

# Disaster and Micro-Loans Challenges and Options for Managers

Disaster Risk Management Program  
UNDP Tajikistan  
With funding from  
Bureau for Crisis Prevention and Recovery  
UNDP

# Welcome

# Administrative Issues

- Toilets
- Phones – turn off or put on vibrate
- Coffee and meals
- Certificate of Participation
- Other issues – see the person over there

# Introductions

- Take a number
- Find the person who has the same number
- Find out their name and where they work
- Be prepared to introduce the person in 1 minute

# Why are you here?

- Take a piece of paper
- Write down, in one sentence, why you are here
- Pass the paper to the front

# Training Objectives

- Enable Microloan organizations to identify and address disaster risks
- Why?
  - Disasters can cause economic damage
  - Borrowers may not be able to repay
  - No income for microloan organization
  - May be forced to reschedule, forgive loans – not good for business

# What is a disaster?

An event which:

- Exceeds one's (society's) immediate ability to cope
- Has a negative impact
  - Threatens life or livelihoods
  - Often results in considerable physical damage
- Requires an immediate response
- Recovery is usually not immediate

Any examples?

# Risk, Hazard and Vulnerability

- What is
  - Risk?
  - Hazard ?
  - Vulnerability?
- How are these terms used in microcredit?



# (Disaster) Risk is ...

Risk = hazard and vulnerability

- Hazard : what can go wrong; are always there
- Vulnerability: whether you will be damaged by the hazard when it becomes real; varies widely
- Resilience
  - Whether you can resist the hazard
  - Whether you can rebound
  - Whether you can avoid the hazard

# Hazards

- In your groups, list 10 hazards found in Tajikistan
- What is the difference between these hazards
- How can you manage these hazards?

# Hazards in Tajikistan

- Flood
- Drought
- Frosts and freezing
- Snowfall
- Rainfall
- Hail
- Wind
- Avalanches
- Desertification
- High Ground Water
- Mudflow
- Landslide
- Earthquake
- Rock fall
- Epidemic
- Epizootic
- Epiphytotic
- Industrial waste
- Hazardous biological waste
- Unplanned chemical releases (air, water, land)
- Hydro-Technical structures accidents (dams, dykes, irrigation system collapses, etc.)
- Transport accidents, including rail, road, air and water transport
- Transport accidents during the transportation of dangerous consignments
- Accidents affecting gas and fuel and heating pipelines
- Accidents affecting life support systems

# Hazards

- What hazards are the greatest threat to loan portfolios?
- List some actions to address hazards
- Take 10 minutes to respond
- Where can you get information on hazards?

# Considering Vulnerability

- Human and Structural Vulnerability
- How do you address structural vulnerability?
- List 2 structures (e.g., a building), select a hazard which can affect the structure, and list a way to reduce the vulnerability.

Structures	Hazard	Damage Reduction
Roads	Flooding	Make bridges bigger
	Earthquakes	

# Social Vulnerability

## Livelihoods Approach (DFID)

Figure 1. Sustainable livelihoods framework

**Key**

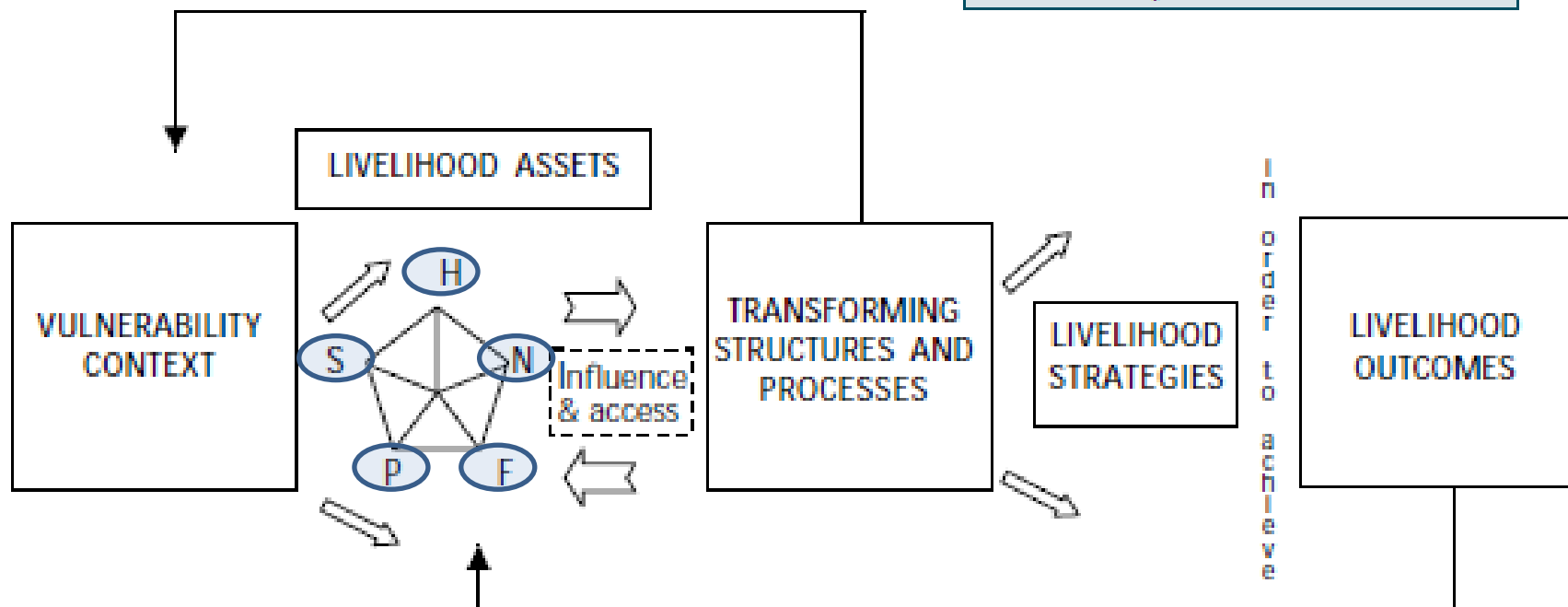
H = Human Capital

S = Social Capital

N = Natural Capital

P = Physical Capital

F = Financial Capital



From: Sustainable Livelihoods Guidance Sheets, <http://www.eldis.org/vfile/upload/1/document/0901/section1.pdf>

# What is Capital?

- Human – What a human can do
- Natural - Resources
- Financial – Somoni-in-the-pocket
- Social – Who you know
- Physical – Stuff you can put your hands on

*Smaller capital, greater vulnerability*

Are your loans linked to any of these capitals?

# Disaster Impact on Social Vulnerability

For each of the types of social capital below,  
identify one impact of a disaster:

1. Human Capital -
2. Natural Capital -
3. Financial Capital -
4. Social Capital -
5. Physical Capital -

How can these impacts affect your loan portfolio?



# Social Vulnerability and Groups

Disasters affect different groups differently:

- Men and Women – why?
- Children and Adults – Why?
- Young and the Not-so-young?
- Chronically ill and Chronically healthy – why?
- Who else?
  - -
  - -

In defining social vulnerability you need to understand the specific impacts on different groups.

# Knock-on Effects

- Action of one type of capital affecting other types of capital
  - Increasing financial capital leading to increases in social and human capital
- Knock-on effects can be positive or negative
  - How can they be negative?
- Need to consider knock-on impacts in planning and implementation risk management

# Summary

- Risk = hazard, vulnerability
- What are the 5 types of capital?
- What makes socio vulnerability?
- How can you reduce vulnerability?
- How do you make risk reduction most effective?

# Break

# MLO Disaster Risk Screening: Are You Ready?

- Hand out provides a quick and simple way to assess the risk posed by disasters to your organization
- For your organization, complete the form, after I explain it...
- No, you do not have to indicate the name of your organization

# MLO Disaster Risk Screening

#	Question	Response	Scoring	Score
1	Has a disaster risk assessment been complete for the area served by the MLO/MLA?	Yes, No	No = 1	1
2	Has an assessment of possible disaster impacts on the loan portfolio been conducted?	Yes, No	No = 1	0
	<b>Total score</b> (higher score means lower disaster risk management)			27

# The Screening Questions

- Has a disaster risk assessment been complete for the area served by the MLO/MLA?
- Has an assessment of possible disaster impacts on the loan portfolio been conducted?
- Has an assessment of possible disaster impacts to MLO/MLA facilities (e.g., offices) been completed?
- Have mitigation plans been implemented to address possible disaster impacts to MLO/MLA facilities?
- Has an assessment of the impact of loss of service due to disaster been conducted?
- Have mitigation plans for a loss of service due to disaster been implemented?
- Has an assessment of loss of staff due to disaster been conducted?
- Have mitigation plans for a loss of service due to disaster been implemented?

- Has an assessment of loss of records due to disaster been conducted?
- Have mitigation plans for a loss of records due to disaster been implemented?
- Do the majority of clients have income that is above the poverty level in Tajikistan?
- Has the rate of growth in the loan portfolio exceeded 10% per year?
- Does the MLO/MLA have reserves that can cover more than an average of 90 days of loans provided?
- Have any delays in repayment above normal levels been noted following severe winter weather, drought or other similar events?
- Does the MLA/MLO provide advice to borrowers on managing risks related to natural hazards?
- Does the MLA/MLO have a written policy and procedures for managing loan payments after a disaster?
- Does the MLA/MLO have a written policy and procedures for making new loans after a disaster?



# The Results...

# Lunch

# Disaster Risk Management

- This session will review risk management options, and pitfalls, for microloan organizations

# How do you manage risk?

- In groups, list on a flip chart, the ways your organization manages risk
- Take 10 minutes, and then we will discuss

# Common (*disaster*) risk management options

- Don't loan (*avoid*)
- Loan Review (*warning*)
- Diversification (*reduce*)
- Increase premiums for risky loans (*prepare*)
- Increase reserves (*prepare*)
- Secure stand-by credit for use in an emergency (*prepare*)
- Others?

# Impacts of Disaster

## *On Loan Portfolio*

- Default – consequence?
- Deferral – consequence?
- Refinance – consequence?
- Down-size - consequence?
- Absorption – consequence?
- Failure – consequence?

# Impact of Disaster

## *On Operations*

- Loss of facilities
- Loss of staff
- Loss of access to clients
- Loss of documents/other resources
- Increased workload
- Increased demand to provide loans
- Demand to funnel assistance through organization to disaster survivors
- Others?

# Simplified *Disaster* Risk Assessment

- What hazard exist in your area?
- What are the greatest social vulnerabilities?
- What disasters have occurred?
- How have these disasters affected your communities and portfolios? (*Can you analyze portfolio performance?*)
- How have these disasters affected your operations?
- What are you options to manage the *portfolio and operations* risk?



Question	Where can you get information?	Response
What hazards exist in your area?		
What are the greatest social vulnerabilities?		
What disasters have occurred?		
How have these disasters affected your communities and portfolios?		
How have these disasters affected your operations?		
What are your options to manage the <i>portfolio</i> <u>and</u> <i>operations</i> risk?		

# Break

# SUMMARY – 1

- Objective?

Enable Microloan organizations to identify and address disaster risks

- Why?

- Disasters can cause economic damage
- Borrowers may not be able to repay
- No money for microloan organization
- May be forced to reschedule, forgive loans – not good for business

# SUMMARY – 2

- Risk, Hazard, Vulnerability, Disaster – what are they?
- Tell me some hazards in Tajikistan
- How can you manage (disaster) risk?
  - Don't loan
  - Diversification
  - Increase premiums for risky loans
  - Increase reserves
  - Secure stand-by credit for use in an emergency

# SUMMARY - 3

- How can you develop a quick risk assessment?
- What can you use as a guide in developing a disaster risk management plan?
- What do you want to be cautious about after a disaster?

# Feedback

1. Write down one thing which was good with the training
2. Write down one thing which could be improved with the training
3. Was this training useful to your work in microloaning? (indicate *yes/no*)

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