

HAITIAN INFORMAL FINANCE

By Kim Wilson, April 2010¹

Households in rural Haiti have a finite number of ways to make a living. Most farm the over-farmed hills or fish the over-fished coasts. They also run eateries, buy and sell mobile airtime, or manage gambling stalls. Perhaps the most visible members of the Haitian economy are Madan Saras, traveling merchants who buy goods, haul them across great distances, and sell them in marketplaces, along roadsides, or near construction sites and truck stops. Tying rural supply to urban demand and vice versa, Madan Saras are integral to Haitian commerce.

A limited range of financial services supports this economic activity. In Haiti, financing even the most marginal enterprise is an expensive proposition. Costly and spotty financial options limit the growth or survival of crop and livestock production, as well as the provision of retail and wholesale services. Poor financial options also constrain the other activities a family might do to invest in its future and present wellbeing. Purchasing food, textbooks, and clothes or contributing to feasts and celebrations are expenses that keep a household ticking throughout the years, and financing these costs might require credit or stores of cash.

To meet demand, formal financial services such as deposit-taking, credit and insurance have emerged in Haiti, but their performance disappoints. Bank branches remain confined to major cities and towns. More geographically dispersed, credit unions are on the whole threatened continually with collapse brought on by weak management and poor regulatory oversight.

Although microfinance has extended to and benefited some isolated parts of Haiti, its impact is not always positive. Along the country's southern coast, farmers complained bitterly of their experiences with FINCA International, an MFI based in Les Cayes. "They beg us to take loans and then hassle us when we can't pay, despite our poor harvests," a criticism leveled by one disgruntled borrower but echoed by many. Reportedly, the timing and high interest of FINCA's loan terms spurred women heads-of-household to leave the farm and become Madan Saras. They were in search of steady income to meet a tight repayment schedule. The loan offering, which bore no relation to the rhythms of the agricultural season or the demands of daily life, forced women to cut trees or sell land to make come up with the needed amounts.

A lack of quality financial services takes a toll on Haitian families. Rural households require lump sums of cash to pay for school tuitions, improve their land or homes, or fund the burials of relatives. Funeral expenses can cost several thousand dollars, and poor families will go deeply in debt to finance a proper burial. Against the backdrop of weak formal and informal financial service offerings, people save, borrow and insure based on goodwill agreements with neighbors and relatives, or seek the services of pawnbrokers to amass the blocks of cash they need. They also use savings groups to supply credit, grants and cash distributions. Finally, they turn to the lottery for the chance to win a lump sum.

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MONEYLENDING AND MONEYSAVING

If quick cash is needed, households scout for assistance from a variety of sources. They will borrow from neighbors, purchase food on credit, visit a pawnshop, or seek out a moneylender, sometimes referred to as a *poignard*, literally a “dagger”. Moneylending, both secured and unsecured,² is common in rural Haiti. A key informant of our study was himself a moneylender and offered detailed information on the operations of both secured and unsecured credit in Port-Au-Prince as well as in rural Haiti.

Most small towns are home to at least one *bric-a-brac* shop where borrowers pledge specific categories of possessions for quick credit (“*plop-plop*”). Requiring money at once, these borrowers are desperate to fund urgent needs, such as medical emergencies or expenses related to the death of a relative. Burying family members properly in Haiti is important. The coffin, the ceremony, and the food required at various events linked to death can add up to thousands of dollars. Even a simple wooden casket can cost \$200.

Meanwhile, informal credit is expensive. The two pawnshop owners interviewed in Les Cayes advertised 12.5% monthly interest, payable in cash at the beginning of each month, for loans secured with some valuable pledge. Both pawnbrokers claimed this price for cash was a bargain compared to unsecured credit that drives people with nothing to pawn toward the high priced services of moneylenders who lend without collateral.¹

Veno Josef, owner of *abric-a-brac* in Les Cayes, a rural town on Haiti’s southern coast, receives up to 500 pawns in a week and takes collateral that ranges from jewelry to vehicles. To visit his shop, borrowers journey from as far as Port Salut, Camp Perrins and Demarais, or from rural villages hours away. During a ninety-minute interview, we observed no fewer than seven customers pawn gold chains, rings and necklaces. The owner asked a staff person to weigh each piece. Josef himself assigned a value, never challenged by the pawner. Borrowers received cash equal to half the market value of their pledge and a ticket detailing the terms of the loan.

Josef meticulously wrapped each item in small squares of paper noting the date, the name and address of the borrower, and the value of each pledge. As a matter of procedure, he tucked the packets into a large sack. Different sacks – some plastic trash bags and others nylon knapsacks - represented different months of the year, a practice he told us was typical of pawnshops in Haiti. He also accepted bicycles, motorcycles and cars as pawns.

Many borrowers forfeit their pledges and never return to pay the principal of the loan. In these cases, Joseph has the right to sell the collateral, an expensive process that he would prefer to avoid. Claiming it builds trust with customers, he chooses to hold items for a full year. Many customers are repeat borrowers so trust is important: “Sometimes, they cannot repay the full loan when it is due. They can only make a partial payment. As long as they have paid their interest on time and make an effort to pay the principal, I work with them.”

A preliminary encounter with pawnshop owners in July 2009 suggested that this business was potentially very lucrative. However, after more thorough analysis of the risks involved, a less profitable story emerged. A second *bric-a-brac* owner, Josef’s in-law who started her shop in 1989,

² Secured moneylending refers to loans that are secured by collateral and unsecured moneylending refers to loans made with out collateral. It was our impression, though unconfirmed, that moneylenders usually focus their credit on secured or unsecured loans, but not both.

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recounted a dimmer view of offering this informal financial service. Like Joseph, she lent against half the value of the collateral. For example, she offered \$3,000 for a motorcycle worth \$6,000. This seemingly ample cushion did not protect her business from sudden loss. During the previous year, her shop had been robbed of its pledged jewelry; six sacks stuffed with gold had been taken along with her receipt book. She was forced to reconstruct records for her business from tickets held by borrowers and to pay them the full value of the stolen collateral.

“This business can be filled with loss,” she said. “Borrowers say we are expensive but it costs us money to hold the collateral.” Pawnshops are unpredictably expensive for their operator. Mr. Josef’s five guarded and fortified warehouses for pawned vehicles revealed the high costs of the pawning business.

Though pawnbrokers offer costly loans, they occupy an important place in the financial life of many Haitians. They fund crucial household expenses that otherwise would be funded only with a long-term, perhaps endless, obligations of the borrower to the moneylender. Unlike microloan borrowers, bric-a-brac clients who forfeit their pledges are not harassed to repay. They simply lose the pledge.

We do not know how pawnshops fared in Les Cayes since the earthquake. Our informant in Port-Au-Prince reported that looting of collapsed homes in the capital city resulted in local bric-a-brac shops brimming with new business.

Implications. Financing urgent needs, such as burial costs and medical expenses, is extremely problematic for most Haitian families. Despite the efforts of formal financial institutions to reach poor households with products that fulfill this demand, like burial insurance and affordable loans, most households still rely on pawnshops and moneylenders. What are these suppliers doing right that might be imitated by other institutional actors?

ROTATING SAVINGS CLUBS: SOLS AND SABOTAYS

The Haitian rotating savings and credit association (RoSCA) is called a sol and more specifically in the marketplace, a *sabotay*. Sols operate like RoSCAs,ⁱⁱ with individuals depositing money into a communal fund that is instantly disbursed to one or more members. The sol keeps running until all members have had a turn at the fund. They take in the regular deposits of members, called a “hand” or *main sol*, once or several times a month, depending on its rules. The person starting the group is called the sol mother, *manman sol*, or sometimes, simply “banker.”ⁱⁱⁱ

The sabotay functions identically to a sol, but moves more briskly to reflect the higher velocity of money in a trade or market setting: Members often contribute hands daily, with some depositing several hands each turn. Those depositing more than one hand receive additional payouts in proportion to their hands.

Interviews indicated that most people participating in sols use funds immediately, putting payouts toward household expenses such as rent, home repair, education, or medical attention, or sometimes toward their businesses or farms. In some cases, members use the funds to purchase assets like land, or livestock or to secure the location of a market stall. Many seek to generate even more income from their investment. One member of a rural sabotay reported, “Every now and then, I spend my sum on the lottery.” More often than not, the lump sum is plowed into expenditures like rent or inventory to trade.

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The proper selection of a sol's membership is critical; we heard many stories of groups dissolving prior to the last member's payout, leaving some high and dry while others - those who had received funds at the beginning of the cycle but who could not come up with contributions later - enjoyed "free" money. Regardless of the risk faced by sol members, these savings clubs persist.

After the 2010 earthquake, our informant visited a large market sabotay in Port-Au-Prince, which had upwards of thirty members and one hundred hands spread among them as recently as December 2009. The Manman Sol reported: "Our group was supposed to continue until the end of February, but we lost some members in the earthquake. Others headed to the countryside. We have only three members now, but all of us received her payout before the earthquake. We continue as three members."

Mrs. Judanne Pierrot, another Manman Sol, told her story. In 1996, she started a group in school when she was fourteen years as she and her friends wanted to save up to shop for gifts in December. No adult would take these seven young people into their sols, so the girls decided to start their own: "I thought that my friends were joking when they asked me to be the Manman Sol. But, they said I was the most reliable person in the group." Each girl contributed five gourdes, about ten cents each week.

Ms. Peirrot now runs three sols, each with fifteen members. As of March 2010 all were operating despite disruptions of the earthquake: "My members are stubborn. Each turn, I tell them that we should stop; but, they insist we keep going. They don't trust anyone else with their money." All forty members, collectively representing her several sols, survived the earthquake and plan to continue in their groups, but will not take on new members. "New members are always uncertain," said Ms. Peirrot, "and even more so in these times. We do not want to take in strangers."

Despite their widespread use, sols are not taken seriously by formal financial institutions. The banks and MFIs we interviewed were well aware of sols and their operations but pointed out that membership in them was risky. While sols' risks are undeniable, their flexibility enables underserved and unbanked people to access important funds. Youth, the poor, and individuals with few options to amass the kind of money needed to run a business or to pay for a funeral depend on these folk organizations to operate.

In some countries financial institutions have incorporated the custom of the RoSCA in marketing commercial savings accounts. For example, in Pakistan, The First Microfinance Bank of Pakistan Ltd, two years ago launched its Contractual Savings Product. To participate, savers join groups of three to thirty-five people, each saver depositing as little as ten cents per month. The sum is collected and deposited in aggregate by a designated member and, at the end of the contracted period, the bank transfers the accumulated deposits to individual accounts from which a client may withdraw her savings.^{iv} This forced savings product is rapidly gaining ground. Similar to a certificate of deposit, such a product could be an alternative for poor people who now rely only on informal savings to accumulate cash.

Implications: The sol is a durable institution, widely popular throughout Haiti. Financial institutions might look to the habit and discipline offered by these groups and design safer, regulated products.

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ACCUMULATING SAVINGS CLUBS: MUTUELLES DE SOLIDARITE

A mutuelle is a group of people who gather for the purposes of saving money and making small loans to one another. Unlike the sol, which at each turn reduces its fund to zero by distributing all contributions immediately to one or several members, the mutuelle accumulates funds over time. Mutuelles usually comprise between ten to fifty members, often women. Members agree on important rules when they constitute their mutuelles. They decide how much each member must save, how often she will save, and what fine she must pay if she is late with a deposit or a loan payment. Members also decide the interest rate and period of loans as well as acceptable loan uses.

Savings collected by members help fund purchases that are too large and difficult to make individually. With help from peers, participants of mutuelles finance many of the same expenses as sols: coffins, bicycles or emergency medical expenses, and school tuition. Because members contribute month and after month, the mutuelle's total capital has a chance to build. Members can borrow money from the fund, which offers the possibility of larger loans as the year progresses.

The success of the mutuelle concept can be explained in part by *konbit*,⁵ a tradition brought from West Africa that promotes collective agricultural work. People understand how important pooling labor is to individual survival. The mutuelle approach follows a kind of financial rigor that builds upon shared efforts to clear, till or plant fields. Shared responsibility and community resilience form the foundation of a good mutuelle; in addition, mutuelles have been trained to pursue financial self-help.

Bernard Taillefer, a consultant for COD-EMH, the relief and development wing of the Methodist Church in Haiti, pioneered the foundation of mutuelles in 1998. He infused community-focused and self-reliant ideals into initial mutuelle trainings under the auspices of SIDI, a French NGO. Those interviewed in July 2009 still remember the power of his training, which they said did not focus on savings but on self-help. Savings and lending were financial activities to be pressed into service to create confidence and financial independence.

The model Taillefer used was a variation of one tested in multiple countries in Africa, where brightly painted boxes helped groups distinguish their financial accounts. The same model is used today. The "green box," as the primary account is called, functions like a small bank. Members deposit money into it and borrow money from it; the "red box" holds cash in reserve for member emergencies; and the "blue box" operates like a retail bank awaiting funds from a wholesale lender. The blue box receives credit from organizations like KOFIP and KNFP.

Mutuelles along the southern coast reported that they cashed out once per year, usually in the month of December. Groups call in all outstanding loan payments, fines and interest, a process beginning in October. Once all cash out has returned to the green box, leaders of the mutuelle reconcile their records and then distribute the capital members according to the savings each has contributed. Members may take their cash and leave the group, or they may return the cash to the green box as a one-time initial investment. This money becomes the seed capital for a fresh round of mutuelle activities. The green box is slowly topped up over the year with regular member savings and interest.

No one knows how many mutuelles operate in Haiti. KOFIP reports it gives credit (blue box) and technical assistance to more than 1,500 mutuelles, but many more organizations support their formation or offer blue box loans.^{vi} Churches form mutuelles and so do NGOs. Perhaps some of the hardest are formed by volunteers - existing mutuelle members eager to share their own

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successes in saving and lending. Because mutuelles can spring from community volition without an organizational umbrella, they remain uncounted.

A champion organizer, Ti Clair created thirty-seven mutuelles over the course of ten years near Demarais in the southern peninsula. Herself a beekeeper and poultry farmer, Ti Clair races from meeting to meeting on her motorbike, traveling up to forty kilometers between mutuelles to assist those in her care. With names like Patience, Victory, and Resistance, her groups are resolved to meet regularly. And they do, contributing 25-cents at each meeting. She has asked the local church to subsidize her fuel for transport, nothing more: "I never take money from them or anyone to help. I should pay them money to be part of their struggle."

To some, mutuelles represent more a source of hope than a source of funds. One member reported, "It has been difficult for us to save. The small change we put in the fund is not enough, but it's something." Though many members of mutuelles are quite poor (earning less than roughly \$45 per month), they are able to save by remarkable acts of discipline. Said one member, "when you save alone, you save just for you, and you get lazy. When you save in a mutuelle you are saving for many - my savings becomes loans for all." This kind of saving-for-everyone breeds camaraderie and an accountability that members find indispensable. Being responsible to one another encourages them to be thrifty in ways they would not ordinarily be, left to their own devices. To save up enough cash for their regular deposit, some skip public transport from time to time, choosing to walk instead. Others cut back on purchasing alcohol and even food. Limited visits to the local lottery, and the savings that ensues is a principal way members accrue the money for their mutuelle.

Mutuelle participants capitalize on the structural flexibility of this instrument to use their funds in creative ways. One of the mutuelles now part of Shining Star near Les Cayes was able to finance the purchase of a cow for each of fifteen members by 2009, a feat which took years. The group agreed to prioritize its poorest members as the first to receive cows, with better off members waiting their turn until enough funds in the green box had accumulated. The mutuelle was able to approach a local supplier and lock in the prices for every member. This way, while some members waited to purchase livestock, every member knew exactly how much she would need to borrow when the time was right. Prices varied between \$200 and \$270 depending on the age of the animal. Cows were financed with a combination of green box loans, year-end cash distributions to members, and a sol, which operated in tandem with the mutuelle.

Many members supplement mutuelle loans and distributions by participating in sols. Though money is often used for similar purposes, sols and mutuelles present quite different opportunities. While mutuelles run on an annual basis, sols dissolve completely within weeks or months. Mutuelle funds operate more agilely than sols: With a little planning, loans from the mutuelle can arrive at more convenient times and flexible sums than funds from sols, which come in precise amounts at specific times. In addition, unlike members of a sol who see their group as a way to obtain a block of cash and nothing more, members of mutuelles see their group as a platform for social action. They band together to force the police and courts to apprehend criminals. They put orphaned girls through school and contribute to parent-to-teacher associations. In Laborde near Les Cayes, a newly forming youth mutuelle took it upon itself to plant saplings in a nearby village to replenish cut forest. Most mutuelles keep a social fund, in a real or figurative red box, to provide members grants for household emergencies.

In exercising their agency, mutuelle members can expand their financial possibilities. As of July 2009, participants of three small mutuelles decided to merge into a single mutuelle of thirty-seven

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members by January 2010 in order to accommodate bigger loans. Larger loans could finance members intending to open small shops and meat processing plants. There is often money left over in mutuelle's green box that can be disbursed as a last minute loan for a household emergency or to take advantage of a sudden business opportunity.

Mutuelles are also a platform for learning and community development. As mutuelles spread, many members have asked for more and diverse trainings. For less literate populations, bookkeeping is a struggle. Simple bookkeeping systems promoted by international organizations³ might benefit these groups. For those with business ideas, mutuelles could facilitate honing business plans. Representatives of KNFP and mutuelle members themselves have observed that mutuelles promote solidarity and community action that could motivate further social and economic development.

Livelihoods, Deadlihoods and Mutuelles

While mutuelles complement more formal financial services and are useful to members, they do not yet address the problem of "deadlihoods" - livelihoods that lead the land to ruin, rendering it unable to support any livelihood at all. Haiti's deforestation and environmental jeopardy is no secret. By 1986, "33% of the land [was] extremely eroded, or abandoned, or sterile, or lost forever."^{vii} Twenty-five years later the hilly areas of rural Haiti had not been regenerated and severe weather patterns endanger communities that have nowhere to run for cover.

As in many countries, Haiti leaves its worst land to its poorest farmers. The fertile and productive valleys, where good soil is plentiful, the ground is flat, and successful planting is easy, were long ago seized by corporations, government officials, and wealthier landholders. The poor have been pushed to the steepest slopes to practice seasonal cultivation, taxing the topsoil from repeated use.

The rural Haitian economy is caught in a self-destructive cycle, whereby the livelihoods accessible to households are precisely those that obliterate the resources they require. Rural households chop trees, use slash-and burn agriculture, and allow unfettered grazing of livestock. These practices, once appropriate for a less populated land, have led to extreme depletion of topsoil. Poor fertility means shrunken crop yields, a result which leads farmers to cut more trees, even fruit-bearing trees, in order to sell the wood and make up the difference in household income.

One mutuelle of eighteen members^{viii} reports a direct link between their need to save cash and the state of their natural environment. With members' monthly savings maxed at twenty-five gourdes or about sixty cents per month, this group depends largely on "the soil and the sky". Their use of harvests is broad and entrepreneurial. Some members farm rice, corn, pumpkin and potato. Others make and sell bread and charcoal. A member who brews and vends alcohol brags: "I sell cocktails that everyone in the village enjoys. I add fruit to the corn wine, making it delicious." The liquor takes five months to ferment to a taste that satisfies the brewer; the members of her mutuelle agree the cocktail is well worth the wait.

Yet, environmental degradation places their businesses and harvests, not to mention their families, under threat. The most pressing problem for this mutuelle is the speed at which their watershed is deteriorating. "Forty years ago the hills were blue," reported one member. "Whenever we needed cash, we would cut a tree and sell the wood, or would turn the wood into charcoal for more income. We never had to borrow from a moneylender."

³ For example CRS, CARE, and OXFAM all have developed simple memory-based systems for illiterate members.

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As a result, in the past decades, their thickly forested village has been shorn gradually of its vegetation. Wood has been cut and sold and plots of land cleared for farming and for the grazing of cattle. As of July 2009, a large lake stood at the base of the watershed that submerged several hectares of once farmed land. The hills encircling the lake, bare and barren in most places, had little vegetation to trap run-off in the rainy season. As cattle wallowed in the muddy lake, villagers discussed the prospects of stocking the new reservoir with fingerlings that might provide alternative ways to earn a living. According to its membership, this mutuelle, which now saves in coin and paper, finds currency a replacement for a “natural savings account.”

Trees and vegetative groundcover have all but disappeared in many areas of the south. While new livelihoods have replaced old ones the change has come with a price tag. Households must ferry goods across new lakes or fish the land in new ways. Members of mutuelles understood the problem but were not sure what to do about it. “Our farms are slowly disappearing, not all at once. We have not really organized ourselves to deal with this,” laments one member. She is not alone. To rehabilitate forests and green the slopes requires communal and government effort beyond the scope of a single mutuelle. In the meantime, groups are swapping cash-based finance for the once plentiful resources of nature.

Resilience in the Aftermath of the Earthquake

Haiti’s earthquake has highlighted the strength of mutuelles and the power of the solidarity they foster. Mutuelles, their savings, and many of the organizations responsible for training communities in establishing mutuelles experienced grave losses on January 12. KNFP, an umbrella organization serving mutuelles, lost its entire vehicle fleet as well as its operational headquarters. Mutuelles, like all Haitians, have lost members and assets. However, many groups continue to support one another through this challenge to help their communities retrieve their economic and social footing.

One mutuelle in Port-Au-Prince has met consistently and with great determination since the earthquake. Formed in 2007, this group, Vanyan Konbatan (“Brave of Warriors”), still gathers every Thursday evening. Our team observed its operations in July 2009, when the group was collecting weekly savings of 110 gourdes, or about \$15, per member. Penalties for late deposits were stiff. If a member missed a payment, she would pay ten gourdes per day until her promised deposit became fully current. The group had loans distributed to eleven of fifteen members and had accumulated about 75,000 gourdes, or \$1,730.

At that time, Vanyan Konbatan’s members communicated a variety of reasons for being in the group. Solidarity clearly motivated some, as one member contended: “In this mutuelle, I have had to stop thinking of myself as an individual. I now save for everyone.” Members agreed that saving so that others could benefit from their thrift made them feel good and inspired them to continue. The mutuelle also helped to shield its members from persistent requests and pressure to lend money to neighbors. Because the mutuelle became the source of members’ financing, participants could deflect their neighbor’s demands for loans unto the association. One member reported relief, “I was constantly hounded by the meat-seller outside my home for a loan. It was hard to say ‘no.’” Meanwhile, the mutuelle charged substantially higher interest rates to outsiders compared to its members for the group’s benefit.

In February of 2010, our researcher visited Vayan Konbatant. The group had grown in the months prior to the earthquake to include twenty members from only fourteen members in July 2009. As most had taken loans before the beginning of January, the earthquake affecting all members in some

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way on January 12. One member lost her home and most others, their incomes. The green box was emptied. Though members decided they could not maintain their weekly savings, the group agreed to continue its regular meetings. Each person would repay her balance when and as she could. Interestingly, the group leader engaged a loan of 5,000 gourdes, or about \$120, to invest in a business reselling mobile phone airtime. While she considered this a good opportunity to earn money, she confided that her motivation to borrow actually arose to preserve the spirit of the group. “I wanted to show them I had hope,” she said. The best way to do that was to keep the green box active.

The story of this mutuelle’s resilience is not unique. Since the earthquake, CRS reports surprising durability of mutuelles along the southern coasts and considers these groups key to Haiti’s recovery. Mutuelles have helped families and communities to cope with influxes of IDPs. A recent rapid rural assessment, which CRS conducted in eight communes in the South Department, shows that southern households have adopted between six and nine “internally displaced people” (IDPs) as a result of the earthquake: In Camp Perrin, families accepted an average of six IDPs per household, and the isolated communes of Tiburon and Chardonnières accepted an average of eight IDPs. Gaye Burpee, Deputy Director of Programming in Latin America, emphasized, “the stress these households are facing is difficult to believe. Many in the most remote areas must cultivate an additional 25% of their land. We are helping swollen households to shift to cheaper, higher-yielding crops. Mutuelles are key to our effort. We will rely on members to help train others and to distribute critical inputs like seeds and even food.”

Mutuelles have also been extremely resourceful in using transnational contacts to help their members recuperate from the earthquake. A Catholic Parish in Evanston Illinois, St. Nicholas Parish, writes that a sister parish in Limonade in the north of Haiti felt the social repercussions of the earthquake, despite its distance from the epicenter. Limonade is a large market town and has attracted IDPs. In their local newsletter, St. Nicholas Parish reports that households have seven to fifteen more people than before the earthquake. The St. Nicholas Parish in Illinois sponsors both the church in Limonade as well as KOFIP. KOFIP helps these mutuelles “fill their blue box” by channeling credit to the group. Members need credit to support the livelihoods – mainly livestock fattening - that will help them feed recent additions to their households.

Implications. Mutuelles seem to be filling an important financial space, particularly in rural areas, where credit unions have failed and banks branches are few and far between. The mutuelle structure builds upon traditional principles of reciprocal neighborly assistance to achieve a foundation for community learning and action. Mutuelles confront enormous challenges from depletion of natural resources, migration, and post-earthquake asset loss, but endure despite setbacks.

BORLETTES: A FINANCIAL SERVICE?

As a taxi driver in Harvard Square said: “In Haiti, there are three ways to save money. You can save in the bank, but the banks fall apart, you can save in the house, but children want your money, or you can save in the borlettes. In the borlettes at least you can win.”

Everyone knows a winner. That is how this simple system of lottery works: Someone always knows someone else who has won. “I know someone who won enough to buy a house,” said Sony Vanquer, a resident of Boston whose family still lives in Haiti. He goes on to tell us that everyone plays, even pastors.

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Users play the borlette as a viable way to amass money. Often marked as “banks” on stall signage, thousands of lottery stalls are strewn through the urban and rural landscapes. Each gamble includes three lots, and the winning numbers mirror the numbers of the New York State Lottery. The simplest combination is the borlette, which uses the last two numbers. Those who play habitually feel poorly if they go to sleep “without a ticket in [their] pocket, knowing [they] did not play that day.” While many play to win and see the lottery as a savings strategy, others visit borlettes for distinct reasons, among them:

- **To survive.** Said one woman in a Les Anglais, “If we spend the money, it’s gone. If we save the money, it’s still gone (referring to the collapse of the caisse). At least if we play the borlette, we have chance of getting more money. I depend on the borlette. I usually win a little something every week.”
- **To pass the time.** These are players who play occasionally. They enjoy the discussion, social habit, and anticipation of the daily number.
- **To win.** These are players who see the borlettes as an investment strategy, that at some point they might win and could win big. One middle class man asserted: “I only put down at least 50 gourdes at a bet, so that my payout, when it happens, is very large.”
- **To decipher.** These players put to use their skills of deciphering their dreams and visions, the position of the moon, and the advice of spirits that may lead to winning numbers.

Many lottery players consult the *Chalat*, or the *Breviary*. This is a compendium of ways to predict winning numbers and beat the odds. As the introduction of the *Chalat* says: “This is not an embarrassing book – you can carry it with you, dear readers, in your pocket or pocketbook. It is far from a *Chalat* that is used in vulgar terms; it is more than that – we are presenting you with a real *breviary* written uniquely for playing the lottery.”

In some cultures gambling is taboo or at the very least frowned upon; in parts of Haiti, ethical views of the lottery are more nuanced. In the south, for example, people do not feel shame in visiting the window of a local lottery any more than the reader may feel shame in visiting an ATM machine. However, specific communities, such as certain Christian denominations and much of the educated elite, object to lottery practices. They charge this system of frittering away the limited funds of the poor and underwriting “backward” religious beliefs.

Borlette practices are linked with the *Lwa* of voodoo – intermediary gods that link the mundane with the divine. The *Lwa*, with the help of ancestral spirits, guide individuals through life, communicating with them in meditative moments, dreams, and ritual prayer. Relying on their ancestors in times of need, many Haitians refer to the symbolism of their dreams to determine their lottery numbers.

There is an entire industry around the borlettes and the belief system to which they conform. An informant, once faithful to voodoo practices, reported that it is not uncommon for patrons of the borlette to consult voodoo priests for winning numbers, or to pay them for such services. Writes Michel S. Laguerre: “Still other players use voodoo in their search for possible winning numbers. The voodoo priest may help them in matters related to symbolism. The voodoo factor facilitates the success of borlette games by giving the numbers a supernatural significance and thus bolstering the players’ confidence.”^{xix} Borlette operators almost certainly leverage the lottery’s connection to the divine to increase their business. The *Lwa*, *Dambala*, whose role in the cosmology is luck or fortune,

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is also the Lwa for wisdom and wealth.^x Her color is yellow, one that is found on many borlette stalls.

Lottery luck is a tradable commodity. An entire supply chain can spring into being around a player who dreams winning numbers. When a player is deemed lucky he can sell his dreams to others; if the patron does not have the funds to pay, he can borrow from someone else. The borlette ticket might bear a winning number, in which the case the proceeds are divided among the dreamer, the player and the lender. But losing, of course, can plunge the player into debt.

Are the borlettes a financial service or an investment opportunity?

To the extent that households are spending on the lottery as a way to enjoy future returns, the Haitian lottery is a financial investment. Households do not spend on alcohol or snacks in the same way that they spend on borlette tickets: Food and liquor are consumed and will never generate money. But the borlette stall offers an opportunity to generate money and often does. Submerged in economic insecurity, players do not shy from the lottery's uncertain returns and usually win just enough to keep playing.

Households appreciate the straightforward risk involved in investing in the lottery. As one woman in Chardonnerie, South Department said in 2007, "I sold everything I had and put \$4,000 in the local credit union. My money vanished. It was a 100% loss. At least with the borlette, I lose a little over time, but usually I win." Another informant described his grandmother's daily borlette habit, "Even if it meant we didn't eat, my grandmother played 10 gourdes in the borlette. How else were we going to eat the next day, with no reliable income?" The lottery does not pretend to provide security or stability; it is transparent about its associated risk and thorough unpredictability.

Gambling is one of the few ways available to poor households to take what little cash that comes its way and transform it into a more useful block of money.⁴

Implications: In the minds of many, playing the lotto is a financial tool, however informal or insecure. It competes with other forms of savings and investment at the household level.

MUTUELLES AND BORLETTES

Mutuelles have proven successful in helping individual accumulate the lump sums they are looking for in the borlette's stead. Members reported that on their own, saving cash was too difficult. "Too many temptations" laughed one woman near Les Cayes in the south. Solidarity in saving eases the perpetual challenge: "Our children always need money for something, and I always want to go to the borlette." Mutuelles can avert some risky lottery spending towards a more secure investment.

Along Haiti's southern finger, borlettes are scattered across road junctions and along footpaths leading high up into the hills. Jeanita Delva, the treasurer of the mutuelle in Lake Laborde, explained that when her mutuelle was started, new members complained that depositing sixty cents per month would be far too great a burden for those living near the lake and far from town. Yet, she pointed out, four of the seventeen members had a mobile phone and kept the phone "filled with gourdes;" villagers happily spent money on alcohol. She saw this as evidence that saving was possible. "I

⁴ Though borlette operations are supervised by the ANTB (Association Nationale des Tenanciers de Borlette), an entity housed under the Ministry of Finance, supervision is so poor and government attempts to regulate borlette practices are weak.

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convinced members that if they received 100 gourdes, all 100 was now going into the borlette. I reasoned with them that the first twenty-five gourdes that come their way at the beginning of the month should be put into the mutuelle. The next seventy-five could go to the borlette.”

Cutting gambling expenditures is a primary way that mutuelles draw funds into their coffers. Two animators – women who organize mutuelles – said that members shunt funds into their mutuelle’s green boxes which would otherwise flow to the lottery. Said one: “We build the mutuelles to stop relying on our men, to better our farms and to send our children to school. For some of us that means fewer visits to the borlette.”

While money saved in the mutuelle is directly related to cash otherwise headed for the borlette, members of mutuelles do not stop playing the lottery. They play their dreams, bet their hunches, and consult earthbound experts and supernatural entities to beat the odds.

Mutuelles might be able to garner a greater share of money that flows to the borlette if saving between meetings was easy and more frequent. Practices in other countries might be applicable here. For example, Hugh Allen of VSLA Consulting, has documented a simple system of “slot savings” for members finding it difficult to save across a whole month. Multiple pulls drive potential savings out of members’ pockets and into various expenses before that money can find its way into the green box. The system is simple. The mutuelle establishes a piggy bank guarded by a trusted member. Members then deposit small, predetermined amounts, for example five gourdes per week, into the slot of the piggy bank. The custodian notes the amount and gives a token to the depositor. During the monthly meeting, the piggy bank or “slot savings” is incorporated into the receipt of additional monthly savings.

Implications. Mutuelles are a way to transform household cash outflows to the borlette into more secure savings that can be used productively or to help smooth household consumption. However, it is unlikely that mutuelles will overtake investments into the lottery completely.

ⁱ To give the reader a comparison, pawnshops in Boston, Massachusetts charge 3% per month interest.

ⁱⁱ Rotating Savings and Loan Associations. For more, see Shirley Ardener and Sandra Burman Eds. *Money-Go-Rounds: The importance for Rotating Savings and Credit Associations for Women*. 1995

ⁱⁱⁱ Throughout this report, we use “sol” to indicate both sols and sabotays.

^{iv} Wajjha Ahmed Adapting the Bachat Committee: Helping Pakistan’s Urban and Rural Poor Save Better, Financial Promise for the Poor: How Groups Build Microsavings. Wilson, Harper, Griffith, Eds.

^v Donald H. Hill, *Caribbean Folklore: A Handbook*, p. 65, Greenwood Press, 2007

^{vi} SIDI, CRS, and many other government and non-government organization have funded Haitian organizations to finance mutuelles and technically support mutuelles (Fond Sud, Caritas, and KNFP).

^{vii} Federation de Amis de la Nature, *Quelques donnees sur la realite dramatique de l’environnement en Haiti*, 1986, from Libete (Eds. Arthur, Dash)

^{viii} The name of the group is Active Women of Lake Laborde and is located near Les Cayes.

^{ix} Michel S. Laguerre, *American Odyssey: Haitians in New York City*, Cornell University Press, 1984

^x Laennec Hurbon, *Voodoo: Truth and Fantasy*, 1995 in Libete, an Anthology, Eds. Charles Arthur and Michael Dash, Latin American Bureau Research, 1999