

Microfinance in Conflict-Affected Environments

Common Issues and Solutions

Laura Meissner
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Conflict Environments: What's Different?

- Security concerns for staff and clients
- Relief context makes repayment difficult
- Greater human-resource deficit than other contexts
- Information gap leading to imperfect client assessment
- Regulation may be inappropriate or nonexistent
- Lack of best-practices among MFIs or donors

Common features with non-conflict contexts

- MFIs still must strive for cost-efficient, sustainable operations
- Products may need adaptations, but are not widely different from non-conflict contexts
- Appropriate interest and fees must be charged
- Client demand fuels products/services offered
- Repayment of loans still extremely

Strategies for MFIs in Conflict Environments

- Build trust—offer secure savings or work with existing organizations
- Adjust product delivery as necessary – individual loans, simple and standardized products, multiple methods of repayment
- Have separate managers, staff, logo or offices for relief and microfinance operations

Strategies for MFIs, continued

- Share information with other MFIs – client information, security situation, successful products used
- Form a network or consortium to help practitioners and donors adopt consistent policies on microfinance interventions
- Practice long-term sustainable microfinance, and work with donors to mitigate the pressure of large short-term grants
- Hire, train or import qualified MFI staff, with a focus on developing local human resources
- Use incentives and innovative methods to ensure repayment, and remain committed to high portfolio quality

Industry-Wide Strategies in Conflict Environments

- Form a network or informal forum
 - Discuss common problems and brainstorm solutions
 - Mitigate isolation of MFIs in difficult situations
- Reach out to networks and MFIs in post-conflict environments to gather lessons learned
- Engage in performance monitoring to strengthen weak MFIs and encourage sustainable operations

Industry-Wide Strategies, continued

- Communicate with donors
 - Advocate for long-term funding
 - Promote appropriate financial services, separated from relief activities
 - Agree on realistic outreach and portfolio targets
- Engage government officials
 - Provide information on the national sector
 - Inform on microfinance best practices and national impact
 - Negotiate for appropriate microfinance legislation
 - Involve courts in repayment issues if necessary

Networks' Roles in Conflict-Affected Environments

- Serve as an information clearinghouse
- Disseminate and promote best practices
- Attract and encourage coordination among donors
- Bring disparate players together
- Facilitate linkages between MFIs and other development organizations

Networks' Roles in Conflict-Affected Environments (continued)

- Provide a space for lateral learning
- Provide or facilitate access to training for MFIs
- Foster transparency through performance monitoring
- Advocate for an enabling policy environment
- Encourage a long-term outlook in the industry

Thank you!

The SEEP Network
Washington, DC

www.seepnetwork.org

meissner@seepnetwork.org