



Invest to prevent disaster

POINT OF VIEW 1

Overview from Microfinance Institutions

1.From your experience, can you say that micro finance can be a tool to reduce the impact of disasters?

From my experience, many people who use microfinance over time move to more permanent housing structures which may help protect them from the disaster - microfinance often brings households to a higher standard of living. This allows for better personal physical conditions which may help people survive better in a disaster. One could use MF delivery as a means of delivering information about what to do in a disaster. Such could have saved a lot of people in Aceh. MFIs themselves can also help in that they can work with their clients to manage the financial issues that abound in disasters.

Microinsurance could also have an important mitigating impact. Indeed I was in Aceh recently where a large number of loans to MSE's were covered due to death. This has helped keep BRI from disaster, and made it so living family members can move ahead without such debt. Some kind of housing or business structure would also help greatly. A few people in Aceh had such insurance and have begun or finished already rebuilding / repairing their homes, while others are still living in IDP camps and tents. Clearly there is a large diversification here for the insurers.

2.What are the main limits or constraints of this tool in this context? What are the best conditions for its optimal functioning?

Microfinance helps when people use the benefits from it to generate greater structural and physical strength and health. Even this may not have an impact due to nature of the disaster. I saw rubble everywhere along the coast of Northern Sumatra which use to be cement houses. Many of the former occupants were likely MFI clients.



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3-What are the future prospects for micro-credit?

For microcredit alone, the prospects are limited. Microfinance, with a broader array of products to serve a customer's needs, will be much more important for development. I foresee mergers and consolidation of the "industry" and a continued increase in commercialization (downscaling, licensing).

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