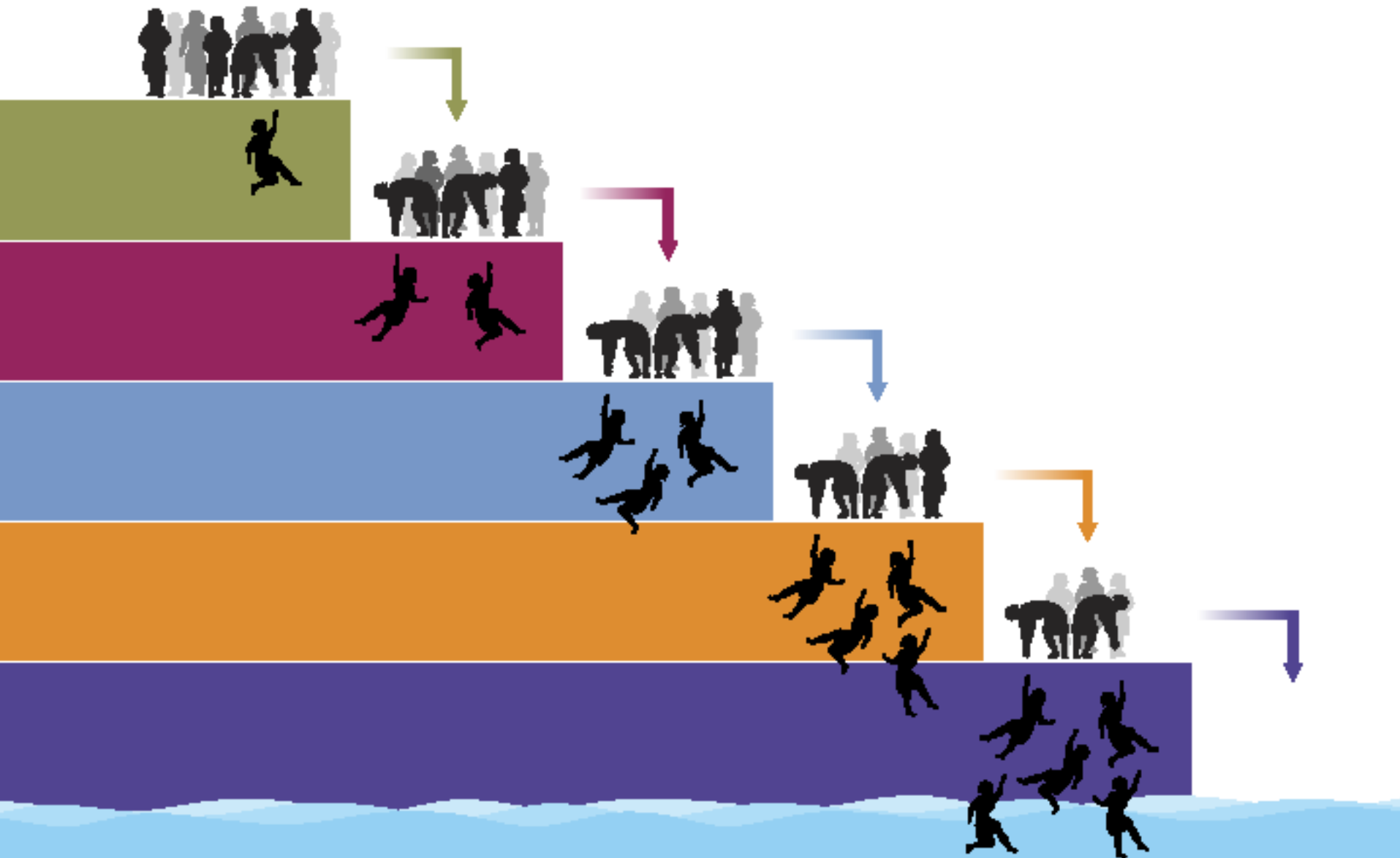
As Clients Received Their 1st loan

As Clients Received Their 7th loan













Building Social Resilience In The Most Vulnerable

Resilience = the capacity of a community to adapt under adverse conditions and restore a sense of normalcy after an external shock

Development of a Strategy

Part I: Insurance

Development of Fonkoze's Asset Protection Strategy

- ❖ Credit/Life product through Haitian insurance company AIC began in 2007
- ❖ Catastrophe product concept began in 2008, following 4 hurricanes within a month and full implementation by 2011



- ❖ 2010 Earthquake used as a chance to test the proposed catastrophe insurance payout structure
- ❖ Full implementation began in January 2011

Design of Kore W, Our Catastrophe Insurance Product

- ❖ 100% of Clients Covered
- ❖ Loss of merchandise, home, business
- ❖ When a rain, wind or earthquake event occurs, clients submit their claims through their Solidarity Center Chief
- ❖ Qualifying losses provide the following payout:
 - Reimbursement of the client's existing Fonkoze loan balance
 - An emergency cash payment
 - A new loan to recapitalize their business when the client is ready

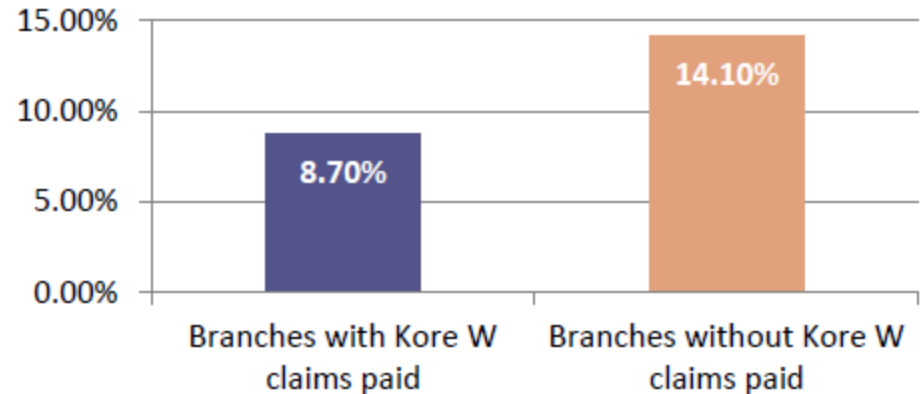
First-Year Results

1. Number of Claims Paid: 6,794
2. Amount of payouts: \$1.9 million

97% of clients who received a payout and **90%** of client who did not receive a payout indicated the insurance product was a **"good addition"** to Fonkoze.



2011 Dropout Rates



Second Year Results

Major Challenges Emerge

1. Parametric doesn't always work
2. Everyone limited their risk except Fonkoze
3. No change to lending procedures following losses
4. Clients submit too many claims – Impossible to distinguish among them
5. Ultimately clients to be proactive in protecting assets

The Challenges Became Major Problems

Results

1. Unable to pay the claims received under Isaac
2. Sandy – Paid the claims but only by reducing the benefits
3. Had to suspend renewals and new additions
4. Went into a major redesign effort
5. Reeducation of clients became a major focus

Development of a Strategy

Part II: Disaster Risk Management

Applying Holistic Risk Management

- ❖ Improve illustrated, easy-to-read client education modules
- ❖ Explore tangible options for merchandise protection
- ❖ SMS-based early warning system
- ❖ Create incentives and disincentives to encourage less risky behavior and prevent fraud

Lessons Learned To Date

1. Accompaniment, accompaniment, accompaniment. We can't do the climb for them, but at the same time, they can't do it alone. They need to believe in themselves, know their rights, and have the tools available for making the climb.
2. Listen to them – they know best the services they need. Lots of focus groups. Interviews with those who leave.
3. Be there for them as soon as possible after a crisis.
4. Once you start on the path, you must have the determination and the passion to continue to search for solutions.

