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Community-Grounded Paradigm Shift

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Social Business in Times of Crisis: Microcredit Strategies During Social Unrest And/or Natural Disaster

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'Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life.' – Nelson Mandela

Introduction

This paper examines the tough, hard realities of Microfinance Institution (MFI) responses to war and its aftermath, as well as methods for coping with the stress and strain of major natural or human disasters. Through interviews, MFI reports, and other sources, we will emphasise the management strategies and skills of leaders of microfinance organisations like Ingrid Munro and her MFI's operations after the violence in Nairobi following the disputed election outcomes of 2007 (Jamii Bora Trust), Anne Hastings and the efforts to survive and assist clients following the terrible Haiti earthquake of 2010 (Fonkoze), and the resilient strategies of Muhammad Yunus (Grameen) and Fazle Abed (BRAC) in Bangladesh as their two organisations have grappled with massive flooding through the years. Practical insights on how to not only survive, but thrive in difficult times will be useful knowledge as the world seems to be increasingly rocked by major calamities.

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Millions of impoverished microentrepreneurs around the world have had to cope with the typical struggles of the poor in accessing microloans by launching tiny enterprises to begin digging themselves out of poverty. They have had their already precarious situation made worse by war and other types of conflict, and/or the stress and strain wrought by huge natural and man-made disasters. My paper attempts to articulate how these twin sources of human suffering impinge on the poorest of the poor, yet discover methods and tools for confronting and overcoming such problems. In my experience as I have observed the poorest of the poor in their world of trying to survive, poor families are being offered extraordinary services by microfinance innovators, sharing lessons that many MFIs and NGOs may utilise as they seek to empower their clients in tough situations.

The Context

The evidence seems to suggest that we live on a planet where nations are increasingly hit by violence and destruction. There are about a dozen wars operating currently around the world, most of them afflicting poor countries. Some are cross border while others are within a nation as civil conflicts take their toll (think Libya, Afghanistan, Egypt, Pakistan, Mozambique, Democratic Republic of the Congo, Somalia, Ivory Coast, Kenya, Yemen, Georgia, etc). Most of these are civil or 'intrastate' wars, fuelled by racial, ethnic, or religious animosities as well as by the fervour of political ideology. Most victims are civilians, a feature that distinguishes modern conflicts. In contrast to world wars of the past, when civilians made up fewer than 5 percent of all casualties, today 75 percent or more of those killed or wounded in wars are non-combatants. In many instances they are also the country's poor.

Likewise, human-caused and natural disasters seem to be accelerating in recent decades. Both rich and poor countries are affected as crises occur. Among the developed countries, we remember last year's ecological nightmare, the Gulf Oil spill caused by the US's Big Oil known as Deepwater Horizon and the 2005 Hurricane Katrina destruction which cost billions of dollars. Then there was the latest devastation, that of the recent 9.0 Japanese earthquake in March 2011 which severely damaged Japan's psyche as a rich, modern,, successful nation, when buildings went down and a tsunami drowned thousands of people while destroying billions of dollars in real estate, company profits, government systems, and the homes of millions near the coast.

To my mind, worse has been the devastation caused by disasters to the Third World: 2010's horrific Haiti 7.0 earthquake that killed 230,000, injured some 300,000, and left a million homeless; the 1986 Chernobyl Nuclear Power Plant in Ukraine; the 1998 devastation wrought by Hurricane Mitch as it flooded Central America, leaving 20,000 dead and a million homeless; several recent Horn of Africa famines; ongoing and decades long Bangladesh flooding. Tragically, there was also the 2004 Indian Ocean earthquake that caused tsunami disasters hitting 11 nations and killing some 220,000; and the 7.8 quake of 2005 that occurred in Pakistan's mountains, killing 80,000 while leaving 3.5 million homeless.

Each and every one of these events has had huge impacts on people, governments, businesses, and, of course, microfinance programs and clients, the main interest of this paper. So we turn to several cases to learn best practices by which MFIs may survive, cope with adverse conditions for their staffs, and particularly to find better ways for serving their clients. First, we examine the topic of post conflict methods.

The Post-Conflict Case of Jamii Bora in Kenya

In the many trips I have taken to Kenya since 1999, my reflections were generally that it had been one of the more stable nations on the African continent. But that view changed during the 2007 elections. Its results were social conflict, leading the incumbent president, Mwai Kibaki to reclaim power while his opponent, Raila Odinga, launched accusations of corruption. During late 2007 and early 2008 there were legal battles in the courts and shooting battles in the streets. The hostilities between the groups, based in large part on ethnic and geographical differences, took a huge toll: A thousand deaths, looting of stores, killings in churches. Eventually, former UN Secretary General Kofi Annan succeeded in brokering a new resolution in which the two opponents signed a power-sharing agreement, and ultimately established a coalition government in April 2008. Kibaki retained his title as president, while Odinga was granted a new office, that of prime minister.

Over a thousand people were killed, hundreds of thousands more were displaced, Kenya's economy had suffered, and tensions between various groups were problematic for Jamii Bora Trust. This NGO had emerged in 1999, growing out of the Kibera slum in Nairobi. It came from dozens of street beggars and was registered as a charitable trust in Kenya, headed by Ingrid Munro, a Swede, who had worked to solve Kenya's housing problems for years.

Jamii Bora's objective is to assist members to get out of poverty and build a better life for their families. A key value is that any family, however poor, miserable, and hopeless, is capable of getting themselves out of poverty. When I first met its staff in 2001, the NGO was a very small institution with a few thousand participants. It slowly grew until by 2004, it had some 70,000 loan recipients, but had levelled out somewhat. This was when one of my US-based MFIs, Unitus, agreed to help Jamii Bora grow larger and faster. As the world's first microfinance accelerator, our strategy was to find small MFIs that could greatly benefit by receiving Unitus capital, leadership programs, and hi tech tools. Today the Jamii Bora Trust has expanded to over 260,000 members, the largest in Africa.

In my summer 2007 interviews with Jamii Bora staff and its founder, Ingrid Munro in Nairobi, I was greatly impressed with the array of programs and services it offers. Its operations are carried out in 86 branches in both urban and rural areas of Kenya, as they register new members, receive savings and loan repayments, and review loan applications. Members are organised in credit groups with five members in each group, similar to the solidarity clusters of FINCA International. Group members guarantee each other's loans and provide important moral and social support to each other (Woodworth 2007).

Jamii Bora Trust also offers life and health insurance, including services for HIV-positive clients. Its holistic approach to poverty alleviation includes rehabilitation of alcoholics, orphan outreach, and street beggar transition programs. Many clients who were from the slums eventually became Jamii Bora staffers and now have successful jobs as bank managers, loan officers, and so forth. These services result in high loan repayment rates and positive changes in clients' standards of living.

From my visits and interviews over the years, I saw that Jamii Bora targets the very poor living in urban and rural Kenya; their dozens of branches serve clients in virtually all major Kenyan cities. Jamii Bora Trust is broadening its services by developing Kaputei, a housing community where clients can buy homes with mortgage payments similar to rents paid in the slums (about $20 per month). It promises a whole new lifestyle for individuals who were previously thought of as the 'dregs' of society.

Jamii Bora's Post-Conflict Microfinance Methods

For Jamii Bora Trust, its biggest challenge occurred when the civil conflicts of 2007-2008 occurred. Bands of youth fought each other, and competed to see who could burn, rob, or otherwise destroy businesses and homes. The results were some 1,200 deaths and 600,000 internally displaced people. Naturally, people of the slums and low-income residential areas were impacted the most, many of whom were Jamii Bora clients. Regional destabilization became a growing problem which lasted until the political parties came to a series of compromises. Meanwhile, perhaps as many as half of Jamii Bora's clients were affected by the conflict and resulting crisis (Microlinks 2009).

Many had their microenterprises looted or burned, others were robbed of all inventory, some were killed, and still more had family members who died or needed long-term medical care. Others were coping better from personal injury, but couldn't leave their homes or businesses because of social unrest.

Below are a select few of the approaches Jamii Bora developed to deal with the violence and its aftermath:

Establishing a Disaster Fund: The first action taken following the crisis was to re-establish and expand a Jamii Bora Disaster Fund for those affected. It had been created as a response to an earlier 2002 violent eruption following the establishment of a new government. Gradually leaders saw that this fund could be used for other disasters faced by clients such as fires and flooding that may occur. Clients contribute a one-time amount equivalent to one American dollar. This is followed with monthly contributions of a mere 20 cents. Ultimately the equivalent of some US$300 is credited into a client's savings account to borrow against if they are affected by a disaster.

Micro-Insurance for Healthcare: Clients who had been injured during the post-election crisis benefited from Jamii Bora's health insurance services. Borrowers were able to pay under a US dollar per week to get coverage for themselves and their children. Jamii Bora's partner hospitals offered treatment throughout the nation.

Client Retention: When violence broke out, it became unsafe for loan officers to visit their clients' microbusinesses and follow up on loan repayments. But gradually and cautiously, the staff succeeded in reaching out and connecting with their borrowers. Some clients, after being displaced, could have disappeared and defaulted on their loans. But with the staff's support, they remained committed to Jamii Bora and were determined to inform Jamii Bora's staff as to their whereabouts.

Other Methods: There were several additional strategies that Jamii Bora developed to cope with conflict and post-conflict difficulties. One was to alter the repayment systems so that victims of conflict could play 'Catch UP' and get their loans back on track. Another was a new focus on bringing youth from the streets into the organisation where they received training and then loans to move away from street violence and toward economic self-reliance. An additional innovation was to collaborate with large aid agencies and in the process become a distribution source for necessities like food, blankets, clothing, and so forth (Microfinance Gateway 2008).

The past few years, Munro has taken her pro-poor efforts even further, designing and building a new town to take borrowers out of the Kibera slum. It's a process of community innovation, the building of inexpensive new houses for Jamii Bora clients. Called 'Kaputei', it has neat rows of clay-tiled roofs. 'As long as you are living in the slums, you will never climb out of poverty,' she says. 'Families of course need economic opportunities to rise out of poverty but what good are they if you are still living in hell?' (see Howden 2009).

MFI Post-Disaster Microfinance and Relief Approaches in Bangladesh

Background:

Three MFIs have effective and highly successful systems for coping with natural disasters in the nation of Bangladesh. They basically *must* be innovative because of the prevalence of a variety of such catastrophes occurring in nature. The country is known for being among the world's poorest and also being prone to large-scale natural disasters with consequent impact on human health and survival because of its location and topographical features (WHO 2004). Bangladesh suffered the 'flood of the century' in 1998 which resulted in homes and families exposed to terrible flooding. In that instance some 67 percent of the nation was under water which lasted for months, destroying much of the topsoil for rural farmers. They had major crop failures, lost shelter and assets, suffered from water-borne disease, and were deprived of the ability to meet their basic needs. Of course, disease was a major problem as well as the loss of family income for millions.

Indeed, over the last three decades, Bangladesh has experienced more than 170 large-scale natural disasters, estimated to have killed half a million people and hurt tens of millions more. During the last 3 decades, the frequency of large scale disasters in Bangladesh has been about 6 per year, which is extremely high in comparison to other less-developed countries (UNDP 2001). By one estimate, Bangladesh is at risk of being inundated over at least 10 percent of its land mass within the first half of this new century, due to predicted rises in sea level as a result of global climate change (UNDP 2001). Poverty, demographic pressure and rapid urbanization are forcing a vast majority of people to migrate to high risk areas such as flood plains which are very vulnerable to human settlement. With that context, we now review several instances of successful response to disasters.

Grameen Bank

Professor Muhammad Yunus founded Grameen as an NGO in 1976, transformed it into a people's bank for the poor in 1983, and oversaw its explosive growth until 2011. It grew to have a staff of 25,000 people, mostly females, working in some 80,000 villages. Clients consist of more than 8.3 million microentrepreneurs who received and have largely paid back loans totalling over US$8 billion, mostly benefitting Bangladeshi women. Yunus has been a pioneer, not only in the creation of the microcredit movement globally, but within the rise of the Grameen Bank in Bangladesh and its many social innovations for aiding poor clients in times of disaster. During my research and roundtable discussions at Grameen headquarters with Dr M Yunus and one of his board members, Mrs Nurjahan Begum, I was struck by the amazing work of Grameen in building economic self-reliance (Woodworth 2001).

Grameen has a village rehabilitation program that not only gives loans for house reconstruction, but 5,000 additional Bangladeshi Taka (about US$66) if one's home is damaged by a natural disaster. After a series of cyclones in the early 1990s Grameen staff went out in small boats to move people to emergency shelters and give them needed medicine and food, even before the Bangladeshi government and global aid organisations had begun to operate (Bornstein 2005). Later, when the calamitous floods of 1998 spread over two-thirds of the country, they impacted more than 30 million people. About half a million homes were lost, as well as over 14,000 schools and 15,000 kilometres of roadways. In terms of agriculture, approximately 27 percent of all vegetables and 36 percent of rice crops growing throughout Bangladesh were eliminated, along with over 600,000 farm animals. More than 1,100 people died in the tragedy.

Among MFIs in the country, a variety of reports concluded that half of all microcredit clients suffered impacts, 75 percent of them losing at least one income-generating project, and 62 percent lost their homes. In the case of Grameen clients, the NGO gave out clothing and water purification tablets, as well as food and first-aid supplies.

Later, the Grameen Krishi Foundation gave out hundreds of thousands of seeds for replanting wheat, potatoes, and green vegetables. The bank itself also quickly developed disaster response mechanisms such as releasing client savings, rescheduling people's loans, and issuing new loan products for housing rehabilitation and other emergencies (Hasan 1998).

Proshika, Bangladesh

Proshika is an NGO that was founded as a humanitarian aid nonprofit in the 1970s. During its inception it was motivated to give cash subsidies to victims of disaster. Then it shifted into becoming an MFI in the 1990s. Proshika also offers loans with no interest charges for rehabilitation after disasters strike, so its microentrepreneurs can quickly replenish assets and re-start income-generating products. Proshika gave out nearly US$4 million after flooding in 1998, and its one-time repayments were approximately 68 percent. It has also built ten two-story disaster shelters to protect its clients and others from the ravages of powerful cyclones that frequent the coastal areas (Proshika 2011).

Over time, Proshika has installed a series of disaster insurance products that consist of a Participatory Livestock Cooperation Fund that reimburses clients for the sudden death of farm animals such as goats, cattle and chickens. For human loss, a Proshika Savings Scheme (PSS) was also established. If disaster strikes and clients' homes are lost, PSS reimburses double the amount of their savings account with Proshika, and the savings deposit remains untouched for future needs. When and if a client dies in a disaster, one's family receives the total of their savings multiplied by the number of years the account has been operational.

BRAC, Bangladesh

Fazle Hasan Abed is the founder of the other giant MFI in Bangladesh which was also launched back in 1972, initially known as Bangladesh Rehabilitation Assistance Committee (BRAC). It has expanded to some 7 million microfinance group members, 37,500 non-formal primary schools and more than 70,000 health volunteers. BRAC operates programs in all 64 of Bangladesh's districts with a staff of approximately 120,000 employees.

It has also spread to carry out projects beyond Bangladesh to Africa and Asia in nations such as Tanzania and Uganda where huge results have occurred in a relatively short time period. All told, BRAC now impacts more than a hundred million poor people in 14 nations. It has also established offices in the U.S. and UK in recent years to build its brand and seek new sources of revenue.

BRAC's 1972 origin began with two programs. One was to help rehabilitate soldiers returning from the civil war which split Bangladesh from Pakistan, and had cost a million lives. Thousands of houses were built, schools established, and health clinics were set up. The other was a cyclone relief organisation, emerging as the first Bangladeshi indigenous NGO able to deliver disaster relief in effective ways. Then, empowered by its success, BRAC soon became the system of choice for taking programs across rural communities to alleviate poverty and community crises (Abed 2011). Since that early beginning, BRAC gradually expanded into doing long-term rural development, microcredit, and other approaches for empowering the poor.

A key part of BRAC's mission is to alleviate suffering in the face of disaster. Hence, when the 1998 flooding occurred, BRAC gradually learned how to help its microcredit clients cope. Some 87 percent of its members suffered destroyed homesteads, and most lost a regular income in the weeks that followed the flooding. Rural villagers saw their cattle and poultry die. Landslides wiped away many neighbourhoods. The effects of long-standing polluted water also led to many health problems. Diarrhoea and water-borne disease afflicted innumerable households, and family conflicts and tensions grew as people became desperate.

About a decade later, when Cyclone Sidr devastated areas of southwest Bangladesh in 2007, the NGO had learned even more from the past and had a number of new and effective programs to assist its members. BRAC operated a rapid assessment process to ascertain the damage done. Simultaneously, a special team was created at BRAC headquarters in Dhaka. Known as the Core Flood Coordination Cell, it oversaw relief projects throughout the country. The Cell also coordinated services and donations from other institutions. From it, sub-teams were dispatched and remained in the various regions hard-hit by the flooding to manage on-the-ground efforts. The Core Cell and local team managers held daily update meetings by phone, at least, to report progress and keep everyone up to speed. Coordination was effectively carried out, adjustments were made according to shifting circumstances in the field, and a united strategy was rolled out across Bangladesh (Akter 2004).

Marooned families were rescued by these teams. Makeshift kitchens were set up to keep victims from starvation. The organisation quickly responded by giving emergency medical care to some 60,000 injured victims, along with offering other forms of aid – clothing, food, and clean drinking water to more than 900,000 others. Tons of medicine, rice, flour, molasses, and other basics were distributed. Because its previous disaster relief impacts had established a reputation for its competence, the Core Cell succeeded in securing donations from major aid organisations such as the World Food Program, Nike Corp, UNDP, and the governments of Denmark and Australia. BRAC's aid efforts served the needs of all flood victims, not just those of its members alone. After the 2004 disaster, BRAC developed a Disaster Cell at headquarters to design training programs for helping the poor prepare for future natural crises, hopefully reducing the degree of devastation and assisting families with tools for mitigating the severity of expected calamities (Ibid). Training, brainstorming new ideas, and building capacity for future hazards are all part of BRAC's approach to anticipatory problem-solving.

As critical as immediate relief aid is in these circumstances, BRAC also recognises the need for long-term rehabilitation. Thus its primary strategic objectives have centred around programs for stabilizing the area and rebuilding houses, refunding microenterprises, and refurbishing schools so the young may continue to learn and grow toward a better future. BRAC created new microenterprise products such as a program of flood insurance for one's house and/or one's agriculture, be it crop farming or animal husbandry. Another economic development service has been to offer soft loans for rebuilding a family's home with newer and better materials that may reduce the extent of destruction in the future.

After the 2004 disaster, and ever since, BRAC's methods for dealing with microcredit per se emerged as follows. It utilises several techniques to reschedule client microloans. One is to give a grace period in which there is no penalty for lateness in repayments. Another is to increase payments after the grace period. A third is to extend the term of the loan. Finally, at times BRAC requires a single large payment following the grace period. Impressively, several BRAC officials have told me of their own staff's commitment to provide personal aid after a disaster. Apparently, on occasion BRAC staff members have even pooled their earnings from a day's pay to support BRAC victims of cyclones and other forms of flooding. This seems to be true evidence of their genuine concern for the poor.'

Haiti's Destructive Earthquake: NGO Responses and Fonkoze's Strategies

On 12 January, 2010 Haiti was shaken by a huge catastrophe, a 7.0 earthquake that tore the island nation apart. It knocked much of the capital, Port-au-Prince to the ground. Estimates of the human toll ranged between approximately 78,000 to as many as 300,000 dead. Over half a million people were injured, and more than a million made homeless. Aftershocks continued for months. The citizenry lacked housing, food and water. Haiti's government was crushed literally, as were its businesses, hospitals, schools, churches, tourist industry, security forces, and the thousands of NGOs working in the country. Television commentators declared it to be the worst disaster in 200 years.

As an academic activist, college professor, and Social Entrepreneur, I knew something of the nature of such a crisis. I'd mobilised my friends, students and business associates over the years to help rebuild communities in places like Honduras in 1998 after Hurricane Mitch destroyed the country, El Salvador following its terrible earthquakes of 2001, and Thailand following the Asian earthquake and resulting tsunami in late 2004. I knew the Haitian people needed help from lots of sources.

Based on past experience, I felt that the Big Boys (The Red Cross, large churches, USAID, The World Bank, and governments around the globe) would rush in money, food, water and medical care. My students and I began to consider what would happen after they dropped off their supplies, spent a few weeks on the ground, and then left. I realised, as I have so many times before in crises like this, that the hard work really begins after the early shock wears off and the initial aid is delivered. As is widely known, over US$11 billion was promised by other nations, yet only about US$1 billion has actually been invested in the cleanup so far.

I also became aware by mid-January 2010 that other groups from my home state of Utah were forming projects to aid Haiti. A handful of them obtained huge chunks of cash, medical supplies, tents, and other resources and rushed to Haiti. Unfortunately, in a number of instances, they didn't have a clear strategy; they were overwhelmed by the chaos on the ground in Port-au-Prince. Hundreds of aid groups and military forces were arriving without room to even land at the airport. Safety and security became critical problems. Many Utah volunteers were frustrated and angry that they could not provide much help. Dozens were left behind because they could not even get on the flights. Maybe this is to be expected when rapid responses occur without doing the analysis and detailed planning beforehand.

In the case of my associates, we agreed we should help Haiti, but were not clear at the outset how to best do so. We looked at the crisis and determined that our model for helping Haiti would be different. There are several phases that tend to occur after disasters:

A. Rescue, in which the goal is to find those who survived the earthquake and get them out of the rubble.

B. Relief, in which food, water and medical attention is given to everyone in need.

C. Recovery, in which the bodies of the dead are located and buried or disposed of.

D. Rebuilding, in which the process is carried out of reconstructing homes, businesses, schools, and other institutions in order to re-establish society.

Sustain Haiti: Within a week after 12 January 2011, a group of friends, colleagues, college students, church members and neighbours had begun meeting together to explore how we might proceed. We decided to call ourselves Sustain Haiti because we wanted to generate a long-term commitment to those who were suffering. We identified key tasks and formed teams around those tasks: A needs assessment of the Haiti situation, logistics for how to get people to Haiti, fund-raising, recruiting of volunteers, Haitian culture and Creole language lessons, where to labour in Haiti, and what skills we could offer the survivors. Our underlying values centred on putting people in such a way that they could help themselves. We knew that large aid organisations could give billions of dollars, but they would not solve the problems of Haiti after the quake. Only the Haitians themselves will be able to solve their problems.

Thus, our focus was going to be on capacity-building. To do that, we decided to emphasise four primary areas of intervention:

1) Provide hands-on education in square-foot-gardening which would give a family fresh produce for its own nutrition, plus generate a surplus to sell in the street markets.

2) Provide sanitation, hygiene and health education for survivors to cope with all of the diseases after the earthquake.

3) Provide clean water technology for families and neighbours to avoid water-borne illnesses.

4) Provide training opportunities, loans, and other services for income

generation through our own efforts, as well as Haitian micro-finance institutions (see Sustain Haiti Facebook 2010).

Some individuals laughed at our vision. They said we were too optimistic and naive. Others were down-right critical, warning us that Haiti was too dangerous, that the poverty was too great, and the destruction was overwhelming. Furthermore, they claimed that Haiti would never recover, so our efforts were futile. I wondered what they were thinking. Were they just willing to cross Haiti off the map as a failed state? Should we just wait for the Big Boys to work some kind of miracle? Would it be best to just change the TV channel whenever coverage of Haiti's tragedy appeared?

From the strategies highlighted earlier, and in spite of the latter questions immediately above, Sustain Haiti was launched. Teams of volunteers designed self-organizing groups, recruited more university students willing to spend a few weeks in Haiti, and we raised over US$100,000 to fund our efforts. We trained microentrepreneurs, established our first village banks up in the mountains in a place called St Etienne and organised business plan competitions, as well as promoted health and hygiene, taught English, worked in orphanages, helped poor communities develop square-foot-gardening methods to feed thousands of people, and installed water purification systems.

While Sustain Haiti's efforts were but a humble beginning, the organisation grew during the 2010-2011 academic years. It partnered with local businesses and raised US$47,000 more for summer 2011's projects and sent down better trained volunteers with more competent skill sets that led to deeper impacts. Sustain Haiti has committed to labor among Haiti's poorest families for at least the next decade (Sustain Haiti 2011).

Succeeding with microcredit in Haiti after the earthquake was extremely difficult. FINCA International, a large MFI working around the world, saw its Haitian membership decline due to staff and client deaths. Many survivors lost microenterprises and/or houses and FINCA ended up writing off about a third of its loans. The majority of those who survived made late payments. In all, FINCA forgave some 4,500 microloans of its 8,000 clients and will suffer a downturn for the next several years (see FINCA Haiti 2010).

There was a much larger and successful response to the Haiti disaster carried out by Fonkoze, a large MFI that had operated in Haiti since 2000. We now turn to its microcredit approaches for rebuilding Haiti.

Fonkoze, Haiti: This MFI is the largest and most significant in Haiti. It was established by two individuals, Father Joseph Phillipe, founder of a peasant association in Haiti, and Anne Hastings, an American. They launched Fonkoze, along with dozens of leaders concerned about poverty and the struggles of the Haitian people back in 1994. It has three essential divisions or units: First, a pro-poor NGO that focuses on aiding needy families of the informal economy through microcredit; second, a for-profit Haitian bank offering a greater range of formal financial services; third, a US-based nonprofit that offers technical assistance within Haiti to on-the-ground operations, as well as being an NGO that raises funds through its donor networks outside of Haiti itself. Having merged or taken over several other microfinance institutions in Haiti, Fonkoze has grown to operate 41 branches serving about 50,000 microentrepreneur clients, plus another 100,000 clients who avail themselves of opportunities to have a personal savings account through the bank division of Fonkoze.

The 2010 earthquake was not the first time that Fonkoze had faced a crisis in Haiti. Several destructive hurricanes back in 2008 damaged much of Haiti's farms, schools, infrastructure, and hospitals. Floods from the mountains wiped out nearby towns as a result of the widespread deforestation that has left the country particularly vulnerable to natural disasters. In the case of Fonkoze approximately a third of its microenterprises were wiped out. In the 2008 response, the MFI recapitalised some 14,000 microentrepreneurs who could not continue making on-time payments on their microloans. Outside donors covered the bulk of interest charges for these clients during the first six months, and half the interest charges for the second sixth month period, but not a single loan was forgiven. By taking such steps in 2008, Fonkoze learned how to cope with a natural disaster. Its staff succeeded in minimising potential negative results in its portfolio. Equally important, it was able to support its customers, most of whom were in dire straits. This led to a huge increase in customer loyalty (Fonkoze 2011).

For Fonkoze, the fact of the matter was that when the 2010 earthquake hit, it wiped out Fonkoze headquarters and most field offices. After a few weeks the managers secured a new, rented facility to centre operations from, and gradually resumed the MFI work. Even the staff was impacted, and many were given tents, cash stipends, and much-needed counselling to better cope with the psychological shock of the disaster (Kore Fanmi Fonkoze 2011). The quake caused approximately 18 percent of its clients to default on their loan repayments. Managers at its US headquarters acted quickly to capture some of the global sympathy for Haiti's destruction. They convinced American military officials to fly in some'US$2 million in cash so Fonkoze's microentrepreneurs had access to new money, a hard-to-get resource since Haiti's banking system had collapsed, quite literally. Fonkoze's top leaders drew on elements of the Smart Campaign, a relatively new organisation which provides guidelines for MFIs in streamlining their methods for dealing with microcredit problems worldwide (Smart Campaign 2011).

In Port-au-Prince, the organisation established a cross-functional leadership team to design, train all staff, and then roll out its plan for managing post-crisis efforts. To more fully assess client needs, Fonkoze set up focus group discussions. A set of training materials was created for staff use in assessing the range of situations that borrowers were in and then provided the appropriate services. The MFI soon wrote off some 25 percent of all client loans, amounting to more than 10,000 microloans, which could not be repaid. With new funding from the Red Cross, those losses were covered. Some 19,000 clients were given new microloans to start or restart microenterprises. Fonkoze also provided small cash amounts of US$125 per person to more than 19,000 families. Newly structured microloans were distributed to nearly 11,000 individuals so borrowers could begin to get back on their feet. This amounted to approximately US$8 million in disbursements. Pre-earthquake loan balances were cancelled so victims could start again with a clean slate (Costello 2010; Kore Fanmi Fonkoze 2011).

New Fonkoze initiatives and expansion of existing projects were launched in the months following the January 2010 earthquake. One, known in Creole as *Ti Kredi* (little credit) provides $20-30 to the poorest of the poor within Haiti. In addition, Fonkoze's staff travelled the rural areas handing out small cash amounts, as well sometimes giving out chickens or other farm creatures so as to create new income-generating projects. They also sought out clients to obtain loan repayments, and recruit new Fonkoze borrowers, who in their desperate condition, sought to rebuild their lives (Costello 2010). These actions have generated thousands of new clients. Fonkoze has done and learned much through this tragic experience, lessons which should help it better serve its client base as future incidents occur (Kore Fanmi Fonkoze 2011).

In addition to the citations from reports listed above, I also had several opportunities to discuss the MFI's tools for helping its clients through interviews with Fonkoze clients on the ground, as well as discussions with area staff in Leogane (Woodworth 2010). Hopefully, for Haiti's future there will never be a crisis as devastating as that of 2010.

Conclusions

We have seen from the above, a plethora of microcredit tools to serve borrowers and their families in times of difficulty, whether conflict, post-conflict, or disaster situations. The range of social and financial innovations is impressive and will hopefully offer useful ideas and tactics to MFIs that face the inevitable onslaught of suffering among the world's poorest communities.

The effective elements of MFIs featured in this paper yield vital information for the larger microcredit world as organisations may learn about successful tools and useful strategies for coping with future conflicts. For instance, Jamii Bora's successful tools and methods in regrouping and even growing its impacts after civil strife in Kenya has been featured on CGAPs Gateway website, one of the most used sources for credible information used by thousands of MFIs globally (CGAP 2010). Likewise Fonkoze's actions in the face of Haiti's huge earthquake have been featured on the Smart Campaign's website as a model for managing in a crisis. Smart is a relatively new organisation which provides guidelines for MFIs in streamlining their methods for dealing with microcredit problems worldwide (Smart Campaign 2011). Together these cases and resulting materials suggest elements of what we may call 'Best Practices' for MFIs in times of conflicts and/or natural disasters.

I want to conclude with several caveats as these interventions are considered in future situations. One factor is the need to consider the greater costs of MFI work in conflict and natural disaster situations – items such as increased security, steeper travel costs, and higher compensation for staff. Having a 'Rainy Day Fund' of some sort in which capital reserves are retained to be used when such crises occur can help an MFI to survive terrible catastrophes that occur. It is also important to consider partnering with other NGOs and perhaps government agencies that can give the MFI insight and the benefits of past experience.

Not reinventing the wheel may save time and money, as well as help to avoid pitfalls after the crisis has subsided so that potential borrowers are not confused, assuming that microcredit is just one more handout. This distinction should be made explicitly. I well recall a high-ranking military leader in Asia, when I began discussing microcredit strategies for Thailand, telling me he was going to give a new TV to each family whose house had been destroyed during the 2004 Asian tsunami. This was his definition of microcredit relief. When I inquired about repayments on such financing of coloured televisions, he replied that recipients were too poor so there would be no payback required. In my mind this was either a humanitarian relief project, or a scheme to secure votes in the country's next elections. But it certainly did not fit the paradigm of microcredit as a reality-based finance program for building self-reliance among the poor survivors.

This implies another critical aspect of doing microcredit during or after disasters and/or conflict. The experience of embedding microcredit within a larger program of humanitarian relief after a crisis may confuse it with grants. In other words, if an NGO is handing out food and water, providing shelter, or doing other types of aid work, and then returns to its primary mission of offering job creating credit, such loans may be considered to simply be another form of aid, and it is unlikely that they will be paid back.

Finally, because of the higher costs of operating an MFI after storms, floods and conflicts, MFI organisational practices usually require streamlining. The challenge often is how to do more with less, while at the same time ensuring excellence. Processes should be simplified and/or streamlined to keep overhead expenses in check. Acceleration or scaling up to achieve large numbers of borrowers is also helpful because the more clients, the more quickly the MFI can reach operational sustainability once again.

Clearly, managing a successful microcredit program requires talent and effective strategies in the best of times. To try and do so when human suffering is abnormally high because of a crisis makes our work even more important. In fact, accomplishing great impacts in the tough times may be the ultimate sign that microcredit is a spiritual calling. It must transcend the deep and painful calamities of war and disaster, and lead the poor to an even better quality of life while leading us as MFI practitioners to a higher level of human achievement.

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