This document is part of the Microenterprise Best Practices (MBP) Project's series of Technical Briefs on post-conflict microfinance, available at www.mip.org. The series discusses whether and how to use microfinance in post-conflict settings. The first seven briefs are designed primarily for microfinance practitioners. The final brief (#8) is designed for relief organizations considering microfinance for the first time. While experienced microfinance organizations are unlikely to find new information here, they may share this brief with non-microfinance organizations experimenting in this technical area.

Microfinance Following Conflict: Introduction to Technical Briefs

WHO SHOULD READ THESE BRIEFS?

This is the first of a series of eight Technical Briefs discussing microfinance in post-conflict environments. These Briefs were created to serve two specific interest groups:

- Those who implement or fund microfinance in environments *not* affected by conflict, who wish to know: "how is microfinance following conflict different from standard practice?"

- Those who implement or fund relief operations in post-conflict environments, who wish to know: "should we consider implementing microfinance as a tool for reconstruction and development?"

WHAT DO THESE BRIEFS COVER?

To aid both of these interest groups, this series of Technical Briefs attempts to achieve the following six tasks in the ensuing seven Briefs:

1. Describe post-conflict microfinance experiences, both in terms of development of a microfinance institution and of an entire microfinance industry (*Briefs 2 and 3*).

2. Provide guidelines of when microfinance should and *should not* be attempted in a post-conflict environment (*Brief 4*).

3. Encourage pragmatism in strategy and expectations: describe the "unique" features and outcomes of microfinance that may appear in post-conflict environments (*Brief 5*).

4. Examine a specific technical challenge: ensuring the physical security of staff, clients, and assets (*Brief 6*).

5. Explore the challenges of serving different types of post-conflict population groups: refugees, demobilized soldiers, internally displaced persons and resettled populations (*Brief 7*).

6. Provide special guidance for institutions considering microfinance for the first time (*Brief 8*).

While the final Brief is particularly geared to new-comers to microfinance (both donors and implementing institutions), guidance throughout the Briefs helps those traditionally from the relief world to assess whether they are prepared to engage in the now standardized practice of microfinance.

A CONCEPTUAL STARTING POINT: WHY IS POST-CONFLICT MICROFINANCE AN ATTRACTIVE OPTION?

In recent decades, conflict has become increasingly complex and frequent. According to UNHCR, in 1970, 2.5 million people were displaced from their homes (either as external refugees or internally displaced) due to conflict. By 1990, that figure had risen seven-fold, to 15 million. Ten years later, in 2000, nearly 23 million people were refugees or internally displaced, ten-fold the number seen 30 years earlier.

While the numbers have increased, international assistance for displaced populations has not kept pace. As a result, the demand for assistance has far outstripped the supply. In such situations, new approaches are needed that conserve funds by helping more people with less money. Microfinance—which recycles assistance funds to reach ever larger numbers of people—is an attractive option for stretching resources. Moreover, it is hoped that microfinance can jump-start economic activities for individuals and markets, and help conflict-affected families to rebuild their household and business asset base.

THE GOOD NEWS

The good news is that microfinance has indeed worked in many post-conflict settings. Some of these examples are provided in Briefs 2 and 3, which describe Cambodia, Kosovo, and Liberia. Other success stories span the globe, and include Mozambique, Rwanda, East Timor, Bosnia, and others. In these settings, microfinance institutions (MFIs) have demonstrated that microcredit in particular can be an appropriate and cost-effective intervention that is understood and appreciated by populations otherwise at the mercy of relief. Not only have these programs shown success at the client level—in terms of helping families to rebuild their economic lives and livelihoods—but also at the institutional level, where MFIs have become permanent institutions that last past the relief and reconstruction stages to become part of ongoing development of the area.

THE BAD NEWS

As with non-conflict environments, microfinance is not an easy intervention that is successful in all cases. Traditional microfinance players are often wary of entering areas with the level of economic, political, and social disruption that is part of “every day” life for relief professionals. They recognize that a risky intervention is inevitably more risky and more costly in such environments. As a result, microfinance programs in post-conflict environments are often dominated by those with the least experience in microfinance, and with few links to the technical expertise they need. Because of this disconnect, much post-conflict microfinance is plagued with lower results than might otherwise be achieved.

THE CHALLENGE

The immediate challenge is to create greater interaction and dialogue between experienced microfinance practitioners and donors and those who are already on the ground and in need of new solutions in post-conflict environments. This dialogue can take place within and between donor institutions, where to date microfinance and relief professionals rarely meet. It can also take place within the practitioner world, linking non-governmental organizations (NGOs) and MFIs through professional networks. Multi-sectoral NGOs that already have both relief and microfinance practice areas—such as CARE International, Catholic Relief Services, Save the Children Foundation, World Relief, Concern International, and others—can play a pivotal role in building communication and practical links between the microfinance and the relief communities. These Briefs may play a small role in jump-starting this dialogue.