

Financial Inclusion Before, During and After Natural Disasters

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Mercy Corps

- Global humanitarian relief and development organization focused on saving and improving lives in the world's toughest places
- Operating in more than 45 countries with 4,000+ staff
- Broad array of financial inclusion initiatives embedded in nearly all major programming around the world

Institutional Financial Services @ Mercy Corps

- Building financial services companies and other social-businesses designed to increase financial inclusion
- Often working in regulated markets and industries & mobilizing commercial capital as well as grants and social resources
- Founded 12 MFIs; currently 6 MFIs with more than US\$1.2 billion in assets and 300,000 clients as well as a wholesale correspondent bank serving the MFIs in Indonesia
- Emphasis on product innovation that shifts the marketplace and demonstrates the business case for increasing outreach

Pro-Impact Roles of Financial Services for Natural Disasters

Before

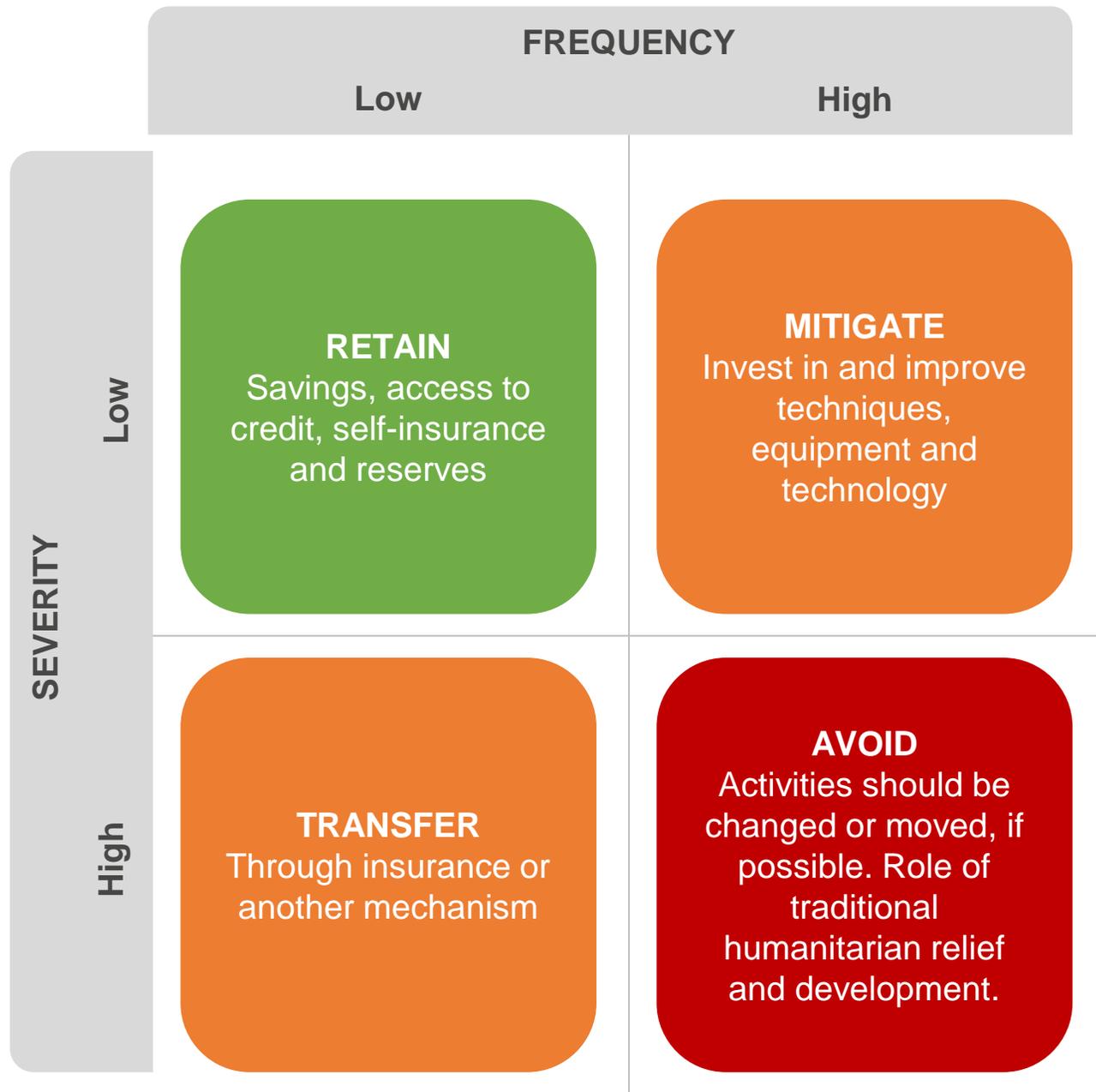
- Increase confidence to increase investment
- Help prepare mitigations
- Provide a safe and compelling place to save
- Provide information and encourage alternatives when disaster is predicted

During

- Allow access to remittances and savings
- Keep points of service open
- Help channel aid
- Support financial flows system

After

- Lend, recapitalize and adjust terms to help restart activities
- Provide insurance payouts
- Rebuild and repair institutions
- Help prevent adverse choices like asset selling



Bosnia/Serbia Floods 2014

- In May 2014, extreme rainfall in the Balkans caused dam failures and massive flooding along several major rivers in Bosnia and Serbia
- *Partner*, along with MC and *The Center for Development and Support* (former MC Bosnia office) secured grants from USAID to disburse 652 grants to badly affected clients
- In addition, *Partner* secured 1.25 million euros from KfW (a German development bank) to offer 531 affected clients new loans at low or no interest
- *Partner* infrastructure and staff enabled the rapid identification of victims who were positioned to use assistance to rebuild the homes and businesses



Partner
MIKROKREDITNA FONDACIJA

Mikro krediti sa
makro povjerenjem!



Experience in the Philippines

- Following Typhoon Haiyan, Mercy Corps leveraged its close relationship with BankKO to launch TabangKO (“my help”) to deliver emergency cash via mobile money
- Delivery channel very effective and efficient
- Recipients were encouraged to consider saving funds and taught about savings options available
- Financial education was provided to some clients, on an experimental basis, as a one-hour literacy class. Messaging was also provided over time.
- Consistent, persistent financial messaging had the greatest impact on savings behavior



Indonesia Liquidity Facility After Disasters (ILFAD)

- Indonesia's many islands and inhabitants are frequently battered by earthquakes, tsunamis, volcanoes, flooding and droughts
- ILFAD is an emergency liquidity facility available for pre-approved Indonesian MFIs after a disaster (164 MFIs currently)
- Technical assistance with product development and emergency management
- Late-stage explorations on introducing portfolio/meso insurance products for member MFIs – strong interest among members





Microinsurance Catastrophe
Risk Organisation

Focused on trying to
“crack the nut”

- Social-business established by Mercy Corps and partners as reinsurance company in 2011
- First pilots of micro- and meso-insurance in Haiti from 2013-2015
- Expanding with the support of SDC, Inter-American Development Bank and AusAID into Central America
- Guatemala pilot launch in early 2016, El Salvador pilot in late 2016
 - At least 80,000 policyholders by the end of 2017 and 250,000 by the end of 2019
- **Committed to the idea that microinsurance can be brought to scale**
 - Minimize actual and perceived basis risk
 - Sell and market better
 - Carefully differentiate when insurance is the best solution versus savings or mitigation



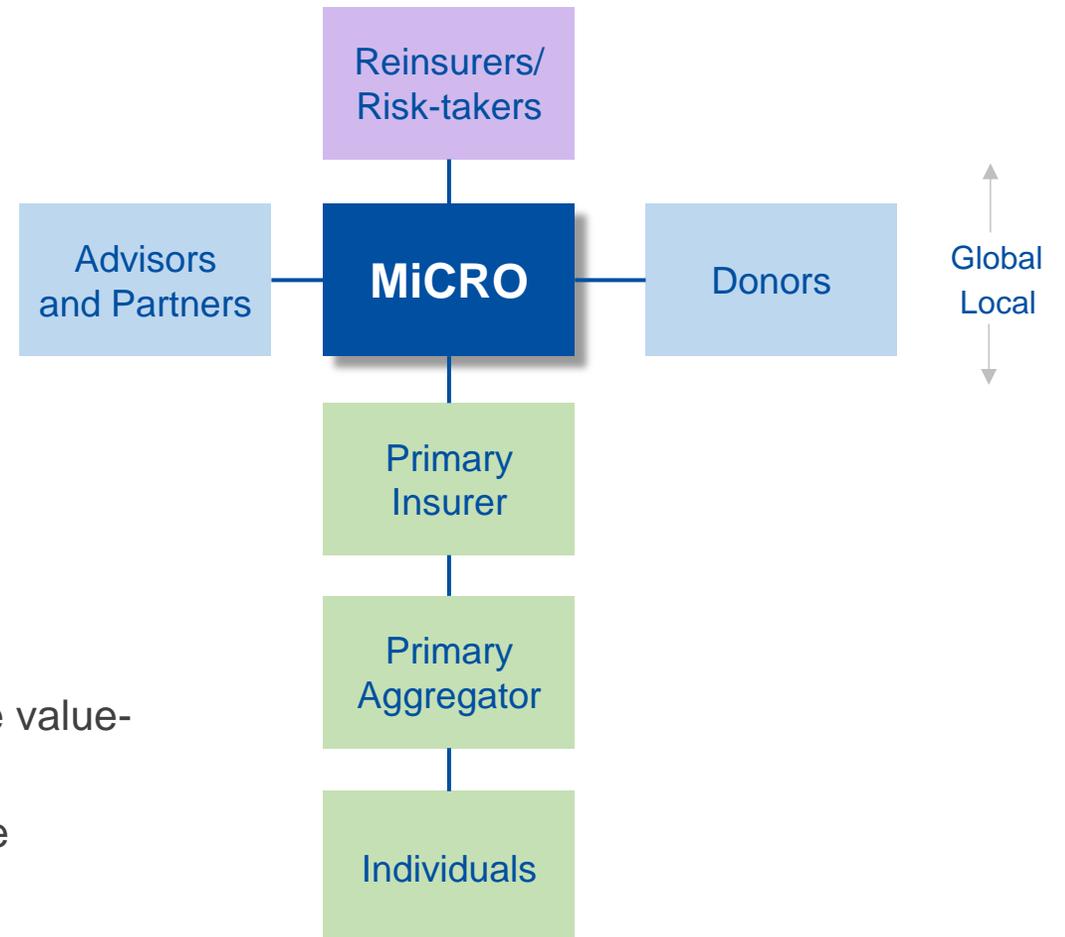
MiCRO Plays an Indispensable Role in Bringing Products to Market at Scale

Natural hazards microinsurance is **scarce** and has not achieved **critical scale** in any schemes around the world. Often times, there has been a missing link

MiCRO brings together international leaders, a **team** of world-renowned experts and **flexible product development** processes for incorporating new technologies and innovations

MiCRO COMPLETES THE VALUE CHAIN AND ENABLES MARKET CREATION

- Making critical upfront **efforts** and bearing first-mover risk
- Coordinating and bridging the **gap** between global and local actors
- Demonstrating demand and feasibility, **incentivizing** the rest of the value-chain
- MiCRO will become a risk taker in the future, adding capacity to the marketplace



Principles We Are Learning and Applying

1. Financial services access before, during and after an event have a very meaningful impact on recovery and outcomes
2. Natural disasters have implications for stability and security (i.e. Syria)
3. Product appropriateness and flexibility is critical to outcomes
4. Protecting the financial system is critically important
5. Merely providing access to services does not change behavior; education and encouragement is needed
6. A suite of mechanisms (savings, credit, insurance, etc) is required to increase resilience

Thank you!

