

# The Transformative Power of “Why Not?”

*Innovations Case Commentary:*  
Fonkoze

In the summer of 2009, I spent a few days climbing the green mountains of Haiti’s Central Plateau with Anne Hastings, CEO of Fonkoze, which is the leading micro-finance institution in Haiti. We were visiting women who are climbing “a staircase out of poverty,” all of them participants in Fonkoze’s innovative program to help Haitians move out of extreme poverty. These women spoke with a quiet dignity about how their lives were improving as a result of the mentoring, financial literacy, enterprise training, and other support they had received.

The history of Haiti is well known, as is its crushing poverty. It is hard to imagine a more inhospitable place in the world for an institution like Fonkoze to take root. How could such an idea survive, let alone prosper, in this environment?

The answer is found in Fonkoze’s remarkable story of achieving economic and social change, which is a testament to the aspirations and resilience of a home-grown institution and the Haitian people. It teaches us rich lessons about leadership, tenacity, belief in a vision, empowering the poor, local ownership of solutions, and the accountability of institutions—all of which are lessons relevant to rebuilding a nation.

For the MasterCard Foundation, this story is particularly instructive of how to partner effectively and respectfully in facilitating change that is owned by local people. We were inspired by Fonkoze’s approach to accompanying women as they “walked out” of poverty. In the aftermath of the 2010 earthquake, our foundation is partnering with Fonkoze to help rebuild its infrastructure, even as Fonkoze continues to help women living in poverty rebuild their lives. As Haitians and the international community act to build back a better and stronger Haiti, we should consider applying the lessons of Fonkoze in other parts of the world.

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## Learning from Fonkoze's Accomplishments

Fonkoze's story begins with an improbable notion. Traveling across Haiti in an old pickup truck in the early 1990s, Father Joseph Philippe, a priest, and Anne Hastings, a former management consultant, set out to create a bank to serve Haiti's rural poor. To say this was a radical idea would be an understatement. The risks of providing financial services in rural Haiti were high, and no banks had yet ventured there. Since 1994, Fonkoze—an acronym in Creole for the Shoulder-to-Shoulder Foundation—has developed a full-service model of financial and support services for the rural poor. It is a bank that offers loans, savings, remittance transfers, and insurance, and provides a network of partners that deliver financial

literacy education and health services.

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As the organization has grown, Fonkoze's leaders have persevered despite great adversity, from intimidation, murder, and other crimes to political crises, natural disasters, and the need to raise capital constantly from abroad. Most importantly, they have had to stay true to their vision in order to overcome the wide skepticism about the idea they created—establishing a successful bank to serve Haiti's poor. From its beginnings in the back of Father Philippe's pickup truck, Fonkoze has grown into an impressive national network of 41 branches with more than 200,000 customers and 750 employees.

So, what explains Fonkoze's growth? Father Philippe and Anne had the courage to ask themselves, "Why not? Why shouldn't Haitians live in a country that provides access to financial services to all citizens, especially the marginalized and rural poor, to enable them to improve their lives?" Fonkoze's leaders started out by understanding their main customers: women. They listened and learned about the local women's needs and challenges. They opened branches near markets in rural areas, where small enterprises owned by women are the dominant forms of commerce. Fonkoze's market presence and provision of affordable and accessible financial services—in some cases injecting as much as half a million dollars in small loans—stimulated economic enterprise in the communities it served. By posting interest rates and fees at its branches and teaching its clients how to understand them, Fonkoze promoted fair and transparent markets that previously did not exist.

Fonkoze also built a grassroots institution based on a highly ethical business model that fostered trust and confidence among the poor. Its microfinance groups, each comprised of five women, are organized into solidarity centers of six to ten groups. Each center is close to a Fonkoze branch and elects a chief who represents it at branch caucuses. These centers also send representatives to a national assembly that elects the majority of Fonkoze’s board of directors annually. Fonkoze helped the poor organize themselves, and today thousands of women across Haiti expect accountability from their bank.

Fonkoze was also open to learning from other microfinance leaders around the world—an institutional strength that rapidly facilitated its own innovations. Over the years, Fonkoze has been recognized for its innovative methods in combating poverty. The “staircase out of poverty” program was adapted by learning from another leader with a deep understanding of the challenges of extreme poverty, BRAC.

### **Building Back Better and Stronger**

Immediately after the earthquake, this country that has teetered on the edge of chaos for several decades found itself in a place where nothing was functioning—no government, no banks, no commerce, no law enforcement, and, at moments, no hope. Haiti is now embarking on the long and difficult rebuilding process. The challenges remain overwhelming and the prospects for success are uncertain. Reconstruction must take place across every area of human endeavor: new roads, homes, offices, schools, hospitals, and other infrastructure. But, more critical to Haiti’s future is the re-creation of its political, economic, and social institutions. Organizations like Fonkoze provide a solid foundation on which this infrastructure can be built.

President Bill Clinton and others frequently talk about the opportunity at hand to “build Haiti back better.” *Better* starts with involving everyone in a vision of a new future for the country, a future in which Haiti stands on its own and is not forever dependent on foreign aid. *Better* means fostering a political and social structure that is open, honest, and responsive to the basic needs of its population—good schools, clean water, health care, and housing. The international community is helping on all of these fronts, but Haitians must build their own future. They need to build and hold accountable the institutions that will provide and sustain basic needs as they create a diversified, growing economy.

Microfinance institutions and other financial providers will need to play an important role in developing this type of economy by offering products and services that will enable people to build assets and grow their businesses. These institutions will need to offer the convenient and affordable services that the poor need to restart their lives in ways large and small: sending a child back to school, rebuilding a damaged home or business, starting a new business, or simply providing food and water. But institutional strength also means looking ahead; for example, by providing customers with insurance that helps them survive a setback or another disaster in the months or years ahead.

Furthermore, investment must be directed to where the majority of people live—rural Haiti. For too long, the lack of economic opportunities in rural areas has spurred migration, especially by young people, to Port-au-Prince. As a result, in recent decades, services, investment, and jobs have been concentrated in the urban areas, thus creating two economies in Haiti—one in the capital and one around the rest of the nation. But the earthquake triggered an exodus out of Port-au-Prince to the countryside, so by investing in infrastructure, schools, and business in rural areas, Haiti now has a rare opportunity to foster a more robust economy across isolated communities and create more balanced growth across the country.

The most powerful opportunity for building back better and stronger may rest with Haiti's young people. More than 50 percent of its 9.2 million population is under 18 years of age. Despite the poverty and challenges they face, this is a generation of young people filled with aspirations and ideas about a brighter future. I met and saw some of them in action when I visited Haiti. What they need and want are skills, role models, mentors, and the resources to be productive and to lead their country into tomorrow. As Haiti rebuilds, it should go to great lengths to engage the very people who have the greatest stake in the future of their nation, and who also have unbounded energy and a new ethic.

### **Building Back Better Around the World**

Like Haiti, there are many other developing countries that face challenges of weak governance, high levels of poverty, the need to educate a young population, and civil conflict. They, too, need ways to build better and stronger political, economic, and social institutions that will lead to economic growth and social stability.

For our foundation and other funders working in global development, we know that making progress requires a certain resolve. In most instances, solutions to the intractable and complex problems of poverty are not obvious. But certain qualities do stand out: leadership, counterintuitive ideas, and the tenacity of an organization to stay the course in addressing these challenges despite the inevitable setbacks. When these qualities are institutionalized in organizations that treat people fairly and in a transparent way, they build trust and social capital. That, in turn, leads to the confidence needed to start a new business or expand an existing one. When such confidence ripples across entire communities, people begin to realize their potential and a country's economy can grow, its citizens can prosper.

Progress begins with identifying current and potential leaders who are embedded in their community and committed to working for the people. In Haiti, these leaders include Fonkoze, GHESKIO, HELP, and Partners in Health, to name a few. The same is true in other parts of the world, where leaders are building institutions that are accountable to their citizenry. In my travels, it is the conversations with leaders and young people about their giant ambitions for the future that fuel my optimism, and my belief that progress is possible in spite of the obstacles.