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6th EUROPEAN MICROFINANCE AWARD

Microfinance in Post-Disaster, Post-Conflict Areas and Fragile States

EUROPEAN
MICROFINANCE
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6th EUROPEAN MICROFINANCE AWARD

European Microfinance Award Background

The European Microfinance Award was launched in October 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, to support innovative thinking in the microfinance sector. Awarded for the first time in 2006 and since 2014 an annual award, it is jointly organised by the Luxembourg Development Cooperation, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg (InFiNe.lu), in cooperation with the European Investment Bank (EIB).

Previous editions addressed the following subjects:

- **2014, Microfinance and the Environment**
  Integrating environmental governance into the DNA of the MFI and promoting initiatives to improve environmental sustainability. Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.
- **2012, Microfinance for Food Security**
  Microfinance initiatives contributing to improve food production and distribution conditions in developing countries. Winner: ASKI (The Philippines), for its micro agriculture loans for smallholder farmers and agribusiness and support to market linkages to private sector enterprises.
- **2010, Value Chain Finance**
  Outstanding microfinance initiatives in productive value chain schemes. Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain.
- **2008, Socially Responsible Microfinance**
  Innovative microfinance initiatives to promote social performance. Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.
- **2006, Innovation for Outreach**
  Microfinance breakthrough initiatives deepening or broadening rural outreach. Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

Microfinance in Post-Disaster, Post-Conflict Areas and Fragile States

After major crises, natural disasters, armed conflicts or health crises, populations experience critical levels of poverty, insecurity and instability. Institutions as well as local government structures, infrastructure, markets, households' human and physical capital, social relations and trust are severely affected, and the re-establishment of normal socio-economic conditions is undermined. Conflicts and disasters affect various levels of society, with impacts in the short, medium and long term.

Post-disaster and/or post-conflict situations increase the risk of poverty traps over the short and long term. The variability of poor households' incomes increases, the productivity of economic activities decreases, investments are affected, market opportunities are reduced, trust and social relations are weakened, and health, housing and shelter conditions are worsened.

After humanitarian needs have been met, the restoration of livelihoods is fundamental to reducing the probability of recurrences of conflicts and to increase clients' resilience to natural disasters.

Poor people and microenterprises in developing countries are naturally vulnerable to various livelihood hazards, and microfinance has since its modern inception been presented as an effective tool to decrease such vulnerability and smooth the low, uncertain and irregular income of poor households, protecting from shocks and contributing to building and supporting resilience.

However in post-conflict/post-disaster areas, population and institutions are exposed to additional systemic risks. In particular, institutions delivering microfinance services are likely to experience a high rise in their non-performing loans, a run on savings and large-scale claims on insurance. Pressure on MFIs to forgive debt increases. Markets, business opportunities and institutional environments change. Clients' mobility may be diminished. All this affects the demand-side of the MFIs' business.


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Internal challenges affect the supply-side too: damaged physical infrastructure and security situations, which affect MFI clients also affect their staff, including direct impact from the disaster (injury, illness, or death) as well as displacement, threat of kidnapping or other risks. The period of stress can magnify operational weaknesses, leading to increased risk of fraud. Exposure to unpredictable environments may also undermine the confidence of some of the MFIs' funders, making access to liquidity particularly critical.

Despite these challenges, MFIs have shown that they can successfully operate in post-conflict/post-disaster situations and play a key role in reducing poor people's vulnerabilities, address exclusion, strengthen the countries' economic fabric, and enhance the resilience of the communities in which they work. The financial intermediation of microfinance can play an important role to restart the local economy and accelerate rebuilding, while reducing the risk of poverty traps for the affected populations.

Generally MFIs serve self-employed people, whose informal businesses and micro-enterprises in services and petty trade are common activities after disaster and conflict. Through such activities, the poor can sustain their households and create a safety net for themselves, their families, and the local communities.

The proximity of MFIs to their clients can help rebuild trust and social ties among households and communities. In some instances, the particular legal status and operations of MFIs allow them to operate also in the absence of a strong institutional environment. The ability of certain MFIs to provide additional non-financial services, such as training and financial literacy programs, likewise help their clients adapt to post-disasters/post-conflict situations, modifying existing businesses or establishing new activities in response to the changes in the local market. In some cases, MFIs can link with health or education service providers, thus strengthening the overall resilience of their clients.

Therefore, and to recognise Best Practice in this crucial and challenging area, the European Microfinance Award this year has looked for institutions that demonstrate an effective strategy to increase both their own resilience (i.e. operations, staff, policy, control) *and* that of their clients (through appropriate financial and non-financial services), while ensuring responses that provide for their immediate, medium- and long-term needs. In short: how can MFIs working in the most difficult environments balance their financial and social responsibilities, protecting the sustainability of the institution as well as the lives and livelihoods of their clients?

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Eligibility Criteria

Eligible institutions for the Award were institutions operating in the microfinance sector in a post-disaster or post-conflict area in developing or emerging countries. It was expected that these institutions engage in urgent support activities as well as medium/long-term sustainable reconstruction of assets and skills (building resilience), disaster risk reduction and peace-building activities.

A post-disaster/post-conflict area was defined as an area where a disaster and/or conflict took place some time between January 2010 (to ensure the contexts are sufficiency relevant) and the submission of the application. The disaster/conflict had to be independently documented. MFIs that operate in an ongoing or recurrent disaster/conflict situation were eligible, so long as the relevant events were independently documented as having taken place sometime since January 2010.

Eligible MFIs must have been directly affected by disaster/conflict i.e. with operations in a country and/or area directly affected by the disaster/conflict. If the MFI was located in a neighbouring country where the conflict/disaster happened, it would not be considered for the Award.

Various types of microfinance institutions were eligible including NGOs, cooperatives, MFI networks, investment funds, commercial banks, development banks, leasing firms, insurance companies. Applicants must have had ongoing operations at the time of the application.

Eligible institutions had to be based in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients.

Finally, an e-MFP member had to provide written support for the application.

Selection Process

The Award Selection Process is composed of three phases:

Pre-Selection Phase

In order to be pre-selected and considered for the Award selection phase, applicants had to: demonstrate sufficient financial and social performance; and demonstrate a sufficient engagement, consisting of procedures and actual actions, to increase resilience of its clients and the institution itself in a post-disaster/post-conflict situation. Application transparency and quality were also assessed during the pre-selection phase.

47 applications from 28 countries were received. A Pre-Selection Committee of the e-MFP and InFiNe.lu Secretariats as well as the team of consultants supporting the Award selection process was set up.

Selection Phase

Pre-selected applicants were evaluated on the basis of their resilience supporting/building action in the specific post-disaster/post-conflict area. They were assessed against their description of the context and regulatory environment; the institutional response to the disaster/conflict; and their institutional robustness.

On this basis, a Selection Committee composed of e-MFP and InFiNe.lu members selected the top ten applications (semi-finalists) and, within them, the three Award finalists.

High Jury Phase

A High Jury composed of seven members and presided over by Her Royal Highness the Grand Duchess of Luxembourg selected the winner.

Result of the 6th European Microfinance Award

Crédit Rural de Guinée (CRG) was announced as the winner of the 6th European Microfinance Award during a ceremony on 19th November held at the European Investment Bank headquarters in Luxembourg. The Award was presented during European Microfinance Week by Her Royal Highness the Grand Duchess of Luxembourg.

CRG was awarded for its response to the Ebola virus outbreak beginning in early 2014. CRG was one of three finalists for the Award, alongside First Microfinance Institution-Syria, which has been operating in the country since 2003, including throughout the civil war that has ravaged the country and its people for the past four years, and Taytay Sa Kauswagan Inc. (TSKI), from the Philippines, which suffered a devastating earthquake and Typhoon Haiyan in 2013. These three finalists – profiles of which are included in the next section – were selected from a long-list of ten semi-finalists, the others of which are in Table 1.

Table 1: Other Award Semi-finalists

Institution	Country
Al Amal Microfinance Bank	Yemen
FATEN - Palestine for Credit and Development	Palestine
Fonkoze	Haiti
Negros Women for Tomorrow Foundation (NWTF)	The Philippines
PAIDEK	Democratic Republic of Congo
Rural Finance Initiative (RUFI)	South Sudan
Standard Microfinance Bank	Nigeria

The importance of providing continuity and resilience to vulnerable clients in these difficult contexts was highlighted during the ceremony by the inspiring keynote address of Mr. Peter Maurer, President of the International Committee of the Red Cross (ICRC) who provided historical context for these challenges. "With record numbers of people displaced since the Second World War – over 60 million people are currently fleeing violence worldwide – and the average duration of displacement has increased to 17 years."

"In recent years the number of parallel crises has risen and violence has escalated; the impact of conflict has amplified, particularly in the Middle East and Africa. These developments are tied up with some of the longest and most persistent crises of the past decades: Afghanistan, the Democratic Republic of the Congo, Sudan and Somalia have all become synonymous with countries permanently at war."

"At the ICRC, we know that protecting vulnerable people in times of crisis and its aftermath is very challenging work. Providing hope and building resilience when all seems lost is crucial, and while relief agencies have an important role, so too do financial institutions, who help to build resilience in clients and help them get back on their feet through innovative adaptations to the most difficult circumstances", said Maurer.

Dr Werner Hoyer, President of the European Investment Bank, addressed the audience as well, and argued that "microfinance can be a formidable tool for helping local communities increase their resilience even under the most difficult circumstances."

The Award winner was announced by Her Royal Highness the Grand Duchess of Luxembourg, who said: "Even in times of war, epidemics and natural disasters, institutions such as Crédit Rural de Guinée have continued not only to provide services to their clients, but also to adapt their services to the needs of their population."

WINNER

CRÉDIT RURAL DE GUINÉE S.A

Snapshot


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Crédit Rural de Guinée (CRG) is a microfinance bank in Guinea, serving mostly rural members, although it now works in some urban and peri-urban areas as well. Following the collapse of the only National Development Bank in the country in December 1985, a study financially supported by AFD recommended a pilot rural credit program, which ultimately became Crédit Rural de Guinée (CRG). Against this backdrop and 25 years later, CRG has achieved rural outreach with 120 affiliated savings banks (branches) across the country serving 250,000 members (including borrowers and savers) of whom 42% are women. Since 2001, CRG is the only financial services provider to operate on a nationwide scale.

CRG is a full-fledged microfinance institution, operationally and financially self-sufficient, with an outstanding loan portfolio of EUR 11 million. CRG focuses on providing services to the rural poor, 65% of clients are rural and over 40% of clients are female.

Institutional Profile

Disaster/conflict	Ebola epidemic
Website	www.creditruralguinee.com
Legal status	Private Company
Country	Republic of Guinea
Date of establishment	1989 as project and 2011 as company
Number of branches	120
Number of clients (2014)	247,972
Outstanding portfolio	EUR 11 million
Average loan size	EUR 63
e-MFP supporting member	CERISE

Description of the Context

The most widespread epidemic of the Ebola virus in history began in Guinea in December 2013 and then spread to Liberia and Sierra Leone. According to the Guinean Health Ministry, from the time of the outbreak to 10 May 2015, Guinea has witnessed 3,596 cases of the disease, of which 2,390 (66.5%) were fatal - including 130 health workers. On a national scale, the consequences of the crisis resulted in greater suffering in the agricultural sector, with many agriculture workers leaving rural areas.

CRG was badly struck by the Ebola crisis and its consequences: it registered 123 deaths among its clients and 4 among the staff. Furthermore, there was also a behavioural impact, as fear of the disease spread and workplaces were shut down temporarily, particularly in forested areas, which resulted in workers being put on leave and services to fragile clients being suspended. Transportation disruptions and panic reaction in administration and businesses meant certain savings banks in Macent and Gueckédou suspended operations in August and September 2014.

As CRG's portfolio is mainly in agriculture and the trade of farming products in semi-urban and urban areas, the cost of the epidemic was considerable, especially after the borders were closed, increasing the challenges faced by farmers in selling their products outside of Guinea. These problems resulted in a significant hit to the solidarity fund established to protect clients of GNF 595 million (EUR 70,000); and a considerable slowdown and even cessation of lending in certain areas. Loans as of December 31, 2014 were worth GNF 92 billion (EUR 11 million), compared with an annual forecast of GNF 124 billion (EUR 14 million). The loss of earnings in terms of

products and loan revenue (CRG's main source of income) was GNF 12.6 billion (EUR 1.4 million). The slowdown in activity and the increase in the provision on defaults led to a loss for the 2014 fiscal year. Savings reduced too, down to GNF 85.4 billion (EUR 9.8 million) deposited as of November 30, 2014, a drop of 8.4% compared to the previous year.

Response to the Crisis

Immediate response

At the beginning of the outbreak of the Ebola epidemic, CRG took health and safety measures directed at beneficiaries and staff. All head office and network branches were equipped with sanitary kits (chlorinated water and soap for hand washing and forehead thermometers). In addition, a national awareness raising campaign was delivered on the risks associated with contracting the virus and on prevention.

CRG facilitated savings withdrawals in affected areas, sometimes with transfers from crisis-stricken areas to unaffected ones. To allow clients to access savings, CRG allowed some term deposits to be terminated without penalty. The Macenta and Gueckédou area (at the centre of the outbreak) saw over GNF 4 billion (EUR 0.5 million) in cash withdrawals between August and December 2014.

CRG granted financial aid worth GNF 15 million (EUR 1,700) to the family of each worker who died to cover their emergency needs.

Medium term response

CRG continued to implement sanitary protection measures and awareness raising activities. Similarly, it rescheduled loans for those borrowers who couldn't continue their business operations because of Ebola. Usual risk management measures were strengthened and adapted to the Ebola crisis.

Lending was stopped during the crisis to comply with the health emergency situation, and the prohibition of gatherings in the country. The staff provided a minimum service, if possible, for cash withdrawals, with specific hand-washing requirements for everyone who entered branches. Cash management was carried out by systematically transferring funds to the closest banks.

This loan rescheduling was often accompanied by a new loan to support the borrower restart activities.

Long-term response

In the longer term, the objective is to keep on informing and raising awareness, adapting the products and services and design and implement new innovative products such as microinsurance and a disaster fund. CRG also intends to increase savings and the solidarity fund in order to be able to face potential further hits.

The institution rolled out a domestic money transfer mechanism that makes it easier to send money to villages where CRG is present. Some people who received small transfers used to spend a significant part of their money travelling and buying food on the way before the availability of this product. CRG is studying other possibilities, including health microinsurance in villages and the use of mobile phones in transactions, especially within the framework of village contracts.

Institutional Robustness

Institutional resilience

Post-crisis arrears management procedures were already in place before the Ebola epidemic as a result of previous crises due to rebel incursions. Deaths resulted in loans being written off. Other victims benefited from debt rescheduling followed by new loans to help them restart their activities after the Ebola outbreak. This procedure required

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the involvement of loan officers and regional delegates (Loan Officer management level), as well as the inspection department. The 123 loans granted to people who died were written off. Work on debt rescheduling is ongoing because the outbreak has not ended yet – although it is predicted to be declared eradicated by 28th December 2015, if no more cases are declared. At the time of application, 5,500 people had benefitted from rescheduling, according to figures provided by officers at the concerned banks.

Clients' resilience

The procedures used to maintain client relations depended on the extent of the disease. In lower-risk scenarios, staff remained on duty, health measures were followed and clients served as usual. In high-risk towns, neighbouring branches stepped in to fill the gap. Otherwise the mobile platform Orange Money was used for money transfers.

The rescheduling procedure combined with new loans to help restart activities proved useful in increasing clients' resilience. The loan amounts range from GNF 500,000 (EUR 60) to GNF 5,000,000 (EUR 600). Loan duration is usually one year.

In addition there was strong demand to withdraw voluntary savings during the Ebola outbreak to cover clients' needs.

Impact of the Response

CRG wrote off the loans of the 123 dead borrowers and rescheduled 5,500 loans (the rescheduling is still on-going). CRG granted agricultural loans in new villages affected by the disease to help them start the harvest cycle strongly. Loans worth over GNF 6 billion (EUR 822,000) were granted to about 8,000 borrowers.

In total, between August 2014 and December 2014, over 4,000 people participated in the awareness-raising sessions, with the expectation that they in turn would disseminate the information. Cash withdrawals have been facilitated in affected areas.

With support from the World Food Program (WFP) CRG, is currently distributing compensation payments all over the country to people who survived Ebola (over 1,000, USD 70/month) and to families of Ebola victims (55,000, USD 25/month).

Use of the Award

CRG intends to use the Award for further actions to support clients, to mitigate the impact of Ebola and to boost (also) the solidarity fund for customers to enhance their resilience.

FINALIST

TAYTAY SA KAUSWAGAN, INC., THE PHILIPPINES

Snapshot

Taytay Sa Kauswagan, Inc. (TSKI) is a non-stock, non-profit Christian development organization registered on September 15, 1986. TSKI's operations started on October 1, 1986 with EUR 51.33 capital and three employees, and offered through its Micro Enterprise Development Program, an individual loan for micro-entrepreneurs. After 6 years, TSKI adopted the Grameen Bank methodology and three years later, TSKI developed its own methodology "Proyekto Kauswagan sa Katilingban (PKK)" to adapt to the Filipino culture. In 2002, in cooperation with Fundacion CODESPA and AECID, TSKI established its Business Development Services division. Presently, TSKI has established 117 branches with 2,270 staff serving 343,921 clients nationwide.

TSKI implements some stand-alone environmental advocacy activities for example by providing the clients a place to display and sell their products made of recycled materials and teaching them rice straw composting. TSKI also developed micro-agricultural services under the Farmers Integrated Development Assistance (FIDA) Program to support the farmers by providing access to financial and non-financial support that made them refrain from practicing deforestation.

More than 90 percent of its clients are women, 70 percent live in rural areas, and 28 percent are below the poverty line. The institution is operationally and financially self-sufficient.

Institutional Profile

Disaster/conflict	Typhoon
Website	www.tski.com.ph
Legal status	NGO
Country	The Philippines
Date of establishment	1986
Number of branches	107
Number of clients (2014)	319,777
Outstanding portfolio	EUR 18.4 million
Average loan size	EUR 174
e-MFP supporting member	Oikocredit

Description of the Context

Typhoon Haiyan (8 November 2013) ploughed a path of death and destruction through the central Philippines. It was the most powerful-recorded storm ever to make landfall, taking more than 6,300 lives and affecting approximately 16 million people. In the aftermath of the storm, the livelihoods of an estimated 5.9 million people were destroyed or disrupted. 4.1 million people were displaced, 1.1 million houses damaged or destroyed. Out of 98 TSKI branches, 46 were affected by the storm. At the time, there were 352 staff and 37,270 clients with an outstanding portfolio of EUR 4.2 million affected by the super typhoon.

Response to the Crisis

Immediate response

TSKI has a policy to give EUR 4.11 worth of relief goods to each affected client right after any disaster. Immediately, after the Typhoon Haiyan, all staff were advised to go into the field, check client statuses, without demanding repayment. They also brought aid in the form of food, goods and other relief products that could help the clients in the disaster aftershock. Medical missions and food for affected clients were organised in cooperation with volunteers from Iloilo Doctors' Hospital, nurses from University of Iloilo, while the Department of Health provided medicines.

TSKI extended relief assistance of over EUR 65,000 to clients and matched it with external funding coming from New-Zealand-based NGO TEAR Fund for the relief operation. Water distribution was also undertaken in containers and bottles funded by Wholistic Transformation and Resource Center (WTRC). TSKI Head Office spearheaded house reconstruction, using the "Bayanihan System" in Asisig, Passi City to demonstrate how clients could help one another in rebuilding their houses after the calamity.

For the affected 351 TSKI staff, calamity assistance was also extended. Calamity loans for immediate housing repair were also extended to 202 staff.

There were 37,270 clients of TSKI affected by the super typhoon with an outstanding portfolio of EUR 4.2 million - 24% of TSKI's overall portfolio. Despite the impact of the disaster, TSKI has managed to reduce the portfolio exposed to risk down to 1.94%. Subsequently, TSKI was able to continue with normal

business operations in its unaffected branches servicing microfinance loans to its clients. Within 2 months of the storm, 6,654 clients had received standard loans, totalling EUR 1.3 million.

The reduction of portfolio at risk was brought down to EUR 1.2 million, a reduction of 72% in just two months following the storm. This is greatly attributed to risk reduction responses taken such as: payment of loans through withdrawal, payment from calamity claim, payment moratorium, refinancing, restructuring, housing loan and networking and collaboration with other organizations.

Medium-term response

TSKI continued to distribute relief goods. Priority was also given to the distribution of housing materials to rebuild houses. Since housing materials were not enough, housing loans were offered to clients. Continuous efforts to reduce the portfolio at risk were also conducted through a Flexi Loan and the refinancing scheme registering a total loan release of EUR 28,258 and a regular loan of EUR 9.5 million for 48,880 clients. Grants for the rehabilitation of livelihood were distributed amounting to EUR 90,637. A total of EUR 122,840 was also used for continuous water distribution to address the scarcity of clean drinking water. All in all, an amount of EUR 367,579 has been used to foster or support the resilience of the affected clients.

Long-term response

The damage of Typhoon Haiyan to properties and lives was so great that some of the clients faced difficulty in rebuilding their houses. Distribution of housing materials and housing loans were offered continuously. TSKI facilitated the distribution of productive assets granted by ICCO-MCPI to clients in Leyte branches amounting to EUR 49,281. Regular loans amounting to EUR 5.9 million were released to 30,077 clients to restore normal social and economic conditions. For the Indigenous Peoples Community in Nagpana, Barotac Viejo, Iloilo, TSKI reconstructed the Coffee Production Center and also facilitated the project extension of Roasted Coffee Processing Project with the Department of Science and Technology.

TSKI maintains relationships with donors such as USAID, Opportunity International Network and Philippine Business for Social Progress that pooled a resiliency fund and gave EUR 367,454 as a special loan to provide services to build resiliency of the affected clients and offset the associated risk.

In all, for the post-Haiyan efforts, the overall total for institutional response was EUR 1,174,468.28 across several response initiatives.

Institutional Robustness

Institutional resilience

Despite the disaster, TSKI managed to open five new branches serving over 8,500 clients in the affected areas. Repayment rates for the housing and MIDAS resiliency funds have ranged from 95-99%. TSKI has an internal disaster risk management policy that includes loan rescheduling, emergency loans, capital build up (CBU) withdrawal, and liquidity fund (Disaster Fund). TSKI has an established cash management procedure for dangerous and unstable environments. To ensure proper cash management, vaults are provided to branches with no depository banks. In case the branch depository bank cannot cater for encashment, salaries are disbursed through the nearest banks. When there are no bank transactions, salaries and calamity assistance are released in the form of cash.

TSKI has an existing Disaster Risk Reduction Management framework to handle both disaster preparedness and post-disaster recovery.

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Clients' resilience

Prior to Typhoon Haiyan, TSKI had already experienced several major challenges. TSKI, together with MicroEnsure, developed an insurance package known as Triple Care to increase the level of client resiliency. Triple Care provides payment of a weekly loan amortization to TSKI in the event that the member dies, is hospitalised, or their residence is damaged or affected by disaster. Fire and calamity assistance provides a payment in the event of loss or damage to the insured residence from fire or lightning, typhoon, flood, volcanic eruption, earthquake, and tsunami. Triple Care and calamity assistance accounted for total claims of EUR 5.2 million from 37,270 affected clients. TSKI paid in advance the calamity assistance immediately after Typhoon Haiyan as an emergency response to clients while claims from the insurance providers were being processed.

TSKI also provides financial/business education trainings for clients to help them transition to income- generating activities adapted to post-disaster situations in partnership with several organisations such as ETIMOS Foundation, Save the Children, etc.

Recovery from Typhoon Haiyan is still an ongoing process because of the enormous destruction that it caused. Livelihood and Housing Rehabilitation Programs are offered to the affected clients.

In the event of disaster or conflict, TSKI makes sure that staff continuously communicates with clients through client visits even in the absence of transportation. This also plays a critical role in assessing damages and keeping clients motivated, repaying and cooperating for a crisis recovery. The TSKI operation team has provided each member of management mobiles phones for communication. Moreover, this has a huge impact during post-disaster because these phones have served as a tool to reach not only staff but also clients and their families.

Impact of the Response

TSKI disbursed EUR 1,316,907 emergency loans to 13,174 clients. The emergency loan is an incentive given to clients who systematically pay their regular loans and is usually used by the client for school tuition fees and medical expenses.

After Typhoon Haiyan, TSKI also developed a housing loan and Flexi/Refinancing loan for clients to cope with disaster. Under both products, an amount of EUR 191,684 was released, benefiting 806 clients.

Through these various responses, within two months after the disaster, the staff and clients were able to more or less recover from the devastation both to lives and properties.

FINALIST

THE FIRST MICROFINANCE INSTITUTION – SYRIA

Snapshot


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The First Microfinance Institution – Syria (FMFI-S) was established as a program in March 2003 in an otherwise underserved and under-banked area and as the first private-sector microfinance service provider in Syria. In 2009, the institution was transformed into a regulated non-bank financial institution under the new Syrian microfinance law, which allowed it to invite new shareholders and mobilise savings from the public. Today, FMFI-S has 7 branches and 6 service units and, with 45,310 clients and a EUR 6.4 million portfolio, it is the leading microfinance provider in Syria.

By the end of April 2015, FMFI-S had 23,617 borrowers, 27,949 savers and an outstanding portfolio of EUR 5.68 million. The institution is financially sustainable with positive financial performance ratios. The average loan size has considerably reduced, but despite the drop in the loan portfolio, and staff leaving, FMFI-S has managed to attract new clients, increasing by 7,645 clients its 2013 customer base.

Institutional Profile

Disaster/conflict	Civil war
Website	www.akdn.org/akam_syria.asp
Legal status	Non-Bank Financial Institution
Country	Syrian Arab Republic
Date of establishment	2003
Number of branches	7
Number of clients (2014)	45,314
Outstanding portfolio	EUR 6.4 million
Average loan size	EUR 427
e-MFP supporting member	The Aga Khan Agency for Microfinance (AKAM)

Description of the Context

More than 250,000 Syrians have lost their lives in almost five years of armed conflict, which began with anti-government protests before escalating into a full-scale civil war. Nearly 11 million people have been affected and over 6 million have been forced from their homes as forces loyal to President Bashar al-Assad and those opposed to his rule battle each other - as well as jihadist militants from Islamic State, also known as ISIS.

FMFI-S has managed to maintain operations throughout the conflict and to cope impressively with an unprecedented and intensifying civil crisis. FMFI-S had to face severe staff defection. For instance in Aleppo, the industrial capital under siege by anti-government militia, many staff members had to leave for safer areas. Many clients were killed or injured, displaced or faced with sectarian violence, many lost their businesses and livelihoods. Prior to the conflict, FMFI-S had commenced establishment of a new branch in Raqqa. As the city passed into ISIS control, FMFI-S had to cancel the branch opening and to relocate staff allocated for that branch.

Several times, explosions took place close to the Damascus branch with minimal damage that did not affect operations. The Homs branch was less lucky and was destroyed in the conflict. Another incident occurred when a FMFI-S car was shot on the road between the Homs and Salamiyah branches.

The deteriorating economic situation also put pressure on FMFI-S' cost of operations, which increased and were exacerbated by inflation. External sources of funding dried up as a consequence of sanctions: transfers from and to Syria were blocked. This also resulted in technical assistance projects stopping in 2011 because consultants were unable to come to Syria.

Response to the Crisis

Immediate response

In order to be able to ensure staff safety, FMFI-S had to limit operations and adjust activity in risky zones where heavy fighting took place. The institution set its priorities during the turmoil, to continue to serve clients while maintaining staff safety. Head office as well as branch management regularly reviewed the

security situation across FMFI-S' branch network to determine which areas were safe for operations, adjusting activity accordingly. In addition, all staff were told if at any time they were uncomfortable, they were not obliged to go into the area. Preserving financial assets and physical infrastructure was the third priority.

When the branch in Homs was destroyed in 2012, FMFI-S had to limit operations inside the city, seeking to ensure staff safety. Two service units were opened in the same year in the east and the west sides of Homs suburb in moderately safe areas. The point was to maintain a presence in Homs, to provide easy access for clients to their savings – as clients needed this the most – as well as to repay their loans, as they could. At the same period, violence started in Damascus and its suburbs. Risk assessment updates between branch and head office staff were regularly held. Lending stopped in areas of high and moderate risk and field visits were put on hold in the least secure areas.

FMFI-S, through its customer service call centre conducted a campaign to call clients and check about their addresses and situation, particularly after significant attacks or explosions in the capital. FMFI-S responded to the affected clients' needs through different mechanisms. These included credit services: maintaining loan disbursements to the extent possible in secure areas; waiving penalties on a case-by-case basis; waiving service charges (interest) on a case-by-case basis; rescheduling on a case-by-case basis; and providing loan write-offs to clients severely affected by the crisis. Deposit services were also continued, and FMFI-S kept loyal to its clients during the liquidity shortage period (Q4 2011 & Q1 2012) allowing them to withdraw from their fixed term deposit accounts (FTD) before maturity. This has materially contributed to better institution reputation and client satisfaction as FMFI-S helped clients cope with the crisis and maintain their livelihoods.

As an immediate response to the economic crisis, FMFI-S revised its loan specifications to react to the decline in purchasing power. Over 2011-2014 lending limits were incrementally raised in response to client needs and increasing inflation. In mid-2014 the cycle lending approach was abandoned and all clients from the first cycle became eligible for the highest lending limits.

Branch management authority was reviewed regularly and more power devolved to the branch managers to ensure timely response to incidents. A crisis initiative for loans in arrears was developed and implemented.

Medium-term response

A Contingency and Business Continuity Plan (BCP) during disasters was put in place. It was approved by the Management team and Board of Directors on October 2011 and communicated to branches. The BCP identified emergency teams at all locations and their responses/responsibilities. It set the required procedures for success depending on: a) information and database security; b) frequent tests of plan; c) training staff on safety procedures and first aid; e) preparing alternative work sites.

Multiple service units were established in different regions. As safety on roads became an issue, FMFI-S tried offering alternative access points for clients. Four additional service units were opened. Finally FMFI-S strengthened its Anti Money Laundering Procedures in order to be in line with the Central Bank of Syria procedures and to ensure eligible sources of money.

In May 2013 it introduced crisis response interventions: loan forgiveness for clients unable to repay; rescheduling outstanding loans for existing clients; offering additional new loans or larger amounts for existing clients; lending to new customers, including start-ups.

Long-term response

FMFI-S adjusted salaries to help staff cope with the rising cost of living. As inflation kept undermining purchasing power, FMFI-S had to also adjust the broad specification of its micro product. While before the crisis, the maximum loan amount was up to SYP 150,000 or 250,000 in exceptional cases, in July 2014, FMFI-S increased the ceiling of micro products to SYP 850,000.

To cover another needed aspect, FMFI-S widened its guarantees scheme to include new options. FMFI-S aims to continue providing a range of adapted deposit services to meet emerging needs. Different products are to fulfil various needs of generating income (FTDs & Savings & Child Saving accounts), cash reserve (all types of products), finding a suitable loan collateral (using FTDs or lien accounts), transfers between branches, etc.

Institutional Robustness

Institutional resilience

FMFI-S is focusing on expansion of its SME lending, and is currently in discussions with local and international NGOs to establish a referencing system whereby potential candidates are screened on their eligibility for a business loan, and is revising the SME product specifications, policy and procedures. The SME product was launched in 2010 and limited to repeated clients during crisis; it is believed that it will be an essential instrument in the post-crisis era. It will be tailored to be part of a recovery strategy that will help clients re-build businesses.

In cooperation with local NGOs, FMFI-S worked during 2014 and 2015 on distributing financial aid for educational purposes to clients. It is disbursed twice a year based on lists of names submitted by NGOs. Last year 7 branches disbursed aid to around 4,460 students and the plan is to disburse to 5,200 students during 2015.

New options for a guarantee scheme are also envisaged. Concentrating loan application processes and considering the guarantee project as the main collateral for a loan is what FMFI-S is building in its new proposal. This will give more options for clients to facilitate access to FMFI-S loans.

Clients' resilience

FMFI-S wants to continue following up on the Crisis Initiative. It also plans to develop new products that respond to post-crisis recovery needs such as loans for solar panel water heating devices to help cope with electricity shortages; loans for generators, batteries and electrical stabilizer; loans for fuel and household stock purchase.

Clients value FMFI-S deposits' products. Branch-to-branch transfers provided a safe place for cash while clients were moving to safer areas and thus avoided moving cash on unsafe roads. Being able to withdraw from other branches increased resilience and helped smooth the effects of displacement. Using the call centre as a tool to keep close to clients' needs has proven useful in times of crisis but also for designing additional products.

Impact of the Response

FMFI-S had to write-off 2,540 loans worth around USD 752,000 from Aleppo and Homs portfolio. These numbers include outstanding balances, service charges and penalties. Total assets lost in Homs due to branch destruction reached USD 41,000. Insurance did not cover these losses as they resulted from war and terrorism activities, which were not covered prior to crisis by the insurance companies.

Despite these challenges, FMFI-S has continued to operate, providing credible and sustainable services to clients, to maintain livelihoods among those who have remained in this most difficult of environments.

European Microfinance Platform

The European Microfinance Platform's (e-MFP) aim is to promote co-operation amongst European microfinance bodies working in developing countries. e-MFP facilitates high level discussion, communication and exchange of information. e-MFP's vision is to become the microfinance focal point in Europe linking with the south through its members.

e-MFP, founded in 2006, is a growing network of over 120 organisations and individuals active in the area of microfinance. As a multi-stakeholder organisation it represents the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP values:

- e-MFP members believe that everyone should have access to financial services and that microfinance contributes significantly to this development.
- e-MFP enables synergies & knowledge sharing, fosters innovative action & research, and advocates sustainable and responsible microfinance in the South.

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Ministry of Foreign and European Affairs

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