



Poverty

Microfinance Community



Disaster Management Community



Solution Exchange for the Microfinance Community Solution Exchange for the Disaster Management Community Consolidated Reply

Query: Microfinance and Livelihood Support Projects in Disaster Affected Localities – Experiences; Examples

Compiled by [Navin Anand](#) and [G. Padmanabhan](#), Resource Persons and [Nupur Bahl](#) and [Nupur Arora](#), Research Associates and Shweta Tyagi, Intern

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From [Toms K. Thomas](#), Evangelical Social Action Forum (ESAF), Mannuthy, Trichur

Posted 5 June 2008

I work with Evangelical Social Action Forum (ESAF), a national development organization in Kerala and we currently carry out a livelihood support project in Kanya Kumari district and plan to implement another short-term livelihood support project in some Tsunami affected districts in Kerala. While analyzing these two projects and looking into the available literature, we are unable to understand how far short term (Fast Track) livelihood projects are practical in disaster-affected localities.

In disaster affected areas, after the relief activities, there can be number of microfinance related interventions, such as microfinance services for transferring the government assistance and remittance from friends and relatives to the affected families; micro-insurance including health, life, livestock and general insurance; consumption and housing credit; productive credit for selected livelihoods in agriculture, agri-allied and non-farm sector; lease finance (micro-leasing); savings services and other such microfinance services.

Besides, above mentioned two projects, we are also in the process of organizing a workshop to share experiences and advice on livelihood promotion in disaster-affected localities. I request members to share documents (case studies, reports, etc.) and experiences on:

- Methods and approaches for creating sustainable systems for planning, implementation, management and finance of 'Fast Track' livelihood promotion projects in disaster affected areas, including withdrawal strategy and role of Panchayati Raj institutions (PRIs)
- Microfinance products and services as well as delivery mechanism required for the social and economic securities as well as livelihood promotion of the families of disaster-affected areas
- Strategy for investment in existing enterprises to leverage the market potential in terms of creating new livelihoods

Your experiences and suggestions will not only help us in designing and implementing of the project in a sustainable manner but it can also be used for developing strategies for disaster affected areas elsewhere in the country.

Responses were received, with thanks, from

1. [Abhishek Mendiratta](#), Consultant, New Delhi
2. [Vijay Pratap Singh Aditya](#), Ekgaon Technologies, New Delhi
3. [Rudra Prasanna Rath](#), GoI- United Nations Development Programme (UNDP) Disaster Risk Management Programme, Orissa
4. [Smita Premchander](#), Sampark, Bangalore
5. [Praveen Kumar Amar](#), P. K. Management Consultants, New Delhi
6. [Sanjeev Kumar](#), Independent Consultant (Entrepreneurship and Livestock-based Livelihoods), Lucknow
7. [Girija Srinivasan](#), Consultant, Pune
8. [Shivendra Sharma](#), Plural India, Gurgaon
9. [N. Srinivasan](#), Consultant, Pune
10. [Baladeb Sen](#), Microfinance Consultant, Chennai
11. [Navin Anand](#), United Nations Development Programme (UNDP), New Delhi
12. [Kalika Mohapatra](#), United Nations Development Programme (UNDP), Bhubaneswar
13. [G. K. Agrawal](#), Rural and Microfinance Consultant, Mumbai
14. [Susant Kumar Sahoo](#), United Nations Development Programme (UNDP), Bhubaneswar
15. [Kailash Ch Pandey](#), Uttarakhand Bio-Fuel Ltd, Dehradun
16. [Prabhat Labh](#), CARE India, New Delhi

Further contributions are welcome!

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Summary of Responses

Livelihood development activities in post-disaster situations have several limitations, including the unavailability of goods and services, high prices, and imbalanced market conditions. Responding to the query on providing livelihood support in disaster-affected areas, discussants explored the prospects and constraints of "Fast Track Livelihood Projects," and shared various methods for planning, implementing and managing "Fast Track" livelihood promotion projects, discussed different microfinance (MF) products and services, and outlined good investment strategies for post-disaster conditions.

Respondents pointed out the first step in providing support after a disaster is to understand the livelihood systems and socio-economical conditions in the affected area. Globalization has made the lives of people engaged in traditional occupations very vulnerable. By studying the livelihood situation, planners can assess the status of affected sectors and the possibility of reviving livelihoods, and then plan appropriate activities (i.e. short-term: cash for work and cash grants, and long-term: microfinance, skills training, business development services and marketing service). An NGO in [Tamil Nadu](#) successfully used this strategy to improve existing livelihoods through value additions in disaster prone coastal areas. The next step is to identify the marginalized groups, and ensure plans include their unique needs.

Following disasters, families are often unable to engage in any livelihood activities due to the loss of assets. To address this, members suggested providing fast track skill training, exposure visits, and basic advisory services. They also opined that Panchayati Raj Institutions (PRIs) could play a key role, specifically in planning and implementing different livelihood activities and helping gain the support of government departments. Moreover, to ensure long-term sustainability of these activities, PRI members need training to develop their capacity.

Participants gave suggestions for conceptualizing microfinance interventions in disaster-affected areas, specifically identifying three key stages for designing MF programmes: 1) formation and stabilization; 2) creation of savings mobilization and credit taking capacity and linkages; and 3) organization building- establishing management and monitoring systems for the long-term sustainability of a community managed microfinance systems.

Discussants also identified specific microfinance services that organizations could provide in affected areas:

- transfer of assistance and remittances- transferring government assistance and remittances from friends and relatives to families in disaster-affected areas
- transferring money, including innovative methods such as mobile phone banking
- micro-insurance, including health, life, livestock
- lease financing (micro-leasing) for affected families that need support for getting assets, without providing any collateral
- management of donation funds- management and proper utilization of donations

Additionally, they recommended using ICTs to help facilitate service delivery and introducing a moratorium of one year (or more) to help people establish business and start getting sufficient cash inflows.

Along with microfinance, affected families also require savings (both mandatory and voluntary) and credit products. Organizations could link savings schemes with livelihood loans, and encourage people to save money towards starting an enterprise or some other livelihood activity, using their savings as margin money or working capital. Credit products like consumption loans and working capital loans could be customized in disaster-affected areas to cater to individuals requiring loans to start or reestablish income-generating activities.

While appreciating the importance of providing post-disaster livelihood support, some members felt conventional microfinance service packages might not have then necessary tools to properly appraise livelihood needs and will be difficult to implement. Instead, they suggested microfinance organizations could offer suitable insurance products to financially mitigate the risk posed by disasters in terms of loss of lives, assets and income. Discussants also raised concerns about the fast track approach noting it has the potential to be poorly planned and coordinated. They were also of the view there would be insufficient time for training and skill development and it would be difficult to find markets and investment capital for resuming livelihoods, given the “one-size-fits-all finance products” offered through fast track projects, which rarely support livelihood activities and only ease liquidity constraints.

In context of leveraging enterprises, respondents were of the view that it requires substantial investment. Thus, they recommended for financing backward and forward linkages necessary to scale-up enterprises, organizations need to offer either social capital in the form of pure equity or a long-term soft loan.

While examining the pros and cons of fast track livelihood projects in disaster-affected areas, discussants agreed the approach could prove an effective tool, if appropriately conceptualized and implemented.

Comparative Experiences

Tamil Nadu

Interventions in Value Chain Help Establish Sustainable Livelihoods to Farmers (from [Vijay Pratap Singh Aditya](#), Ekgaon Technologies, New Delhi)

Coastal areas in the state are subjected to periodic cyclones and flooding resulting in large numbers of farmers being forced to migrate. The Covenant Centre for Development (CCD) worked to create SHGs, encourage internal lending, skill building and to improve processes within the value chain. These efforts have resulted in the development of enterprises, improved access to markets, establishing institutional linkages and environment resource management. Read [more](#)

Maharashtra

Community Participation in Rehabilitation Project, Mumbai (from [Nupur Bahl](#), Research Associate)

Swayam Shikshan Prayog (SSP) started supporting rehabilitation projects to address the massive destruction caused by the 1993 earthquake. SSP involving grassroots women's groups in a broad range of housing, planning and infrastructure programs. These efforts have now been scaled up into a community-based development strategy where grassroots women's groups function as leading actors in the context of local development and governance activities in 800 villages across 8 districts. Read [more](#)

Andhra Pradesh

Reconstruction Housing Programme, Dibbalpalam (from [Shweta Tyagi](#), Intern)

NASA started an awareness campaign and conducted health camps after the cyclone of 1995 washed away thatched houses in Dibbalapalam. They formed a Women's Sangham and then facilitated the construction of 74 houses with the active participation of the women's organization, which organized its own brick-making unit, and mobilized voluntary labour, monitored the construction, introduced cost control measures. Read [more](#)

Related Resources

Recommended Documentation

From [Shivendra Sharma](#), Plural India, Gurgaon

Reimagining Microfinance

Article; by Alex Counts; Stanford Social Innovation Review; United States of America; Summer 2008

Available at http://www.ssireview.org/images/articles/2008SU_feature_Counts.pdf (PDF, Size: 5.83 MB)

Analyses a new vision of microfinance as a platform, not a product, which can be used in post-disaster situations to benefit individuals and for developing enterprises

In Microfinance, Clients Come First

Article; by Srikant M. Datar, Marc J. Epstein and Kristi Yuthas; Stanford Social Innovation Review; United States of America; Winter 2008

Available at http://www.ssireview.org/images/articles/2008WI_feature_datar_epstein_yuthas.pdf (PDF, Size: 432.5 KB)

Discusses how MFIs can focus on helping their clients to build successful enterprises and sustainable systems, and create new livelihoods, including in post-disaster situations

Waves of Change - A Tsunami Relief Story (from [Nupur Bahl](#), Research Associate)

Film; United Nations Development Programme (UNDP); 17.55 minutes; 2006

Available at http://www.undp.org.in/index.php?option=com_content&task=view&id=90&Itemid=168

Documents achievements of UN/GoI efforts to rehabilitate and "build back better" after Tsunami, building homes, livelihoods, & infrastructure and doing community preparedness planning

Farming-Related Livelihoods Rehabilitation Strategy for the Disaster-Affected Areas Of Yogyakarta and Central Java Provinces

Document; Government of The Republic of Indonesia; Ministries of Agriculture, Marine Affairs and Fisheries and Forestry; Food and Agriculture Organization of the United Nations (FAO)

Available at http://www.fao.org/fileadmin/templates/tc/tce/pdf/Indonesia_Farming_Strategy_Jan07.pdf (PDF, Size: 1.8 MB)

Describes rehabilitation interventions to develop livelihoods, by conducting damage assessments, examining agro-ecological zones, preparing budgets, & creating M&E checklists/indicators

Sustaining Livelihoods in Disaster-Prone and Tribal Areas of Gujarat

Newsletter; India Resident Mission of the Asian Development Bank; August 2004

Available at <http://www.adb.org/Documents/Periodicals/INRM/INRM-200408.pdf> (PDF, Size: 300 KB)

Discusses sustainable approaches to rural poverty reduction by promoting non-traditional livelihoods & piloting new ways to sustain income generation among poor in disaster prone areas

From [Shweta Tyagi](#), Intern

Surviving Disasters and Supporting Recovery: A Guidebook for Microfinance Institutions

Paper; by Eileen Miamidian, Margaret Arnold, Kiendel Burrit and Marc Jacquand; The World Bank; Washington D.C.; February 2005

Available at: http://www.unCDF.org/english/microfinance/pubs/thematic_papers/Disasterguidefinal.pdf (PDF, Size: 456.9 KB)

Discusses how microfinance can help mitigate the impact of disasters, by promoting livelihood options in disaster prone areas

Pre-Disaster Planning to Protect Microfinance Clients

Papers; USAID – Microenterprise Best Practices (MBP) Project; United States of America; 1998

Available at http://www.microfinancegateway.org/files/1757_1757.pdf (PDF, Size: 33.4 KB)

Looks at various ways, such as pre-disaster planning, to ensure local communities are protected in disaster prone areas, through the creation of sustainable livelihood systems

Recommended Organizations and Programmes

From [Vijay Pratap Singh Aditya](#), Ekgaon Technologies, New Delhi

The Covenant Centre for Development (CCD), Madurai

18 C/1, Kennett Cross Road, Ellis Nagar, Madurai 625010 Tamil Nadu; Tel: 91-452-260-77-62; Fax: 91-452-230-03-69; mdu_ccd@sancharnet.in; www.ccd.org.in; Contact N. Muthu Velayutham, Secretary

Supports MF programs that enable the poor, uses a development strategy designed to establish secure livelihoods, including post-disaster situations

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Patancheru Patancheru 502324 Andhra Pradesh; Tel: 91-403-071-30-71; Fax: 91-403-071-30-74; icrisat@cgiar.org ; www.icrisat.org

Works towards improving people's livelihoods in crop- livestock- tree productions systems in the semi arid tropics through integrated genetic and natural resource management.

From [Girija Srinivasan](#), Consultant, Pune

Development of Humane Action (DHAN) Foundation, Madurai
18, Pillaiyar Koil Street, S.S. Colony, Madurai 625016 Tamil Nadu; Tel: 91-452-261-07-94/08-05; Fax: 91-452-260-22-47; ghan@md3.vsnl.net.in ; <http://www.dhan.org/aboutdhan/index.php>

Works towards bringing changes in the livelihoods through innovations in development, which can affect the lives of the poor in a sustainable manner, including in post-disaster situations

South Indian Federation of Fishermen Societies (SIFFS), Trivandrum
Karamana, Trivandrum 695002 Kerala; Tel: 91-471-234-37-11, 234-31-78; Fax: 91-471-234-20-53; admin@siifs.org ; <http://www.siifs.org/Index.aspx?Page=../SiffsResponse/FisheryLivelihoods.aspx&tblName=Divservice&tblsubName=tblsubService>

Works for the protection and enhancement of livelihoods of fishing communities using appropriate technology and microfinance services, including disaster prone coastal areas

From [Nupur Bahl](#), Research Associate

Orissa Development Technocrats' Forum (ODTF), Bhubaneswar
256, Forest Park, Bhubaneswar 751009 Orissa; Tel: 91-674-2595850/1, 2595627; Fax: 91-674-2595254; dtfindia@yahoo.co.in; <http://www.geocities.com/dtfindia/index.htm>

Facilitates a rural housing delivery system through "Promotion of Appropriate Construction Technologies & Opportunities for Sustainable Livelihoods" project, including disaster prone areas

BASIX, Hyderabad
5-1-664,665,679, Surabhi Arcade, Bank Street, Troop Bazar, Koti, Hyderabad 500001 Andhra Pradesh; Tel: 91-040-30512500/1; Fax: 91-040-30512502; http://69.89.31.196/~basixind/index.php?option=com_content&task=view&id=181&Itemid=198

Livelihood promotion institution and has developed weather insurance product, work was recognized by the Government of India and widely replicated

CARE India, Hyderabad
6-3-608/1, Anand Nagar Colony, Khairatabad, Hyderabad 500004 Andhra Pradesh; Tel: 91-40-23313998; Fax: 91-40-23323441; cbox-ap@careindia.org; <http://www.careindia.org/ManageProgramKey/VisitProgramDetail.aspx?ProgramKeyID=28>; Contact Dev Prakash; Team Leader, Tsunami Response Programme; devprakash@careindiatn.org

Carried out the Tsunami Relief Program (TRP), which provided microinsurance to victims of the 2004 disaster through a tie up with partner NGOs and private sector organisations

Royal Sundaram Alliance Insurance Company Limited, Chennai
Sundaram Towers 45 & 46, Whites Road, Chennai 600014 Tamil Nadu; Tel: 91-44-28517387; Fax: 91-44-28517376; customer.services@in.royalsun.com; <http://www.royalsundaram.in>

Partnered with CARE India under the Tsunami Relief Program (TRP) in Tamil Nadu to provide microinsurance to victims of the disaster

Pondicherry Multipurpose Social Service Society (PMSSS), Pondicherry
14th St. Therese Street, Archbishop's House, Pondicherry 605001; Tel: 91-413-4201190; Fax: 91-413-4200190; pmssspundy@hotmail.com; <http://www.pmsss.org.in/ict.htm>

Started system of Village Information Centres in post-disaster affected villages (after 2004 tsunami) issuing warnings of imminent disasters, allow people to better protect their livelihoods

United Nations Development Programme (UNDP), New Delhi
55 Lodhi Estate, New Delhi 110003; Tel: 46532333; Fax: 24627612; webadmin.in@undp.org;
http://www.undp.org.in/index.php?option=com_content&task=view&id=21&Itemid=79;
<http://data.undp.org.in/dmweb/tsunami/UN%20Recovery%20Framework.pdf> (PDF, Size: 458 KB)

Works on disaster mitigation and preparedness (including protection and restoration of livelihoods) and did extensive risk mapping exercises through its tsunami recovery programme

Swayam Shikshan Prayog (SSP), Mumbai
101, 1st Floor, Baptista House No. 76, Gaothan Lane No. 1, Behind Paaneri Showroom, S.V. Road, Andheri West, Mumbai 400058 Maharashtra; Tel: 91-22-22907586, 26211476; Fax: 91-22-26211476; sspindia@vsnl.net; <http://www.sspindia.org/Disaster.htm>

Following the 1994 earthquake in Maharashtra, implemented community-led reconstruction project empowering women and promoting access to MF and sustainable livelihood opportunities

Post-Disaster Reconstruction Experiences in Andhra Pradesh in India (from [Shweta Tyagi](#), Intern)

Report; by Annie Jayaraj; Groupe de recherche IF-grif, University of Montreal, Canada
<http://www.grif.umontreal.ca/pages/i-rec%20papers/annie.pdf> (PDF, Size: 218 KB)

Discusses ATMA Consultancy Services work post-disaster, including project by NASA "Post-Reconstruction Housing Programme for Empowering Untouchable Dalits & Marginalized Women"

Responses in Full

[Abhishek Mendiratta](#), Consultant, New Delhi

The UN Declaration on Human Rights 1948 provides that "Everyone has a right of standard of living adequate for the health and well being of himself and his family, including food, clothing, housing and medical care.

Under a socialistic system, the responsibility of full security would be placed on the state to find resources for providing social security. In capitalistic society, provision of security is largely left to the individuals.

As per the law and directions of regulatory authorities, insurance company in India is obliged to extend insurance benefits to economically weaker sections of the society in the unorganised sector.

LIC first micro-insurance policy is Jeevan Madhur, only 80,637 lives covered through MICRO insurance under the Plan – JEEVAN MADHUR, lot more to be done.

[Vijay Pratap Singh Aditya](#), Ekgaon Technologies, New Delhi

Allow me to share work of one of our partner organisations in Tamil Nadu.

The Region: South Tamil Nadu region constitute drought plains and wide coastal areas which are subject to periodic cyclones, flooding and salination besides a once in a lifetime disasters like the Indian Ocean Tsunami of 2004. These conditions have led to creation of huge migrant populations, which locally migrate in search for employment (usually wage labour). The issue of migration is affecting both landless

as well as marginal farmers. While elders in a family migrate, farming and traditional occupation responsibilities usually come on women and children of the households. Since the region is periodically affected by a variety of disasters and climatic impacts, the impact on health and education of the household is quite high, particularly so in resource poor lower income households where children's are in primary and secondary stages of education.

Most find employment in infrastructure development like building construction, road, bridges and culverts. A section of client finds periodic wage employment in agriculture, fisheries and artesian work. Migrants have to face problems sometimes from the local wage labourers and are discriminated against.

Women during any time get almost 35% less wage than the minimum wage as stipulated by the government. The wage difference between men and women is more than 75% for the same work in both labour as well as agriculture activities. Further, no special support is available to women in the work place even though there is a standing guideline for the same. Child labour is not a prominent problem in the region however child labour is used in agriculture and livestock activities, and again the difference in wage at times is almost 100% that of the men and 10-20% that's of women.

The Covenant Centre for Development (CCD) & its work: CCD has been working in the region for promoting income and livelihood security by creating sustainable means of credit access and employment opportunities. In all its ventures CCD ensures equity and wage parity across gender. It also ensures that returns to SHGs and their members, which in turn facilitate access to education and better health services to the household. CCD has undertaken following measures over last few years for addressing issues of decent work deficits:

Institution Building: As an entry point activity CCD works with communities by creating Self Help Groups (SHGs) and encourage them to do internal lending within the group, through regular periodic contributions by members. Better performing SHGs are federated and linked to formal credit mechanism such as Banks as well and loans provided by federation. The Management of federation is with the clients (SHGs) through democratic representative system, where elected representatives take decision on loan applications.

Access to Credit: CCD works with local banks and rural development programmes of government to enable access to credit to SHGs.

Resource Rejuvenation and Management: CCD works through federations of SHGs to take up resource rejuvenation work like land reclamation, desalination, desilting, water tanks, canals and other irrigation systems management, crop-productivity improvement in partnership with research institutions and community based management systems for managing resources.

Skill and Capacity Building: CCD has formal institutional relationships with research institutions and technical experts. It works with them to improve skill and capacity of the community in managing resources, value addition, managing businesses and finances.

Provision of Escorting Services for Livelihood Development: CCD has partnership with resource institutions like Ekgaon Technologies, ICRISAT etc. to provide various kinds of information and technology based escorting services to SHGs and enterprises. The various kinds of services include, market information services, weather forecasting, standards and quality assurance systems, new varieties, productivity management, MIS systems and other ICT tools

Supply Chain Interventions: CCD believes that to create sustainable enterprises it is essential that community have better stake in the value chain. CCD works with market intermediaries in creating linkages for value addition, facilitation and business support.

Enterprise Development: Primary level value addition would help in getting better returns from the value chain. CCD support setting up of community level value addition enterprises managed by the community. Such units have been established for Coir (from Coconut Tree), Traditional Systems based medicines, Semi-processing units, pulp processing units, Flour mills and rice milling units.

Market Access: CCD has set up marketing companies owned by producer enterprises for marketing of products developed by units and creating new markets. It has been successful in creating business linkages with formal market intermediaries and placing products in formalised retail chains as well as in rural markets.

Future: CCD envisions sustained institutional support to community based organisations to be able to address issues of decent work deficits and create sustainable livelihood opportunities.

Institutional Linkages: CCD is encouraging increased institutional partnership with established organisation for sustained technology, innovation, credit, information and management support, such that enterprises remain competitive in increasingly globalised markets.

Integration with Market Supply Chain: CCD has been able to develop institutional support for enabling market access. However, it is trying to encourage formalisation of supply chain such that it integrates with market mechanism for sustained growth.

Access to Formal Institutional Credit: CCD has been successful in creating micro-credit access through banking systems. However, institutional credit is required for sustaining enterprise growth and continued investment in resource and production systems to be able to meet market requirements. CCD has been working with venture capital firms and financial institutions for investment as well as long terms credit based financial partnership.

Resource Ownership: CCD through its unique partnership model has been able to create community stake in all business enterprises. However, it needs to do a lot of work in creating resource ownership of community in the value chain. This requires both advocacy as well as supply side investment.

Environment Resource Management: For sustaining growth and securing livelihood, it is essential that environment resource management is undertaken. Climate change impact and increasing pressure on resource base needs sustained investment in environment resources. CCD is increasing its efforts towards environment resource management through community participation.

CCD could be contacted for more details at:

N. Muthu Velayutham, Secretary
The Covenant Centre for Development (CCD)
18 c/1, Kennet Cross Road, Ellisnagar
Madurai – 625010, Tamil Nadu, India
Tel: +91-452-2607762
Email: mdu_ccd@sancharnet.in

Hope this information helps all members.

[Rudra Prasanna Rath](#), GoI- United Nations Development Programme (UNDP) Disaster Risk Management Programme, Orissa

This is in fact a very sensitive issue like running fast track micro finance project after post disaster situations. To my mind, we should concentrate on providing support to the widows or single member

family after disasters are over on priority basis. It is seen from the findings of different projects that members are charged interests money on borrowings which are small in the beginning but cumulatively the at the end of the year the interests goes up to 24% to 36%, which is much higher than charged by the local money lenders. It is argued that the additional interest will build up the group capital or in other sense the ownership. Later the groups disintegrate because of this reason.

While designing any programme on micro finance it should be a three-stage affair:

Stage 1: Initial stage of one to two year to allow the group members maintain the records and are well versed in documentation

Stage 2: Credit linkage and selection of market trades in the second stage next two- four stage

Stage 3: Exit strategy after 4 to 8 years when most of the problems faced by these neo entrepreneurs are handled both by community with external hand holding support

The phase three is most important but unfortunately, most of agencies place due importance to first and second point and living the entrepreneurs in the midway after the business kicks starts. As the entrepreneurs are new they are exposed to various marketing threats which they at times fail to diagnose. This creates a problem in later part and the group dynamics is disturbed.

We need to have tones of patients while executing a project of this nature and magnitude.

The short-term projects are very vital and the learning of this project must act as a link with that of the long term project planning.

[Smita Premchander](#), Sampark, Bangalore

I would like to add to [Mr. Rudra Rath's](#) comment, that there are three important stages in community based microfinance systems:

1. Formation and stabilisation
2. Creating savings mobilisation and credit taking capacity and linkages
3. Organisation building, and establishing management and monitoring systems for long term sustainability of a community managed microfinance system

The third stage is discounted for a reason. Microfinance is promoted more by those who control the last task and therefore sufficient time and resources are not invested in capacity building of those who save and take credit. The latter are seen more as 'clients' and not as 'managers' or 'owners' of the microfinance organisation. In fact as external agencies are considered more competent 'managers', who can ensure a financially sustainable organisation, and therefore these 'managers' are also the privileged 'owners' in reality. Donors invest in microfinance organisations without necessarily caring for the 'clients' ownership and say in management of these organisations.

Thus, to my mind, the thinking behind this lack of time and resources to the third stage is important to reflect on. If the commitment is to giving a fair deal to those who save and take expensive credit, which is what microfinance is, I believe that external promoting and donor agencies also owe it to the poor to share the financial profits and decision-making about microfinance organisations with them.

[Praveen Kumar Amar](#), P. K. Management Consultants, New Delhi

In India, Disaster Management Act was enacted in December 2005. It explicitly states that relief in the form of survival needs, damages to property and livelihood are to be provided to the persons effected by

disasters. The necessary guidelines are under evaluation/process with the national disaster management [NDMA] authorities. Insurance is also a matter that either has been undertaken or is in the process.

The relevant section is reproduced for your information please.

12. Guidelines for minimum standards of relief

Section 12:

The National Authority shall recommend guidelines for the minimum standards of relief to be provided to persons affected by disaster, which shall include,—

- (i) The minimum requirements to be provided in the relief camps in relation to shelter, food, drinking water, medical cover and sanitation
- (ii) The special provisions to be made for widows and orphans
- (iii) Ex-gratia assistance on account of loss of life as also assistance on account of damage to houses and for restoration of means of livelihood
- (iv) Such other relief as may be necessary

Hope this helps.

[Sanjeev Kumar](#), Independent Consultant (Entrepreneurship and Livestock-based Livelihoods), Lucknow

The issue discussed has been more context of natural disaster like Tsunami, however present globalisation and emerging cash based livelihood security orientation has a disastrous effect on livelihood security in various states especially with poor peoples engaged in traditional occupation. We had seen it with village industries, rural artisans and have reached to marginal farmers.

In our experiences, livelihood security has still more to do with disturbance if adopted livelihood strategy and livelihood system then being bereft of some cash only. The need of our is to understand livelihood system and strategy that has been proven useful over the years before putting much focus on cash generating livelihood effort as such. To be specific disaster has not to with lack of cash as much as with unavailability of goods and services or skyrocket price of such goods due to fear factor and imbalanced market condition. "Fast Track Livelihood Project" in that case can be a temporary balm but not remedy.

It will certainly require more integration on policy advocacy, rights and setting system and proper market regulation in that sense.

There is also slight difference between one time disaster like Tsunami and regular expected disaster like of floods in eastern U.P and Bihar. The basic principle to work on these cases has been work on human quality through enhancing skills and soft quality, which most often is little devastated by natural disaster. It has worked to an extent successfully in western Rajasthan, where drought has been recurrent phenomenon.

Coming to second query about financial services, as highlighted by many other esteemed members, micro insurance suited to such requirement needs to promote on scale. However, financial education in general and Insurance in particular has been one weak link in communication strategy adopted by government and non-government information strategy. In rural eastern and central India Insurance, for rural community is similar to IRDP led insurance system and next best LIC, which is used more of saving

product then Insurance as per our informal field survey. Looking such condition focus needs more on awareness and education on this front before you expect a product to be successfully adopted or accepted.

In context to third query on leveraging new enterprises, my experience has been that individual and people role needs to be ascertained more clearly and emphasized. It also requires substantial investment. A consortia approach like NSIC has for little bigger enterprises has quite scope in micro enterprises also provided people have been made capable to manage it. Given the information and little hand holding and good profit, micro entrepreneurs are more courageous than even small and big entrepreneurs, as per our experience and observation in Rajasthan.

So in conclusion, I would suggest implement Fast track with long track in mind, focus on individual and collective capacity and work on reviving strategy including non-financial security.

Wishing best of luck for grass root endeavors and of course, workshop you are planning.

[Girija Srinivasan](#), Consultant, Pune

The following observations are based on the fieldwork in Kanyakumari, Nagapattinam and Virudhunagar districts post disaster, and also my recent evaluation study on post tsunami micro finance funding by donors in Sri Lanka.

Replying to the specific queries raised by you;

Methods and approaches for creating sustainable systems for Planning, implementation, management and finance of 'Fast Track' livelihood promotion projects in disaster affected areas, including withdrawal strategy and Role of Panchayati Raj institutions (PRIs).

Some of the sectors, which were affected due to tsunami, were fisheries, coir, shell based crafts and work, agriculture and vending. Many of these sectors had issues of over crowding, unsustainable practices pre tsunami. Post tsunami UN coordinated and indiscriminate transfer of assets to the households aggravated the situation (example, many NGOs entered the aid scene without understanding the social fabric of fisher community and the issues facing the sector. Even a catamaran based fishing operations needs two to three people and sharing of profit is equitable. New NGOs wanted to make every fisherman an owner of boat and not being mere labourer. Boats were provided to many households leading to over crowding).

Probably this is the right time to make an assessment of the status of the affected sectors and status on revival of livelihoods. You can also identify the marginalised groups of affected persons who did not benefit from post tsunami funding. Examples sea shell based crafts persons, back water fishers who were affected but have not benefited much. More over the most affected families who lost not only assets but family members and thus traumatised, people who have recently moved out of shelters will require support for livelihood promotion since they would not have been in a position to take up any livelihood activity.

Livelihood development activities in a post disaster situation can include short term activities such as cash for work, cash grants and in kind grants and long term activities such as micro finance, skills training, business development services including marketing service. Given the time frame of three years post disaster, we should be looking at long term activities. However, I am not sure what you mean by fast track livelihood promotion projects. Skill training, exposure visits, some basic advisory services can be provided on fast track in a shorter time frame. Livelihood development projects usually involve intensive efforts if technology transfer, market linkage especially with distant markets needs to be provided. Since

many of the affected sectors had issues even pre tsunami, mere micro finance provision will not revive/provide for sustainable livelihoods. Diversification from over crowded sectors will involve in depth work.

CCD's efforts have been already mentioned by [Vijay](#). SIFFS, DHAN foundation may be contacted to know about their management of post tsunami livelihood projects.

Microfinance Products & Services as well as delivery mechanism required for the social and economic securities as well as livelihood promotion of the families of disaster affected areas.

Micro credit has been over done in all the affected areas. Several donors set up revolving funds. Even prior to tsunami these districts especially Kanya Kumari had a vibrant informal, SHG based and church based micro finance interventions apart from a few MFIs. The number of access points was high. Since there are not many poor in the district, the loan demand is of higher order especially for dowry in marriages, house construction, and enterprises (in the order priority). Tsunami has also created new poor out of low-income households.

The households who had been used to higher standard of life, higher order enterprises demand more loans than what typically micro finance institutions offer. There is scope for developing savings, insurance and pension products for social and economic security. Delivery mechanism can be group based as well as individual loans. There are gender issues relating to Kanya Kumari district, which also require consideration in designing products. Since the density of population is high, the operations can turn around quickly. However, microfinance alone will have limited scope in livelihood revival/ promotion.

Access Development Services has been working on development of insurance products in Tsunami-affected areas.

Strategy for Investment in existing enterprises to leverage the market potential in terms of creating new livelihoods

This is not clear. To scale up enterprises, to finance back ward and forward linkage providing enterprises, there is a need for social capital either in the form of pure equity or longer term soft loan.

[Shivendra Sharma](#), Plural India, Gurgaon

You raise a very valid point with regard to ownership. A recent article in the Stanford Social Innovation Review classifies MFIs as either institution focused MFIs or client focused MFIs. Institution focused MFIs focus on their institution's need to grow and be sustainable (profitable) on the premise that the sustainability of the institution will automatically ensure client-side benefits. On the other hand, client-focused institutions strive to achieve the desired impact at the client level while progressing towards achieving sustainability.

The article could be downloaded from the following link:

http://www.ssireview.org/articles/entry/in_microfinance_clients_must_come_first/

It is much more difficult and frustrating to build a client-focused institution and requires much investment than building a self-obsessed institution.

Another recent article in the same publication by Alex Counts looks at microfinance as a platform rather than a product. http://www.ssireview.org/articles/entry/reimagining_microfinance/

Initiating microfinance in a post-disaster area requires viewing microfinance as a platform as it does not sound right to start offering market rate microfinance products at profitable interest rates in such areas immediately after a disaster. The aim should be to use the situation to drive the point about the benefits

of maintaining a financial discipline and building such discipline gradually. Such an approach necessitates introducing savings before credit is introduced. Targeted insurance products are probably the first and most dire need.

Specifically in terms of livelihood support projects, it would make sense and create much better impact if initiatives looked beyond restoring the pre-disaster situation. Such disasters also present a new opportunity to improve the conditions much beyond the past. Here are some thoughts I had in mind, while I was implementing one such project but was unable to convince my bosses and donors about their value:

1. Improving the working conditions on the seafront: Once the fish arrives at the shore in most of the affected villages, they are carried by women and children back to the village on their head. Constructing a conveyor belt, which allows them to keep the fish on it and pick up the load when it reaches into the village/market where the sale takes place would improve the process, make it more efficient and much easier for the women and children who have to carry them otherwise.
2. Building a Market Facility: The fish after it is lugged back to the village, is sold to traders/middlemen who take it further. A large volume of fish caught is actually exported rather than locally consumed. The trades take place anywhere in the village and often on the seafront (beach) itself. Constructing a basic covered shed with facilities for sorting and washing the fish would again improve the process as it would improve the valuations that the fishermen are able to obtain from the traders for their catch.
3. Building Ice Factories: The fish is packed in ice after cleaning and sorting. This is required for preserving the fish for the long journey to the final markets. If the village already has a local ice factory it is fine. If not then just for this the fishermen are either not able to obtain a better price or have to spend money on bringing the ice from the closest ice factory. Normally, most villages have enough fish catch regularly to justify the construction of a small local ice factory. Once again if the fishermen are able to provide sorted, cleaned and ice packed fish they would obtain a slightly better price for their catch plus the quantification of the catch could be done better.
4. Cold Storage: A variety of fish is caught depending on the season, the depth of the water, etc. On some days even when the fishermen are able to catch a good volume of a high grade fish, sometimes they find that several other boats on that day have caught the same fish. In the spot trading market, since the supply of the fish is high that day its price goes down, even though on another day it would be priced higher. In the absence of a cold storage the fishermen are forced to sell the fish at whatever price they are able to obtain for it. The trader in turn does not do that, he takes the fish and cold stores them. He will only sell the fish that he gets a good price for on a given day and store the other variety to sell on another day when it is in high demand and the supply is short. By building a local cold storage, we can allow the local fishermen to obtain a better price for their toil.
5. GPS Technology: While some fishermen in Kerala use Global Positioning Systems to store their routes and type of fish they find at specific locations, in Tamil Nadu most of the fishing is done without the aid of such technology. The fishermen have no means of storing locations and type of fish they catch in a certain zone and depth; hence they do it by primitive using primitive methods and their instincts. Not being able to store and process such information causes numerous losses. Fishing nets get entangled in rocks and are partially or completely damaged; boats get damaged repeatedly by brushing/crashing on rocks on the seabed, and sometimes capsize also. GPS Devices, which are available from Rs. 7000 onwards up to over a lakh or rupees, are available.

Even the cheapest devices offer some advantages and would allow the fishermen to at least have a safe trip (reducing vulnerability) and even improve the fish catch (type and volume). The value in conducting a study first for the design of a suitable microfinance product. Several configurations or GPS devices

could be used on selected boats for a certain period (i would recommend 1 year) and then the productivity gain could be plotted against the initial investment. The technology configuration the yields the best productivity gain could be offered in a microfinance mechanism.

6. Cultural Tourism: This brand of tourism is doing well in many places in India, South Asia and world at large. Cultural tourism is different from other types of more commercial tourism development. In this all you need to do is to pick a certain number of houses in the villages to start with where a small room is slightly upgraded in comfort, where a guest could be welcomed. Other than that, nothing else is required as the tourists interested in this kind of tourism are interested in living and learning about a culture/ community. They eat with the family (just the same as the family), spend the day in the village, and may enjoy doing any of the things that the community is does to earn its livelihood. The family is given some instructions and trainings to interact with the guest. I was reading in the newspaper a few days ago that the Tamil Nadu government is keen to develop some tourism areas in tsunami-affected places in Tamil Nadu.

Each of these are short-term interventions that will continue to provide improved livelihoods to the local communities. Each of them requires some capital expenditure but it would be much better to spend the money this way instead of doing something, which even though planned fails to deliver a sustained livelihood option. Further, each of these initiatives is easily amenable to the creation of a revenue stream, as the benefits of the services would be clearly realized by the communities.

If at the start, effort is spent to convince the donors/INGOs etc about the value of such approaches there is hope that the resources could be better deployed to create a lasting change for the affected communities. Even donors and INGOs can be classified as institution focused or impact focused, with a large majority being the former type (to a lesser or greater degree). Hence, having a clearly defined project that is accepted in its entirety by the donor/INGO without laying any additional conditions, and with the understanding that the chances of this working are at least as high as those of the usual planned approach.

Such projects to have a strong impact can best be described as attempts to try something new and innovative. If it works well the impact far outstrips the cost and if it doesn't it is still fine because in any case most projects are described as successful in their reports and so will this one be. Additionally, it would provide some new ideas and learnings and a better attempt could be made the next time.

[N. Srinivasan](#), Consultant, Pune

It is simplistic to assume that microfinance has a remedy for just about every problem. To my mind microfinance does not have any special approach that helps people recover from effects of disaster faster. Disasters that have a tendency to recur (floods, cyclones, earthquakes, etc) carry significant risks that do not have a physical mitigation mechanism. The risks of these disasters, at best could be financially mitigated if suitable insurance products are available that compensate the loss of lives, assets and income potential. Such insurance products carry a cost that has to be defrayed. If microfinance has to contribute to post disaster situations, then the NGOs and MFIs need to work hard in the normal times with the clients for taking appropriate insurance cover. The point is that insuring the risks should be encouraged as a normal behaviour and not reserved as a post-disaster activity.

Immediately after disasters, people need relief materials in which microfinance has no special role. Once the stage of relief is over, reconstruction of lost livelihoods begins. Here too, I am not sure whether any fast track methods are really available. The lessons from the Tsunami disaster show that fast track work results in ill coordinated and poorly planned livelihoods where markets and incomes are hard to come by. In a few cases, multiple livelihoods are provided without providing any means of funding the working capital as also linkages with raw materials and markets. We all have heard of stories where for each boat

destroyed in Tsunami, five new ones were provided (to each crewmember of the boat). Only captains were available and no crew members for the new boats!

Post disaster livelihoods cannot be fast tracked beyond a point - skill sets of the clients remain and the learning period in resuming the livelihood activity could be short. But finding markets (even they could have been destroyed) and finding linkages for inputs and capital are issues. Investment capital for resuming livelihoods needs to be long term and microfinance to a large extent does not provide long term funding. Even working capital is not given as a cash credit - only as a 52 weekly installment loan in many cases, which is not suitable for most activities with uneven cash flows.

Microfinance has to design products appropriate for livelihoods. Livelihood finance, whether post-disaster or normal, is about taking into account the cash flows of the activity and also the cash flow of the client and determining the quantum, period of the loan as also repayment terms. One-size-fits-all finance products rarely support livelihood activities; they only smoothen liquidity constraints.

Only when the MF sector actively engages financing livelihoods, it would be in a position to look at post-disaster livelihoods. Otherwise, microfinance would not have the competencies necessary to appraise livelihood needs and decide on the most appropriate ways of financing.

[Baladeb Sen](#), Microfinance Consultant, Chennai

The conventional concept and practice of microfinance services for a community of disaster-affected people will prove to be a difficult exercise and is constrained for the following factors:

- The members of such a community are often heterogeneous. The individual members, who are most often huddled together by some official dictate or some enthusiastic NGOs out to do their part on humanitarian ground, may take months to develop the minimum social bonding with a definite leadership pattern so that the combination/cluster could claim to be a community. Post disaster, such new colonies of human habitation typically represent only a nascent human society struggling hard to come to terms with the new environment. As almost all the members/settlers are drawn from widely divergent socio-cultural- linguistic fraternities. At times it becomes unavoidable and temporary relief tents are erected to put them together which further delays the process of the formation of a cohesive community, fully aware of the rights and responsibilities of living in a society
- These people are left with nothing; after a disaster and the worst tragedy is they are often totally demotivated having lost the basic urge to live. These survivors, in their tent life, do not find any body around (a wife, a mother, a father, a son or a daughter) for whom he has to learn the art of living for a second time.
- Without any capital, physical or otherwise, without any skill for producing or trading and being exposed to the uncertainties and threats from the environment and the market (which are found to be most often rather unfriendly and non-co-operative), the disaster-ravaged people do not and cannot present themselves as proper targets for micro financial services in the first few months.
- Such settlements often turn out to be more difficult terrain for the microfinance practitioners than the communities of tribals and people in forest fringe-areas. The latter groups have their own established (could be uneconomical) livelihoods, social alignments and value systems honoured for centuries and therefore amenable to some kind of limited integration with and inclusion in the changing social cultural and financial structures and systems.

I have with some intention, delved into these social and cultural aspects of the issue to highlight their critical importance in determining the efficacy of any microfinance support to these communities. The essential safeguards lie in conceptualizing an appropriate microfinance intervention, in the different phases it has to pass through to be of any lasting value to for the target members in the raw and rather unstable social groups that are formed by the external agencies including Government and the

donors (such phases need to be carefully formulated in a situation that calls for a very fast programme for reaching out to the maximum number of people.

To take care of all such extraneous safeguards considered necessary for these resettled people, we need to adopt and implement a programme of total support including minimum living conditions, health, medical care, arranging different community entertainment programmes with maximum involvement. In addition this programme has to lay utmost emphasis on providing training and capacity building for members who are able bodied men and women. For children, many of whom will be orphans, a long term education programme is necessary. This will create a reliable and strong social base on which alone depends the ultimate success of a micro-financial system and programme.

For financial support in the initial years, the conventional suppliers of funds like the Banks will not be very enthusiastic and international aid agencies, the donors and the government will have to provide full support. Alternatively, one has to look towards a low-cost/non-interest bearing funds made payable with a moratorium on both principal and interest. This is even available to when the most reputed corporates when they undertake very large sized capital projects with a gestation/break-even period of 4/5 years. Such projects get such favored treatment to build private capital. The social capital that would be formed in the long run should also have a claim for such a privilege.

[Navin Anand](#), United Nations Development Programme (UNDP), New Delhi

Giving a thought on microfinance as a part of socio-economic security and livelihood promotion of the families affected from disaster, I feel that the following microfinance activities are required in any of the disaster-affected areas:

Transfer of Assistance and Remittances

The first and foremost requirement of microfinance after the disaster is on the issue of transferring the government assistance and remittance from friends and relatives to the families of the disaster affected areas. In disaster-affected areas, we need innovative methods of transferring money. Mobile phone banking and other electronic based innovations can be used through specialized intermediaries to help the affected families in reestablishing them in fast mode.

Micro Insurance

Second important issue for the disaster-affected people relates to micro insurance, which can include health, Life, livestock and even General Insurance. A proactive approach needs to be applied at the time of micro insurance making all efforts to provide the claims to the members of the affected families. ICT can play a vital role in making the process on fast track.

Lease Finance (Micro-Leasing)

At the time of disaster, the families affected by it do not have anything in the form of collaterals to give to the banks for taking any productive assets for livelihood activities i.e. Boats for the poor fisherman. Affected families need support for getting such assets without providing any collateral. Lease Finance customized as per the needs of the members can be a good option. However, a moratorium of one year or more as per the project needs to be there so that the members get time to establish business and start getting sufficient cash inflows.

Savings Products

After the disaster the families are not in a position to save but after sometime they require savings products. Both mandatory and voluntary savings products are required by the affected families.

Credit Products (Consumption loans and Working Capital loans)

To start with, the members will need consumption credit and later, after identification of relevant livelihoods, members require loan products for their income generating activities. There can be

customization of such credit needs in the disaster-affected areas. Livelihood activities have different value chains as per the type of activity. A manufacturing / production related livelihood activity chain will require a very different loans products and repayment schedule compared to a service type of livelihood activity.

Management of Donation Funds

In disaster-affected areas management and proper utilization of donations can be better undertaken by microfinance institutions compared to any other type of organizations. This will be a specified activity, which MFIs can take up after disaster management.

[Kalika Mohapatra](#), United Nations Development Programme (UNDP), Bhubaneswar

There are international standards available in terms of relief distribution and standards for emergency situations such as SPHERE standards. Central government may follow any international standard, develop the standard for the country, or request all state governments to have a minimum standard for relief as per the need of socio-cultural situation.

Most of the states are following the Calamity Relief Fund (CRF) norms on relief distribution and ex-gratia amount payment. Under CRF, only 11 natural calamities are included, where as some other natural calamities like Lightning, Cold wave, Heat waves are not included but some of the state governments are distributing relief and ex-gratia amount out of their state budget. Orissa has such facilities like ex-gratia amount for Heat wave death is 50,000/- and 10,000/- in case of snakebite in normal situation.

In India the amount varies from state to state and some state has their own package for relief distribution and ex-gratia amount like Tamil Nadu had declared the package after Tsunami based on the national assistance and state own fund.

[G. K. Agrawal](#), Rural and Microfinance Consultant, Mumbai

I am inclined to agree with the apprehensions/views of [Mr. Baladeb Sen](#). Initially, any community affected by any large-scale disaster like Tsunami, earthquake, floods and having lost their savings, productive assets besides their kiths and kins, will need immediate support by way of cash and kind (food, cloth, shelter, medical care).

For rehabilitation of survivors, which only State can do with the support of NGOs for better efficiency and once they are stabilized and come out of trauma, microfinance can play their role. They can play a role through capacity building by way of productive assets and training and financial support for both consumption and production of marketable goods, partly by grants and partly by long-term loans at an affordable interest.

[Susant Kumar Sahoo](#), United Nations Development Programme (UNDP), Bhubaneswar

In my opinion there is need of a coordinated approach between the microfinance sectors operating at the community level and the local government efforts in the post disaster situations. In some of the district which are drought prone, the sufferers were getting benefits time to time as per the government relief norms, but if microfinance institution so exists in those pockets can involve themselves in doing value addition to the post disaster livelihood support programmes, it will solve some of the basic problem faced by the community like that of health, education, etc.

The second option can be tagging some of the government funds intended for livelihood support programmes towards disaster preparedness measures, which will in turn be the initial funds to start

immediate actions in cases of disasters like flood, cyclone, earthquake etc. These funds can be used as contingency funds with a scope for community involvement in future programmes.

Hope this could be discussed in large for better program convergence in disaster situations.

[Kailash Ch Pandey](#), Uttarakhand Bio-Fuel Ltd, Dehradun

I must say that this is a meaningful question, which you have raised. Every thing goes collapsed when disaster strike. We have to start from beginning. Prior knowledge of socio-economical condition of the community, with the prevailing livelihood activities is very essential and important for planning to initiate new activities in the disaster-affected areas.

Initially, it will take plenty of time to restart any activity in the disaster-affected area. It is not a matter of one or two years. The system, which has destructed, would have taken decades to become established and it is not so easy to regenerate that pace or get an entry point. One can only plan but not say that this is the right time to withdrawal.

The Knowledge of local resources, which were used by local community before disaster, is also important. It is possible that the local resources, which were used by the community, might me changed or destroyed completely.

To start a project a detailed survey is required to find out possibilities and interest of the people. Demarcation of locally available resources with their best possible use is needed. Available fund, technical know-how, local institutions for assistance and the uttermost thing is the marketing of the produce. The selection of activities is entirely depends on the area and interest of the people. But I want to say here that few activities like poultry, goatry, dairy, Atta Chakki etc. can be started in any part of India.

The role of PRI institutions is also very important. Now, they have social as well as financial power and almost 29 government departments are under them. They can plan and implement different livelihood activities with the support of government departments. The infrastructure, which is needed to start off-farm livelihood activities, can be established with the government fund in the affected areas. For long-term sustainability of any initiated activity, there is a need to train PRI, Institutions for planning, implementation and sustainability of the chosen activity.

There is unlimited fund provided by the national and international institutions for the disaster affected areas. We have to only channel zed it with the co-ordination of local authorities.

[Prabhat Labh](#), CARE India, New Delhi

Thanks for raising this query, which has elicited some very good responses. Leading a post- Tsunami microfinance program myself, I have had varied experiences of seeing, working with and supporting a number of civil society organizations engaged with the Herculean task of rebuilding lives and livelihoods in post- Tsunami disaster. Some of my learnings/ experience are here. I have known ESAF's work personally, and appreciate the quality of your work.

- Tsunami disaster is now three and half years old. So, my first advise is if you are planning something at this stage, at least, don't do it in a fast-track manner. Livelihood projects in any case should never be attempted in a fast-track manner. Any Livelihood choice involves a number of choices and complex interplay of factors like factor conditions, demand conditions, markets, competition, capabilities, credit etc. So, an intervention which is not based on a rigorous analysis has the potential of resulting in unwanted consequences or unsustainable impacts.

- Microfinance as well as micro insurance has an important role to play from both livelihood security and augmentation as well as from disaster risk reduction perspectives. However, lets recognize that microfinance could play only a limited role in livelihoods enhancement, and there is a lot more that needs to be done to make the initiative successful. Unless the clients are supported with skill development, community mobilization for collectivization in procurement/ processing and marketing etc, micro-credit interventions alone will not suffice.
- Maintaining distinction between subsidized and non- subsidized inputs: As MFIs, we by and large provide non- subsidized inputs (credit) to our stakeholders. However, in a post disaster scenario, particularly if you are getting engaged in livelihood interventions, there would presumably be inputs that are subsidized, including provision of cash grants/ free inputs itself. While communities that are affected by disaster need such support to be able to stand back on their feet. But, this dual role of the agency as provider of free-inputs versus provider of market-priced inputs has potential to create role confusion amongst your stakeholders, which could lead up to deterioration in credit culture itself, something you would not want to see as a disciplined MFI. Thus, if you could maintain an arms-length between these two functions, it would be good for your long term financial health. At the very minimum, the people who provide these two kinds of services on behalf of the organization should be different.
- Deciding on livelihood choices, from the perspective of maintaining focus on a few identified livelihood opportunities, there is the danger of ending up prescribing livelihood choices for people. Believe me; do not ever make livelihood choices on behalf of people. Give them information, give them options, but never ever make the choices on their behalf. Such prescriptive approach has the greatest danger of not being taken seriously enough by the stakeholders and ultimately failing. Following such participatory approach, will slow you down. So, that takes you to my first point: Don't do or try to do anything fast-track. One would argue that speed of response in a post-disaster program is of utmost important. I would argue that lets distinguish between relief/ rehab programs and livelihood development programs. Go for fast-track approach in relief/rehab, but not in livelihood.
- [Navin's mail](#) provides some very good pointers on kind of things you could do. I would add following to the list: (i) Savings linked livelihood loan: Encourage people to save towards starting an enterprise, and once they have saved a reasonable amount, let that be used for margin money requirement/ working capital etc. (ii) Savings linked insurance: Encourage people to save a regular sum every month, which is used to buy insurance at the end of every year (iii) Credit linked insurance: almost all big MFIs have tried it.

However, don't fall in the trap of putting MFI's interests on top of the interest of the people. Perhaps you would jump and tell me that MFIs are not allowed to take savings. You are right. But you have the Business Correspondent model. Exploit that to the fullest advantage. And the region where you operate is already high on 'financial inclusion'. So, take advantage of existing banks and post office network to encourage people to save. Savings is the first and non-negotiable requirement for resilient livelihoods.

Many thanks to all who contributed to this query!

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at se-emp@solutionexchange-un.net.in and/or the Disaster Management Community in India at se-drm@solutionexchange-un.net.in with the subject heading "Re: [se-mf][se-drm] Microfinance and Livelihood Support Projects in Disaster Affected Localities – Experiences; Examples-Additional Reply."

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