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MICROFINANCE WEEK 2015
FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

Improve resilience Create awareness Build capacities

An introduction to the
Disaster Risk Reduction (DRR) Program
and examples from the field

A SEEP Network / Citi Foundation Partnership



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Defining Disaster

- Serious disruption of the functioning of a community or society
- Involves widespread human, material, economic, or environmental losses and impacts
- Exceeds the ability of the affected community or society to cope using its own resources

Speed of Crisis	Type of Crisis	
	Natural	Political
Rapid Onset	<ul style="list-style-type: none"> • Floods • Storms • Tsunamis • Earthquakes 	<ul style="list-style-type: none"> • Internal conflicts • War
Slow Onset	<ul style="list-style-type: none"> • Drought • Famine 	<ul style="list-style-type: none"> • Corrosive corruption • Terrorism/insecurity



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Disaster Risk Reduction:

The concept and practice of reducing disaster risks through systematic efforts to *analyse* and *manage* the causes of disasters.

Three main components are:

Disaster Preparedness

- Lessening or limiting the adverse impacts of hazards and related disasters

Response

- Providing emergency services during and immediately after a disaster to limit impact and meet basic needs of people affected

Risk Management

- Using operational skills and capacities to implement strategies, that increase people's resiliency in times of crisis



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Why Now?

- DRR is not a new concept
- But crises these days are *more frequent* and *severe* than before and are often *long, protracted* and *cyclical* in nature
- This has done away with the concept of “post disaster” in many contexts



Source: *The future framework for disaster risk reduction: A guide for decision makers - second edition, ODI, November 2014*



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Disproportionate Impact on the Poor

Millions live in poverty and with disaster risk

Up to **325m**

extremely poor people will be living in the 49 most hazard-prone countries in 2030, the majority in South Asia and sub-Saharan Africa.⁴⁰



Some of the countries with the highest hazard risks also have the largest numbers of people living below the

\$1.25 -a-day threshold.⁴¹

Developing countries compared to rich ones:

4 times
the population.

150 times
more likely to be affected
by disaster.⁴²

Source: *The future framework for disaster risk reduction: A guide for decision makers – second edition, ODI, November 2014*



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Resiliency

“The ability of people, households, communities, countries, and systems to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth. (USAID)”

Market Strategies

- Coordinated response between relief and financial service providers and the range of new private and public sector actors in DRR
- Market assessments that identify potential risks, those most likely to be impacted and the factors such as gender, ethnicity and religion that affect divergent sectors of society

MFI Preparedness

- Stress testing of MFIs to measure preparedness in times of crisis, i.e. portfolio, systems, infrastructure, human resources, security
- Development of products and services that will help clients manage the threats of crisis as well as prepare and reduce risks of future disasters, i.e.. savings, insurance, emergency loans, cash transfers, etc.

Client Preparedness

- Disaster risk and vulnerability assessment of FSP clients to measure their assets and range of coping mechanisms available to manage economic stress
- Access to information through an array of technology outlets regarding emergency financial products and services, emergency response and non-financial services

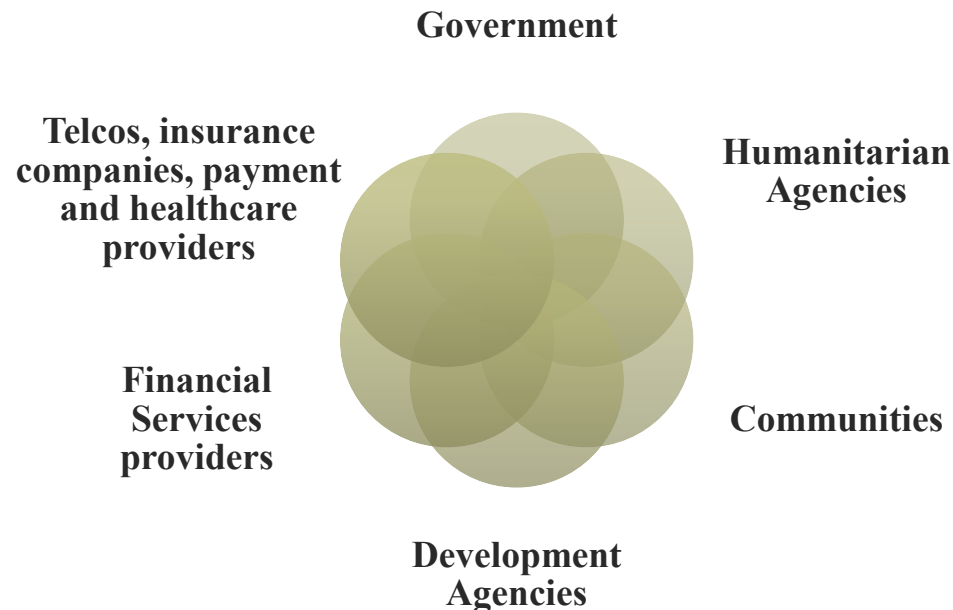


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Changing Landscape: Market Systems

The boundaries between economic risk reduction, recovery efforts and financial inclusion programming for poor and low-income people are becoming increasingly blurred.





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New Challenges

- Complex ecosystem of actors with divergent motivations and objectives
- Lack of a common language and understanding between the humanitarian and financial services worlds
- Limited coordination among the range of new public and private market actors involved

...and Opportunities





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Disaster Risk Reduction (DRR) Program



Improve the resiliency
of financial service providers
serving vulnerable
populations as well as the
communities they serve

**Create awareness of the need
for disaster preparedness**
in financial services markets and to
build a general consensus among key
stakeholders around effective disaster
risk reduction practices

**Strengthen the capacities
of financial service
providers and their clients**
to anticipate, cope, and recover
from the negative impacts of
disasters



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Disaster Risk Reduction (DRR) Program

HOW WILL THE DRR PROGRAM WORK?

- **Convene highly visible multi stakeholder forums** representing a cross section of public and private sector organizations to raise awareness around the need for disaster preparedness in financial markets serving the poor and promote greater intra organizational coordination.
- **Document existing good practices, programs and organizations** working at the local level to promote resiliency and mitigate disaster related systemic risks for FSPs and their clients;
- **Build the business case for DRR** by raising awareness of the costs of not being prepared. Case study briefs will be developed that document the losses faced by FSPs and their clients in recent disaster situations.
- **Produce a practical framework** for analyzing and preparing for disaster related risks. A DRR Framework will be developed to facilitate analysis and preparation for disaster related risks for financial service markets.



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Steering Committee Members

Aga Khan Agency for Microfinance (AKAM)	Microfinance CEO Working Group
Consultative Group to Assist the Poor (CGAP)	Pakistan Microfinance Network (PMN)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Sanabel - The Microfinance Network of Arab Countries
International Rescue Committee (IRC)	Mercy Corps
United Nations Capital Development Fund (UNCDF)	United Nations High Commissioner for Refugees (UNHCR)
USAID/Office of U.S. Foreign Disaster Assistance (OFDA)	

Activities to Date

- Kick Off event September 28, 2015 in Washington DC
- Bilateral discussions with SC members to identify current initiatives for knowledge sharing
- Desk review of market mapping tools for DRR diagnostics of financial services market
- Development of a country level framework for engagement to be pilot tested in India in 2016



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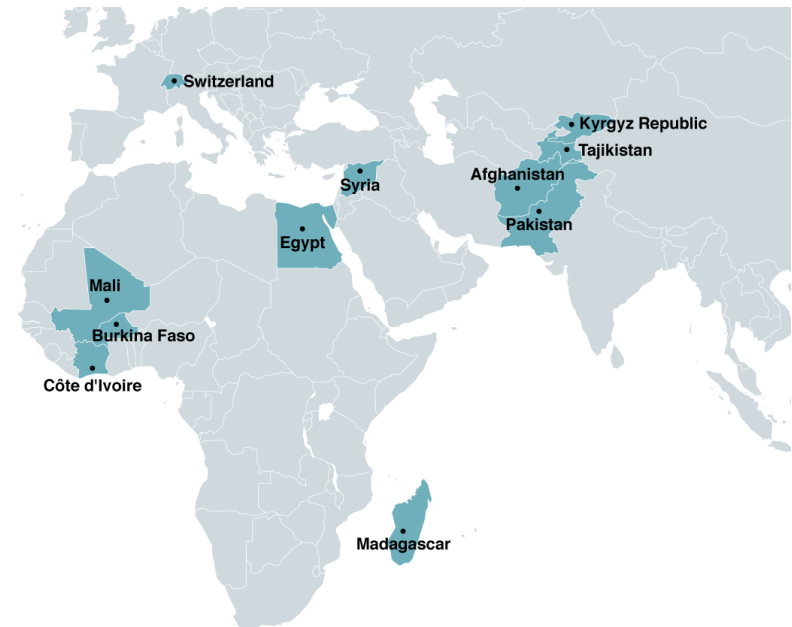
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Importance of DRR for AKAM

AKAM Mission

Affect demonstrable, measurable, and lasting **improvement in the Quality of Life** of its clients by delivering appropriate financial services to diminish the vulnerability of the disadvantaged and enable economic and social inclusion.

Geographic Presence



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Aga Khan Agency for Microfinance is a social development agency of the Aga Khan Development Network



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Disaster Preparedness FMFB Afghanistan

- Serves over >55k clients;
- Outstanding portfolio = \$61.5M
- Housing finance total portfolio in
 - value 15% (\$9.5 million)
 - number of clients 17% (9.3k)
- currently the only MFI in Afghanistan that offers a housing microfinance product.

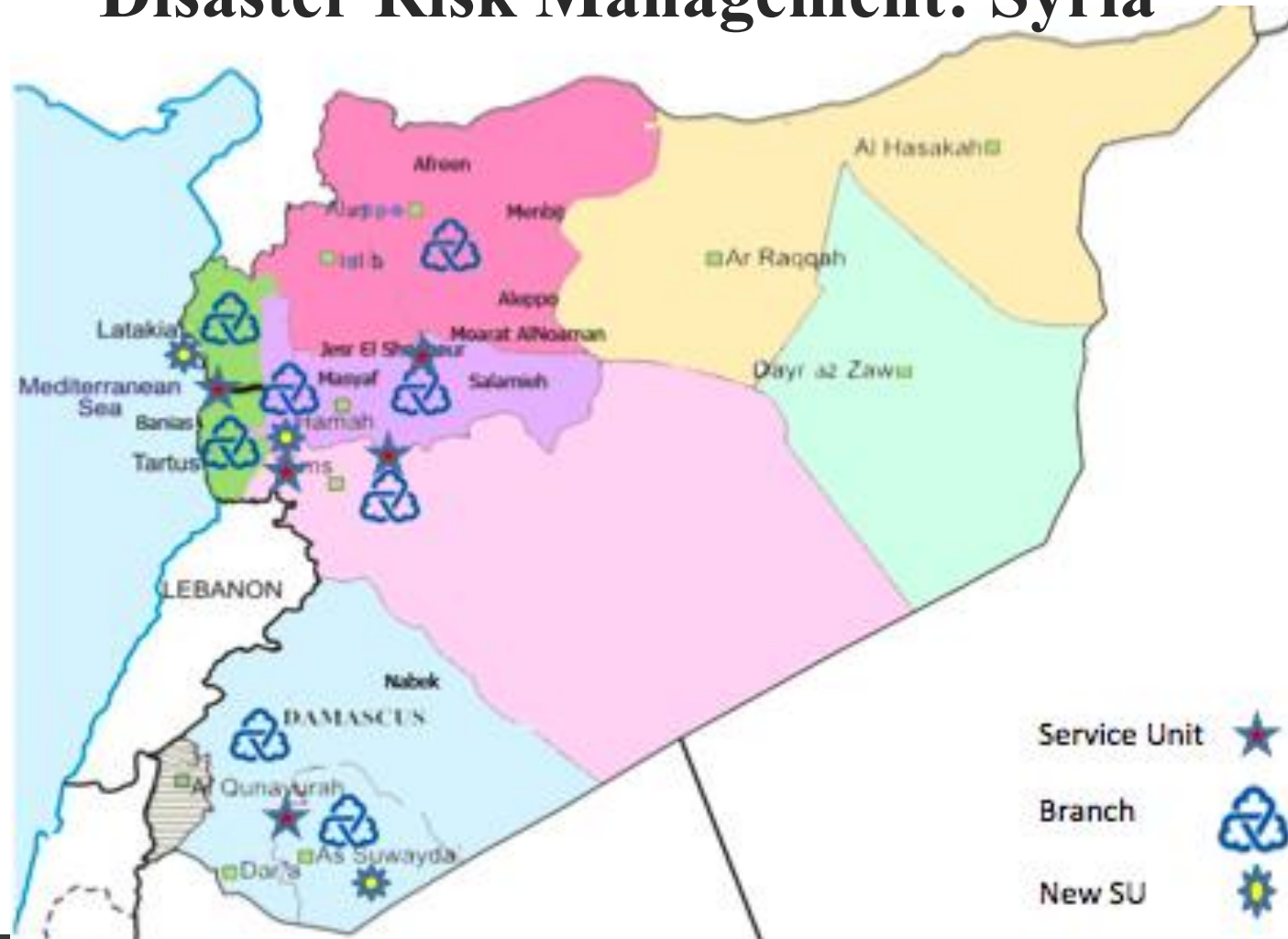


Product	Amount	Term (months)	Interest rate	Use
Home improvement with advisory services	\$200 – \$5,000	6 – 24	25% declining	<ul style="list-style-type: none"> – repairs, structural changes & home completion – Upgrades/connections for basic utilities (WATSAN), as well as solar energy installation, house insulation and hygienic improvements. – Advisory services - houses earthquake resistance, sanitation, ventilation, and energy efficiency
Collateral: Personal guarantor, Household assets, title deed				
Eligibility: Afghan National, Age between 18-65, Businessperson/employees, primary residence				

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Disaster Risk Management: Syria





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Disaster Response Syria Outreach

Key Figures as of September 2015

Number of outlets	13
Number of depositors	34'909
Value of individual deposits	\$5.4 million
Number loans outstanding	23'870
Cumulative loans disbursed 2011 - 2015	>74,000
Value of outstanding loans	\$6 million
Cumulative value of loans disbursed 2011 - 2015	>\$65 million
Female borrowers	35%
AKF/FOCUS Humanitarian Aid distributed	>35,000 HH