A market-integrated response to an emergency in Kyrgyzstan

Robin Currey, Meghan Neumann and Patrick Eckford, Mercy Corps

Mercy Corps has been working in Kyrgyzstan since 1994, focusing on micro-entrepreneurship, food security, small-holder farming and livestock development and conflict mitigation. Established in 2004 through the consolidation of five Mercy Corps-affiliated micro-credit agencies, Kompanion, a community development financial institution specialising in group lending, now employs over 1,000 staff, has 94 offices and is Kyrgyzstan's largest micro-finance institution, per number of customers. In June 2010, conflict erupted in Osh and Jalal-Abad provinces of southern Kyrgyzstan. Thousands of households lost family members, homes and possessions, as well as business assets. When the conflict broke out, over 45,000 of Kompanion's 109,900 clients were in the affected areas. Many of these clients needed credit relief quickly and additional assistance to recapitalise their businesses.

This article focuses on the emergency assistance Kompanion provided for its clients and the mechanisms put in place to provide it. Kompanion and Mercy Corps implemented programming designed to spur livelihood recovery for micro-entrepreneurs in southern Kyrgyzstan. This is in line with the organisation's commitment to responding to short-term needs while remaining aware of and focused on long-term development processes and opportunities to 'build back better'. This was Kompanion's first emergency relief intervention, and its model of emergency response is applicable to other micro-finance institutions (MFIs) and development organisations working in post-conflict contexts.

Post-conflict interventions

Within two weeks of the outbreak of the conflict, Kompanion had made contact, via phone or in person, with the majority of its 45,000 clients in the affected areas. It determined that 4,000 borrowers and their families had suffered serious losses and were in need of assistance. Kompanion responded with two interventions to assist with the recapitalisation of micro-entrepreneurs: the Emergency Credit Committee and the Fund for Rebuilding Communities through Micro-Enterprise.

Emergency Credit Committee (ECC)

Kompanion established the Emergency Credit Committee (ECC) in July 2010. The ECC had the authority to recommend loan forgiveness, with the approval of the Board of Directors of Kompanion; forgive interest and penalties; and extend repayment periods and restructure loans. The ECC consisted of three members: a regional manager and/or a member of the executive management team (Chairperson); a branch manager or a credit manager at the branch; and a staff lawyer.

Loan officers presented individual clients’ situations to the ECC and provided documentation of losses (photos, witness statements). Information was gathered when loan officers became aware that a client had been directly affected by violence, looting and business damage, or at the request of the client. The ECC considered each situation on a case-by-case basis, taking into consideration the level of loss, the role and importance of the micro-business in the family's household budget, alternative income sources and the likelihood that clients would be able to restart their businesses with recapitalisation funds. The main determinant of the type of credit relief offered was an examination of the burden on the client of repaying their loan, given the unique situation of each family.

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Fund for Rebuilding Communities through Micro-Enterprise (FRCM)

Mercy Corps and Kompanion also designed an equity cash grant programme to assist affected micro-entrepreneurs to restore livelihood activities, the Fund for Rebuilding Communities through Micro-Enterprise (FRCM). Micro-entrepreneurs dominate the Kyrgyz economy, providing basic needs and services such as food production (livestock, agriculture), markets, clothing, hygiene supplies and transportation. To ensure the provision of critical products and services and ensure micro-entrepreneurs could support their households, their businesses needed to be recapitalised.

Mercy Corps secured grants for the FRCM from two private donors (Muslim Aid and an anonymous donor). By mid-July, substantial further funding from the Bill and Melinda Gates Foundation and USAID/OFDA had been secured to provide equity cash grants to hundreds of micro-entrepreneurs in affected areas. An agreement was signed between Mercy Corps and Kompanion to facilitate the cash grant disbursements from donor funds.

Qualifying micro-entrepreneurs were provided with $500 grants to restore their damaged businesses, and $750 if both their businesses and their homes had sustained damage. The grant size of $500 was determined by taking Kompanion's average loan size and increasing the amount by 50%, to account for additional immediate needs. Directly affected markets (bazaars) and business zones were identified, and all micro-businesses that were damaged, looted or destroyed in these areas were invited to apply for an equity grant. The grant was open to Kompanion clients and non-clients alike. Applicants completed a one-page application, staff photographed losses and damage and a grant committee made the final decision on grant eligibility. Each recipient was monitored up to four times over a period of 12–16 weeks. The monitoring regime...
provided tracking data and reinforced to the recipients the importance of accountability.

Results

Emergency Credit Committee

All late repayment penalties were cancelled and a one-month grace period was put into effect for every Kompanion client affected by the conflict. Within two weeks of the establishment of the ECC nine sessions had been held, 76 loans forgiven, 41 loans partially written off and 229 restructured. Between 15 July and 31 December 2010 there were 34 sessions of the ECC, and Kompanion forgave 220 loans, partially wrote off 111 and restructured the remaining 2,140.

Although decisions about the type of credit relief to offer clients were made on a case-by-case basis, some trends emerged.

- Loan forgiveness (220 loans; $127,570). Loans were forgiven for nearly all clients whose homes were damaged or destroyed and who also incurred business losses, where the client and/or a family member was killed or suffered serious bodily harm, or where the affected business was the sole source of income for the family.
- Partial write-offs (111; $18,120). Loans were partially written off primarily at the client’s request. The typical situation involved writing off interest for a client preparing to leave the country contacting their loan officer with a view to fulfilling what they felt was their loan obligation.
- Loan restructuring (2,140; $1,187,080). Loans were restructured at the request of the client and their loan officer. Most often clients’ businesses had been disrupted due to the conflict, but did not sustain severe direct damage, and there was a good prospect that business activities would be resumed.

To understand the appropriateness of the different credit relief mechanisms for Kompanion clients, we tracked the 2,198 clients who received credit relief from the Osh branch, which had the largest number of clients affected by conflict: 132 loans were forgiven, 96 partially written off and 1,970 restructured as of 31 December 2010. Within six months, of the 228 clients whose loans were fully or partially forgiven, 20% (45 clients) were taking loans from Kompanion for working capital. Almost all (97%) of the 1,970 clients whose loans were restructured remain Kompanion clients. On this basis, the intervention seems to have provided adequate credit relief. However, 3% of clients whose loans were restructured were not able to make repayments. More research is needed to see whether a different type of credit relief may have assisted these clients, or if there were other extenuating factors affecting their ability to repay their loans.

Fund for Rebuilding Communities through Micro-Enterprise

As of 31 December 2010, grants had been provided to 944 micro-entrepreneurs, 57% of whom were women. Kompanion mobilised staff as the implementers of FRCM: loan officers, tellers and key managers were responsible for verifying losses, distributing cash and monitoring the use of the cash by equity grant recipients. The first batch of FRCM grants was disbursed on 14 July 2010, less than a month after the violence ended. Mercy Corps determined that 13% of grant recipients were Kompanion clients, but it has not been possible to assess whether the other 87% of beneficiaries were loan clients of other MFIs working in the affected area.
Operational Security Management in Violent Environments
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The first edition of *Operational Security Management in Violent Environments* (also known as GPR 8) was published in 2000. Since then it has become a seminal document in humanitarian operational security management, and is credited with increasing the understanding of good practice in this area throughout the community of operational agencies. It introduced core security management concepts and highlighted good policy and practice on the range of different approaches to operational security in humanitarian contexts. When it was published, the majority of aid agencies were only just beginning to consider the realities and challenges of operational insecurity. Few international or national organisations had designated security positions or policies and protocols on how to manage the risks of deliberate violence against their staff and operations. The GPR thus filled a significant gap in the policy and practice of security management.

Although a good deal of the original GPR 8 remains valid, the global security environment has changed significantly over the past decade. New conflict contexts have created new sources of threat to international humanitarian action. Increasing violence against aid workers and their operations, including more kidnappings and lethal attacks, has had serious implications for humanitarian relief work in insecure contexts. Meanwhile, agencies themselves have become much more conscious of the need to provide for the safety and security of their staff.

To reflect these changes, the Humanitarian Practice Network has published a new version of GPR 8. The new edition both updates the original material and introduces new topics, such as the security dimensions of ‘remote management’ programming, good practice in interagency security coordination and how to track, share and analyse security information. The new edition also provides a more comprehensive approach to managing critical incidents, in particular kidnapping and hostage-taking, and discusses issues relating to the threat of terrorism.