Business Models for Alleviating Poverty in Times of War: Microentrepreneurship Strategies for Survival

Prof. Warner Woodworth BYU

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In this paper I attempt to draw on my personal action research experience, observations in the field of other nongovernmental organizations (NGOs) which use business models in the midst of war, as well as report on the experience of other authors, analysts and policymakers. This paper illustrates some of the complexities in managing microfinance institutions (MFIs) under combat conditions. What are the tough issues? How do they cope? I attempt to identify some programs that seemed to succeed, as well as others that failed, or did not have much success. We will address a few complex issues and try to assess how MFIs dealt with them. What practical lessons may be gained from trying to empower microentrepreneurs in reducing poverty during and after conflicts?

War and Post-Conflict

In spite of the end of the Cold War between the USSR and the West, armed fighting around the globe has continued, perhaps even escalated, in the past 15 years. In fact, in some countries, internal civil wars have occurred over many decades, factors which breed distrust and resentment even today. Within the Third World, over 50 long-term wars have been fought in recent years. Virtually every country on the African continent has either been directly involved in one conflict or another. If not fighting a war directly, they have suffered the invasion of millions of refugees from areas where armed wars have occurred.

A variety of factors are associated with internal and external conflicts: Territorial disputes, ethnicity, culture clashes, religious factors, civil unrest, poverty, lack of access to land, factionalism, terrorism, racism, and separatism. As tragic as wars are in and of themselves, today's conflicts are even worse for some groups of population more than others: Women more than men, children more than adults. One of the grimmest facets of modern wars is the reality that many youngsters are forced to become combatants. According to one report, over 300,000 children are currently fighting in the many conflicts around the globe including Uganda, Congo, Colombia, and Sri Lanka (Save the Children, 2006).

Suffice it to say, war and post-conflict problems exact a heavy toll on human beings and families, as well as regional and national economies.

Microfinance Challenges During War

For NGOs and for-profit MFIs, there are numerous challenges to be faced in conflict settings as organizations seek to invent new business models and strategies for their clients, as well as for their own organizational survival. From time to time the dangers of doing microcredit in such circumstances lead to tragic outcomes. For instance, two of World Relief's staff were killed in Cambodia in 1996 for a paltry $150 they were carrying (NEXUS, 1996). In other countries, microcredit staff have been robbed or threatened because they were known to have bank loan funds with them as they traveled to group meetings. At times, MFI offices have been burglarized because thieves knew that money was inside. Of course, common acts of robbery may occur in any country, but under conditions of conflict, instability makes the danger worse.

For microcredit practitioners, the consequences of conflict lead to a number of problems: Poor infrastructure; agriculture and trade is hindered; disruption of the financial system; rising crime and/or gangs; high rates of joblessness; low levels of income; the disruption and/or distortion of markets; rise of refugees suffering from high mobility; shut-down schools and educational opportunities; deterioration of cities in terms of buildings, industry, roads, water supply, and electric power.

While human conflicts and their aftermath result in deaths, wounded masses, and much tragedy, they may also offer a chance to respond and/or rebuild with a better future. I have been struck by the deep commitment of the poor to be responsible for their microloans, even in the face of death or other factors. Years ago, I was starting an MFI program in West Africa, through our NGO, the Ouelessebougou-Utah Alliance. One of our first borrowers suddenly died only weeks after receiving his initial loan. We went to his compound to offer condolences and inform the family that they did not need to pay off their father's microloan. It was the least we could do, we reasoned, and it would take pressure off the family during their time of grief. I was shocked when the daughters said they would pay off his loan because it was the honorable thing to do, something their father had always taught them.

In another African case I once heard about, several hundred loans were given out to refugees after 15 years of civil war ended. Suddenly the borrowers learned they could safely travel back to their home villages. Instead of departing immediately, however, they stayed until they had earned enough from their microenterprises to pay back the balance still owed in each case. Hundreds of impoverished people were involved in this case, and the MFI officials assumed the worst—that the money would be gone and the staff would be holding an empty bag. But it did not happen. Instead, a hundred percent of the debt was repaid, with interest, before families moved back to their homelands.

In general, war grows from competition and scarcity, as well as being rooted in racism, religious differences, and cultural conflicts. While many bemoan the extent of war's victims, optimists suggest that conflict also offers the opportunity to change people's behavior. It may even provide a blank slate to start over, creating the possibility that cities may be rebuilt, neighbors may become reconciled, and a fresh start can lead to economic growth and social justice. Such perspectives may be overly optimistic, but if a community or nation is willing to try, they have the chance to take advantage of terrible circumstances and produce something better.

On the other hand, war and civil conflicts exact a huge toll on a region, communities, families and individuals. Beyond the dead and wounded in war, the displaced survivors become a huge challenge. For instance, some 70 million individuals have been dislocated in recent years (Holtzman, 1995). If and when they are able to return to their homes and communities, the scenes of such occurrences suggest to the mind the large-scale Diasporas of the past.

The ability to rebuild economically through microcredit and other strategies is often complicated by destroyed infrastructure, political in-fighting, the lack of capital, as well as resentment from evils perpetrated and distrust of other parties based on past experience during the periods of conflict.

The section below attempts to illustrate several core issues and how they were dealt with by MFIs. Drawing on personal observations, interviews and existing literature, we examine several cases: Bosnia-Herzegovina in Central Europe and Palestine in the Middle East.

Bosnia-Herzegovina Microentrepreneurship

The armed conflict among regions of the former Yugoslavia had disastrous consequences for many people, outsiders as well as insiders. Bloodshed, torture, the collapse of political institutions and material infrastructure characterized the late 1980s-early 1990s. Among other difficulties, the country was afflicted by the placement of an estimated four million land mines. Finally, the Dayton Peace Agreement of 1995 ended the fighting and allowed for massive interventions from the outside to rebuild the region and jump-start the fledgling new nation.

However, by that time poverty was endemic. Surveys showed that approximately three-fourths of the population could not afford basic family necessities. Some 37 percent of all households were unemployed, a tragic legacy to the war years. Pensioners, disabled people, and children suffered the most because they were the weakest. Over 28 percent of the people were refugees, another critical factor in explaining poverty. With respect to gender, 24 percent of men were unemployed while the rate for women was 42.3 percent (PRSP-I, 2001).

A number of microcredit constraints existed: Poor bank credits, no sound business environment, lack of innovation, unskilled managers, high distrust, unreliable transportation systems, and so on. Financial corruption was a huge difficulty. The U.S. General Accounting Office estimated that outside donors gave over $4 billion to facilitate rebuilding efforts between 1996 and 1999. Yet corrupt officials still ran the country and sought access to outside funding. According to The New York Times, almost one billion dollars ended up in the pockets of officials who were eventually charged with genocide and crimes against humanity (Hedges, 1999).

A major World Bank study of the Bosnian post-conflict situation found that the region's populace considered itself "have-nots," a sharp change from the 1970s and 80s when most viewed themselves to be middle-class (or the "haves"). Industry was blown up or shut down; black market (underground) income was desperately needed by many simply to subsist; uncertainty and insecurity were rampant; hunger and poor health became commonplace, along with psychological concerns and stress. While those at the top of the economic pyramid enjoyed all the fruits of war-profiteering, the masses in the middle declined rapidly. They suffered from housing insecurity, including many who were forced to reside in collective centers or refugee camps. There was very little upward mobility, but instead, mass mobility downward for the majority. People did not trust their new government, outside donors, or other ethnic groups. They seemed to have positive feelings only for family and friends (Djipa, undated).

From a population of 4.4 million, the three-year war left a million displaced people within the country, 800,000 who fled to the outside, and more than 200,000 who were killed. So-called ethnic cleansing has resulted in enclaves still today of one group or the other, with very little mixing. Prior to the war, in 1988, inflation had already risen to 340 percent, a terribly high rate. During 1989, it mushroomed to over 2,000 percent, largely due to the instability and ravages of the entire country. All this was occurring during a time of growing tensions in which industrial production almost disappeared, functioning at only 5-10 percent of pre-war levels. Approximately 60 percent of livestock and 70 percent of agriculture equipment was destroyed. About half of all homes were badly damaged.

With such a backdrop, achieving microcredit success might have seemed doubtful. But, in fact, the opposite is true. Beginning shortly after the Dayton Accords, MFI organizations began to set up shop in Bosnia-Herzegovina, focusing largely in urban areas. Officials of the financial sector accepted NGOs that were giving loans, feeling they were not a threat to the emerging banking industry. Government regulators felt no need to control the new MFIs, and they also made the registration process for NGOs quick and simple. The small, new country of 4 million people has seen the creation of over 40 MFIs since 1996 including Mikrofin, Mi-Bosporo, Sunrise, and World Vision (Vemic, 2005). These MFIs today are some of the largest in Eastern Europe, are highly profitable and enjoy a healthy competitive environment. The MFI, Prizma, is one of the greatest successes of post-conflict microcredit anywhere.

Prizma: This MFI obtained seed capital from the U.S. and the U.N. and started operations in the city of Bihac in 1997. Focused on training and financial services for low-income ethnic minorities and refugees, most of whom are women, the NGO has grown rapidly in pursuing long-term social impacts and sustainability. By 2001 Prizma had become financially self-sufficient and it was selected as the first MFI in Eastern Europe to receive an external rating of a "G 4 ++ institution."

In spite of horrendous obstacles facing the Newly Independent States (NIS) as they moved from federal bureaucratic control toward democracy, Prizma has enjoyed success. Even in the case of Bosnia moving through phases of stability to civil war and then to reconstruction, Prizma has had a great impact on household well-being. Currently it has spread to five major branch offices and over 35 small satellite offices. Its staff of more than 90 individuals works in over forty low-income communities. It has a loan portfolio of $13.3 million spread among 18,606 microentrepreneurs, 97 percent of whom are poor women (Prizma, 2006).

Palestinian Microentrepreneurship

The population in the Palestinian Territories totals 4.1 million people, two-thirds in the West Bank and a third in the Gaza Strip. During 2002 some 41.2 percent of the working age population was unemployed. Lack of peace, stability and security are all factors leading to economic difficulties. MFIs in the region have attempted to build the informal economy and improve the quality of life of poor families. Below we examine some of the challenges faced by MFIs in Palestine.

The Arab Center for Agricultural Development: ACAD was established as an NGO in 1993 and recognized by the Palestinian Authority in 2001. The focus is on channeling capital to rural areas where the poverty rate is high. Headquartered in Ramallah, it has four field branch offices as it attempts to target families affected by the political difficulties—joblessness, lack of food insecurity, and inability to travel to other regions because of the "police state" created by Israeli troops. ACAD's products consist of 1) Invested loans to pay for greenhouse construction, irrigation systems, and farm equipment; 2) Loans for working capital for business start-ups (seed, fertilizer, salaries, etc.). The NGO also offers training in small business skills, agricultural topics, and capacity-building, such as how to defend clients' rights.

Palestine for Credit and Development: The second case is known by its Arabic acronym, FATEN, an NGO in the Middle East (FATEN, 2006). It grew out of the NGO Save the Children in 1995, becoming an independent MFI in 1999. Approximately 50 percent of its clients are in Gaza with the other half in the West Bank. Although its loan portfolio suffered as the intifada began, its staff assessed its problems and analyzed potential solutions, with the result being that its portfolio tripled within 3 years. The problems were severe: The Israeli wall being built; growing incursions of occupying troops; daily bombings and attacks on FATEN staff and client homes; complete closure of many areas; deaths of FATEN family members; restricted movements that often consist of 25-30 checkpoints; inability to transport raw materials or finished products—all combine to make economic transactions difficult, if not impossible. Yet, in spite of such circumstances, FATEN has 4,908 clients, having given a total of $41 million in loans to 71,235 clients (99 percent female), at an average of $577. It has 15 offices in the Palestinian Territories operated by a staff of 67 individuals. The MFI uses a sophisticated MIS system to track all necessary information. Impressively, FATEN has achieved 117 percent operational sustainability.

Caritas Jerusalem: The third case is that of a faith-based program in Palestine that is but a small MFI of worldwide Caritas, a Catholic federation of 162 organizations operating in over 200 nations (Caritas, 2005). The program only gives individual loans and the microentrepreneur must have two qualified guarantors in case of default. In contrast to most other MFIs, Caritas' 500 or so yearly borrowers are largely male, while women receive a modest ten percent of income-generating funds. Some 80 percent of loans are for new start-ups.

United Nations Relief and Works Agency: UNRWA was started after the first Gulf War in 1991. Its focus is in urban centers where there is a density of Palestinian refugees. Most of the microentrepreneurs UNRWA helps are impoverished people trying to eke out an existence through economic trade, services, or small manufacturing in the informal economy (UNRWA, 2005).

All four of these NGOs we reviewed have suffered greatly since the 2001 intifada. Caritas, for instance, reported that the short ten kilometer trip its staff traveled daily between Bethlehem and Jerusalem used to only take 15 minutes. But with the repression of Israeli soldiers, it began to take several hours due to checkpoints.

That could mean a decline of MFI staff productivity eight times what the travel costs used to be.

Caritas was required to develop security measures for its staff members who faced threats of robbery, injury and murder as regional anger grew. A high conflict area where such weapons as guns, grenades and other explosives are readily available meant the need to be continuously aware of rumors, plans and violence, as well as the need to often change travel patterns to lessen the likelihood of kidnappings and ransom demands.

One of the ways several Palestinian MFIs cope with all this is to create a write-off subsidy fund for loans that are far behind, or that may never be repaid due to one's microenterprise being destroyed, or the borrower becoming severely wounded or dying. Israeli security measures were increased, economic repression was intentional and widespread, and tragic results occurred. Microenterprises went bankrupt, and even

survivors had to reduce capacity. For the MFIs, the demand for microloans plunged because people were in fear of trying to start microenterprises with such turbulence.
The economy broke completely down in 2002 when the occupying forces set up their "Defensive Shield" of military control, road closures and curfews. The impact on UNRWA was devastating. From 9,000 loans in the 2001 portfolio of $7 million, it dropped to merely a few thousand the next year. Loan repayments were in arrears for all these MFIs, many clients simply unable to make any payments at all.
A number of the large loans to SMEs were not repaid as firms went bankrupt and employees were laid off because they could not even get to the workplace, to say nothing of the disappearance or deaths of customers. UNRWA reacted by revamping its marketing, emphasizing the provisions of loans to growing numbers of street vendors and other microenterprises in the informal sector. Consumer loans were cut to just a few hundred annually. In spite of portfolio disintegration, the Israeli military shield, and a crisis economy, UNRWA's new strategy enabled it to recover and, in fact, grow its outreach to $8.7 million in loans to some 12,000 clients.
The lesson from all this? In times of tense conflict, MFIs must change their strategies to cope with geopolitical economic shifts. War-torn conditions are difficult, but they may also become the prime time for galvanizing resources in the midst of strife. During years of intifada, when there is political repression and prolonged violence, the informal economy can not only survive, but even grow.
Palestinian NGOs must increasingly struggle in environments of uncertainty and hostility. Although they seek to calm borrowers' fears and express hope that peace will come to the region, they know much of the future is unknown. Unfortunately, in fact, the future will be an era of a new, young generation that is angry, having grown up in a high conflict culture of violence and dangerous weapons on both sides of the situation.
Today's global conflicts suggest several types of factors that impede the doing of successful microcredit.
<u>Physical factors:</u> Damaged buildings, interruption of such services as electricity, water and fuel, closed schools, disrupted sanitation services, health problems;
<u>Emotional factors:</u> Confusion that arises from unpredictability, fear due to violence, uncertainty because of media reports and rumors, inability to make future plans, family geographical disbursement, social isolation, injuries or death of a loved one, cynicism, distrust, etc.;
<u>Financial factors:</u> Job loss, property damage or complete destruction, loss of shelter, economic decline, layoffs, unwillingness to invest even if one has resources, dependency on outside aid money that may lead to expectations of welfare.
With several or all of the above factors brought into play, how may microcredit programs continue, begin, or re-start? The prevailing mindset may be that the time is not "right," that conditions need to improve, that there is too much uncertainty for launching microcredit services. But the opposite may actually be true. Perhaps it is out of struggle and conflict that MFIs can, indeed, continue. The Palestinian cases of UNRWA and FATEN suggest that the two NGOs not only survived, but thrived. I believe part of it was due to the sheer will to not only reverse their losses, but overcome them with creative new strategies for coping with the intifada. It required a confronting of the myth that things will only get worse; a shift to a new business paradigm, and the result was the generation of innovative change.

Conflict Implications for MFIs

The stresses on microfinance during war can hamper potential clients in many ways, as seen in part by the preceding cases. They include emotional trauma, breakdown of the family, decline of assets, social stigma, divorce and/or abandonment by one's spouse, if not death, lack of self-esteem (especially in women), dysfunctional markets, geographic isolation because of having to flee to a refugee camp, disruption of social networks essential for transacting business, legal constraints, distrust and fear, and loss of educational skills.

These factors may all combine to exacerbate human suffering for various groups: the victims of war who survive, returnees, ex-combatants, refugees and their host governments, NGO leaders, and so on. Virtually no one is immune to the terrible fruits of war and violence.

If we were to summarize the best practices for doing microcredit in a war-torn nation like Palestine, it seems that an MFI doing business there must be careful about risks—be able to walk the delicate line between viable borrowers who can succeed versus perpetrators of genocide (or victims) who may not be able to do well. The latter may need other types of development aid before they can operate with microcredit. After all, an MFI that tries to help everyone after a crisis may end up going under itself unless it operates efficiently and manages its risks adequately.

Another factor is the need to consider the greater costs of MFI work in post-conflict situations—items such as increased security, steeper travel costs and higher compensation for staff. It is important to partner with other NGOs and perhaps government agencies that can give the new MFI insight and the benefits of experience. Not reinventing the wheel may save time and money, as well as help to avoid pitfalls after the conflict 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, telling me he was going to give a new TV to each family whose house had been destroyed. That was his definition of microcredit relief. When I inquired about repayments on such financing of colored 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.

This implies another critical aspect of doing microcredit during or after conflicts. The experience of embedding microcredit within a larger program of humanitarian relief after war 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 starts to create an MFI, loans may be considered to simply be another form of aid.

Post-War Lessons

In reviewing the cases of the above countries, along with others not mentioned, the following MFI best practices are suggested.

Security: The safety of MFI staff, offices, and microcredit clients is essential. Steps must be taken to ensure that dangers are minimal. If tensions from the era of conflict are still problematic, microcredit should not be started, or re-started. Suggestions that may be helpful, assuming a relatively safe environment, are 1) MFI offices be located in secure areas; 2) Money not be left in offices overnight, but deposited in regular banks; 3) Staff travel in pairs so they are less vulnerable than being alone; 4) Personnel travel routes should be varied so criminals cannot predict a pattern; 5) Staff should not wear jewelry or other items of value; 6) Village bank meetings ought to be during daytime hours only, and held in public places; 7) MFI officials should not wear uniforms or other symbols that imply they are bankers or have money.

Transition: Providing microcredit during or after conflict needs to be viewed as a long term investment, not a quick fix. Modest start-ups are preferred in order to learn what works best. Pilot projects may be the ideal way to start because they are viewed as experiments. If it does not succeed in one instance, another model or another location can be tried without losing credibility. Various cases suggest that the MFI should start slowly and grow gradually, learning as the organization develops and the client base builds. Making adjustments or tweaking the program bit by bit allows MFI staff to improve as they proceed.

Organizational Learning: Many MFIs in conflict settings need to consider bringing in ex-patriots to help get the systems functioning. To start with, more human resources are usually needed. Having native staff with expats can lead to benefits for both parties. The expats learn from natives how the local culture may receive and enjoy microcredit and what will or will not work because of cultural values and habits. Conversely, local staffers are able to quickly learn microcredit best practices from the global experience of the expats. In so doing, the MFI can move toward becoming a professional organization and increase the likelihood of success.

Client Targets: After the end of a war, some MFIs attempt to immediately offer credit to refugees who may be returning, or soldiers who seek to restart their lives. Clearly such groups have suffered. But the reality is that, in the case of demobilized soldiers, they still usually have weapons, may be more aggressive than the average person, may harbor feelings of hate or resentment, and so forth. The end of conflict usually does not mean the disappearance of violence, threats and lawlessness. Generally speaking these people tend to lack education and/or job skills. Hence, the NGO needs to be cautious in offering credit because MFIs cannot take a chance on non-payments, late payments, complete defaults, or other risks (Doyle, 1998). Microcredit advocates need to see the contradiction between doing everything to build peace (helping returning soldiers) versus economic development.

In the case of refugees and disabled persons, the risks are not so high. A number of NGOs offer microcredit to such groups with quite successful results. Usually such individuals are highly motivated to rebuild their lives. The most common difficulty occurs when disputes arise over ownership of property, such as a house or one's land, that someone else took control of while the owners were forced to flee.

Cost Structures: Many MFIs have found that doing microcredit in war or post-conflict settings is more expensive than in more peaceful environments. This is simply due to the fact that it requires more staff, greater matters of security, and a longer time frame to become sustainable. It is worth mentioning that because of conflicts, large aid donors who are anxious to secure the peace may give even more monies to the MFI than typical amounts in the past. So doing microcredit in such settings may yield greater availability of capital than usual, thereby compensating for the higher cost structure.

Pre-Conditions for Microentrepreneurship: Brief No. 4 of the Microenterprise Best Practices group (MBP) claims that several essentials have to exist for post-conflict MFIs to succeed. First, there needs to be "an absence of chaos" such that business transactions can occur and profits are generated, while MFI staff and clients feel relatively safe. In other words, there should be adequate security that derives from political stability. MBP suggests that it may be unrealistic to expect 100 percent nonexistence of conflict, however. In a country where there was calm in the capital but skirmishes in the jungle, one NGO starting up in Liberia simply focused its efforts in the capital city until conflicts in other areas subsided (MBP, 2001, p. 2).

Client Mindsets: As noted earlier, often after war ceases, the rush of large donor aid can overwhelm impoverished families. If MFIs soon enter the fray with microlending programs, a client mentality may arise in which loans are interpreted as yet another humanitarian donation. To counter such assumptions, the NGO must labor strenuously to differentiate its financial services from the handout mindset. It takes considerable time and energy to do so. However, charging market rate interest instead of subsidized lower rates also serves to reinforce the difference.

MFI Image: Because of devastating circumstances and the upward spike in poverty following war, various suggestions may apply. One would be the desirability of having scaled back facilities. Rather than looking like a rich traditional bank, the emphasis should be on simplicity and modesty. The same holds for MFI vehicles. There is nothing so contradictory for me as when I see U.N. and World Bank officials pull up to scenes of starvation and desperation in a huge, luxurious Mercedes, or step from their air-conditioned Range Rover to meet impoverished refugees.

Credibility: As civil conflict subsides and outside donors begin to revive or start up microcredit services, MFIs need to enter the system as a neutral third party. If they or their donor base is seen to support one side of the conflict, or the other, they will encounter resistance, and perhaps even attack from local entities. For instance, in Iraq after the U.S. forces toppled Hussein, CHF (formerly known as the Cooperative Housing Foundation), a Maryland-based NGO, discovered quickly the need to disconnect itself from the U.S. military. The staff spent much of its first few months in Bagdad meeting with top Iraqi opinion-makers: Muslim clerics, business leaders, bankers, and appointed government officials. In each case they disavowed all connections with the so-called coalition forces. Had they not done so, they would never have succeeded in providing microcredit for the poor of that country (CHF, 2006).

Timeframe: MFIs laboring in conflict regions need to understand from the outset that their efforts will generally take years in order to succeed. Microcredit in the best of circumstances often requires 24-36 months to begin having a measurable impact. Conflict settings also mean larger amounts of money, careful planning for contingencies, worried clients, and occasional dangers for the staff. If the intent is to move quickly and scale up easily, MFI leaders will generally be disappointed. There is no quick fix.

Communication and MIS: In instances in which conflict continues, some NGOs have found it necessary to add hi tech capabilities so that if necessary, their staff can work from home. For example, Asala, the Palestinian MFI, now has all its data online. If car bombs explode or roads are barricaded, its staff can go online at home or a nearby cyber café to access its office files and continue to be productive (Asala, 2006).

Efficiencies: Because of the higher costs of operating an MFI after conflict, organizational 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 in check. Acceleration or scaling up to achieve large numbers of borrowers is also helpful because the more clients, the more quickly the MFI may reach operational sustainability.

Conclusions

Microcredit becomes a real adventure when trying to operate during war. I am amazed at the heroic commitment of MFI staff that bravely face real dangers every day of their lives. Organizations like CARE, Mercy Corps and World Relief have set explicit policies that they are committed to continue their work in spite of conflict and insecurity. They see microcredit as a critical element in national reconstruction. Catholic Relief Services (CRS) has gone so far as to declare that they are willing to lose everything, if need be, to labor for the empowerment of war's victims (Doyle, 1998).

Conclusions regarding microcredit in war and post-conflict environments suggest several key points. First, microcredit is viable in many such settings. When designed correctly, it has an important role to play in helping to enable war's victims to rebuild their lives. But it is certainly not a panacea. Other interventions are usually required such as restoring the formal economy and investing in infrastructure such as roads, electricity and clean water. There may be a need for vocational training, as well as other types of skill development.

Another concluding observation is that good MFI practices are even more essential in times of war than times of peace. This means the MFI should probably charge market rate interests, build a highly-skilled staff with multiple organizational efficiencies, work toward becoming sustainable, and operate superb portfolio quality. It will not succeed if it is confused with post-war humanitarian aid. Portfolio risks need to be assessed and strategically planned for. Client ambiguity needs to be eliminated. Delinquent clients should experience sanctions they were warned about, or the program may quickly unravel. Ground rules must be "imprinted" on all potential clients in order to ensure complete and on-time repayment rates, and the successful growth of the MFI.

Two other factors are critical for success. One is that there must clearly be a demand for microcredit. Even after war, economic rules must operate. Second, eventually legal frameworks must be established in the formal sector so as to begin to operate mainstream banks on the one hand, and government regulation and policy on the other. Both are necessary in order to protect clients and their MFIs.

If the above analysis and suggestions are implemented, post-conflict reconstruction for the poor may be successfully achieved. But it should not be confused with social and political objectives per se. Rather, microcredit must stand on its own legs as a coherent and independent financial strategy.

Clearly more research is needed on the complexities of managing MFIs in times of war. How to best prepare beforehand, ways of coping during such problems, and strategies for rising above difficult conditions—all cry out for better data. Because of the heavy responsibilities practitioners have in operating their NGOs, others, such as universities, governments, and think tanks need to fund studies and channel scholars to address these matters. The predicted trends over the coming years seem to portend more disasters that will do greater damage and generate rising costs. So, too with human disputes. In spite of the euphoria surrounding the end of the cold war, there appear to be increasing tensions among nations, and within them. The microcredit movement will benefit greatly from well-conceived field research that is relevant to these challenges and helps us understand how to better prepare for future difficulties.

Insightful policies and the formulation and implementation of successful MFI strategies must be informed by good data. We must come to understand the best practices for confronting tough realities. Our task is to build the organizational capabilities of our microcredit NGOs so as to produce economic self-reliance among poor families and develop long-term, sustainable communities around the globe.

But microcredit holds the promise of becoming a countervailing force that pushes back the constant specter of poverty. While MFIs alone cannot fully stop the flow of crises in today's world, they hold much promise in lessening their impacts. Indeed, much has already been achieved by microcredit practitioners to diminish the devastation, and to accelerate the processes of recovery. As we learn more and more about best practices and the use of innovative strategies and tools, microcredit will more fully empower impoverished families around the world, even in troubling circumstances.

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