**The Practitioner Learning Program**
**Putting Client Assessment to Work, Case Study #2**

# Client Assessment in Conflict- and Disaster-Affected Environments:

# The Experience of Action Contre La Misère in Haiti

**Principal Authors:** Christon Domond, Christian Loupéda, and Gary Woller

**Editors:** Amy Davis Kruize, Jennifer E. Hansel, and Peggy McInerny

ACLAM
Action contre la Misère

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The SEEP Practitioner Learning Program (PLP) in Putting Client Assessment to Work,
Client Assessment in Conflict- and Disaster-affected Environments: The Experience of Action Contre La Misère in Haiti.

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June 2006

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# About the Authors

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**Christian Loupéda** is a Senior Technical Advisor in Microfinance. He has 18 years of experience in microfinance (financial services methodologies, financial analysis, and institutional transformation) and private-sector capacity-building (financial and non-financial services, privatization strategy, and public-sector restructuring). Mr. Loupéda currently heads and coordinates the activities of the Africa team and Freedom from Hunger's West Africa Office, and he also manages relationships with and provides technical assistance particularly to West African credit union networks and Freedom from Hunger's partners in Haiti. Prior to joining Freedom from Hunger, he worked as assistant credit officer at the Banque Internationale pour l'Afrique Occidentale in Paris, research assistant at the International Food Policy Research Institute, project manager at Catholic Relief Services, and operations officer at the World Bank. Mr. Loupéda has a Master's degree in Economics from the Université de Paris I Panthéon-Sorbonne and a degree of advanced studies in Development Economics from the Université de Paris II-Assas.

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# Acronyms

| | |
|---|---|
| ACLAM | *Action Contre La Misère* (Haïti) (French) Action Against Misery |
| ASA | Activists for Social Alternatives (India) |
| AIMS | Assessing the Impact of Microfinance Systems |
| CA | Client Assessment |
| CARD | Center for Agriculture and Rural Development (Philippines) |
| CEO | Chief Executive Officer |
| CRECER | *Crédito con Educación Rural* (Spanish) Credit with Rural Education |
| FOCCAS | Foundation for Credit and Community Assistance (Uganda) |
| FFH | Freedom From Hunger (Davis, CA) |
| MDF-Kamurj | Microenterprise Development Fund Kamurj (Armenia) |
| MFC/CEE/NIS | Microfinance Center for Central & Eastern Europe and the Newly Independent States |
| MFI | Microfinance Institution |
| PLP | Practitioner Learning Program |
| PRA | Participatory Rapid Appraisal |
| Pro Mujer | "Programs for Women" (Spanish) |
| RCPB | Réseau des Caisses Populaires in Burkina-Faso<br>"Network of Credit Unions" (French) |
| SPSS | Statistical Package for Social Sciences |
| SEEP | Small Enterprise Education and Promotion Network |
| ULO | "*Unidades Locales Operativas*" (Spanish), Local Operations Units |
| URWEGO | *"Ladder to Success"* in Kinyarwanda language |
| USAID | United States Agency for International Development |

# Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the microenterprise field. A competitively run grants program, the SEEP PLP engages participants in a collaborative learning process to share and document findings and lessons learned, as well as to identify effective, replicable microenterprise practices and innovations to benefit the industry as a whole. The SEEP PLP is funded by the Microenterprise Development Division of the United States Agency for International Development (USAID). For more information on this and other SEEP PLP initiatives, see The SEEP Network website: www.seepnetwork.org.

The objective of “Putting Client Assessment to Work,” conducted from September 2002 through January 2005, was to encourage experiments in client assessment strategies, tools, and technologies.

During this SEEP PLP grantees focused on three major categories of client assessment: market research, client monitoring, and impact assessment. Market research refers to the systematic gathering, recording, analyzing, and applying of market intelligence collected from an institution’s clients or potential clients. Client monitoring looks at client well-being at various levels such as, business performance, income levels, and the ability to send children to school. Impact assessment tends to be more complicated than market research or client monitoring. It takes client monitoring a step further and attributes social outcomes to program participation.

As a result of their grants, the practitioners who participated in the SEEP PLP “Putting Client Assessment to Work” have improved their understanding of clients and markets as well as implemented changes in their operations, systems, and strategies to encourage innovation within their organizations.

This SEEP PLP focused on overarching questions of client assessment that were common to the various participant organizations. The participants themselves defined a specific learning agenda on the topic and during a face-to-face start-up workshop, developed learning questions and accompanying action plans. Participants then implemented the action plans in their respective countries and wrote periodic reports on their progress. The participants, the facilitators of “Putting Client Assessment to Work,” SEEP Network staff, and other experts shared information electronically over a SEEP Network web-based workspace and via listserv discussions throughout the duration of this initiative.

**Table 1. Participants in the SEEP PLP in "Putting Client Assessment to Work" initiative**

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Christon Domond

**Activists for Social Alternatives, India (ASA)**
S. Devaraj
Gaamaa Hishigsuren

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Katya Pawuluk
Dorota Szubert

***"Ladder to Success"* in Kinyarwanda language, Rwanda (URWEGO)**
Donat Nyilinkindi
Willy Nzisabira

A second, or mid-term, workshop in September 2003 helped the team consolidate the learning process, extrapolate preliminary lessons learned, and identify new learning questions. As a result of the mid-term workshop, a rigorous and prolific listserve discussion was organized on the topic of research design—a challenge that was identified by all participants. Participants continued to submit periodic reports and shared lessons learned with each other after the mid-term workshop. Several organizations conducted "Peer to Peer" exchange visits with one another. In addition, during the grant period, facilitators and resource panelists were dispatched to visit participants' sites to support meaningful dialogue and provide technical assistance. Finally, a closing workshop in January 2005 more concretely began the documentation process of capturing what participants had learned throughout this initiative.

The SEEP PLP "Putting Client Assessment to Work" was uniquely positioned to make crucial contributions to the microfinance industry on client assessment. As a result, it has provided source data to both The SEEP Network and ImpAct. The experience of the six MFIs that participated in this PLP program demonstrated that client assessment does make a difference. If carefully planned and implemented well, it enhances an MFI's ability to achieve financial sustainability (by ensuring better-quality services) and helps maintain its social mission. The following are examples of some of the activities performed by participants:

- **Activists for Social Alternatives (ASA), India** designed and implemented a comprehensive client assessment strategy and cost-effective tools that strengthened its understanding of clients and markets.

- **Freedom From Hunger, USA** in partnership with ***Action Contre La Misère,***[1] **(ACLAM), Haiti** and ***Crédito con Educación Rural*** [2] **(CRECER), Bolivia** improved its responsiveness to clients in conflict and disaster zones, improved client retention, and reduced interest rates. ACLAM and CRECER then institutionalized their client assessment mechanisms by integrating them into their regular management systems.

- **URWEGO Community Banking,**[3] **Rwanda** refined its initial action plan and provided managers with meaningful marketing and client impact data drawn from an integrated, cost-effective client assessment system. Eventually, URWEGO created a cross-departmental client assessment team that increased staff acceptance of the system.

- **PRO MUJER,**[4] **Bolivia and Peru,** developed a specific focus on client assessment and research within their institutions, incorporated client response data into their respective management information systems, and strengthened the demand-driven nature of their services. Their client assessment efforts evolved from an externally driven impact assessment to an in-house capacity to conduct market research.

- **Microfinance Centre for Central and Eastern Europe and Newly Independent States (MFC/CEE/NIS), Poland,** worked in partnership with the **Microenterprise Development Fund (MDF-Kamurj), Armenia,** to jointly develop and implement a client tracking system and a new rural product, as well as increase regional knowledge about client assessment.

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[1] Action Contre La Misère is "Action Against Misery" in French
[2] Crédito con Educación Rural is "Credit with Rural Education" in Spanish
[3] URWEGO is "Ladder to Success" in Kinyarwanda language
[4] Pro Mujer is "Programs for Women" in Spanish.

# Introduction

Armed conflicts and natural disasters are frequent occurrences in the developing countries where microfinance institutions (MFIs) operate. Working in conflict- or disaster-affected environments poses numerous challenges for MFIs, which threaten both their short-term survival and long-term sustainability. Action Contre La Misere (ACLAM), an MFI in Haiti, has had the "opportunity" to work simultaneously in both environments. ACLAM's experience offers a useful perspective that can supplement existing literature on microfinance programs in these environments.

One particularly useful lesson of ACLAM's experience is that client assessment can help an MFI navigate the challenges posed by armed conflicts and disasters. The specific context for ACLAM was ongoing, low-intensity armed conflict between supporters and opponents of ex-President Aristide and the onslaught of Hurricane Jeanne and its aftermath. Both events occurred in the midst of ACLAM's participation in the SEEP Practitioner Learning Program (PLP) for Client Assessment. After working to develop, implement, and institutionalize a client assessment system, ACLAM found a great deal of its effort laid to waste by uncontrollable external events and was forced to change course midstream, adapting its client assessment strategy to the exigencies of the external environment.

Section 1 of this paper reviews the context in which ACLAM operates. Section 2 describes the impact of political violence and Hurricane Jeanne on the MFI's clients and operations. Section 3 reviews the experience of other MFIs operating in conflict- and disaster-affected environments; Section 4 then examines ACLAM's response to such an environment and relates it to that of other MFIs. Finally, the Conclusion offers a brief summary of ACLAM's experience in the SEEP PLP in "Putting Client Assessment to Work," followed by concluding remarks.

# Section 1

# The Context

Four contextual factors are integral to the environment in which ACLAM operates: (1) historical and socioeconomic conditions in Haiti, (2) the political climate in Haiti, (3) the experience of Hurricane Jeanne and its aftermath, and (4) ACLAM's participation in the SEEP PLP. Each of these factors is briefly described below.

## Historical and socioeconomic conditions

Discovered in 1492 by Christopher Columbus, Haiti was settled by the French and Spanish before becoming an independent country in 1804. At one point, Haiti was the wealthiest colony in the New World and was known as the "Pearl of the Caribbean." Today, Haiti's 8 million inhabitants earn an average of US$360 per year. Approximately 80 percent of the population lives below the poverty line, making Haiti the poorest country in the Western Hemisphere.[5]

Approximately 17.3 percent of children in Haiti suffer from chronic malnutrition. Life expectancy at birth is only 52 years, infant mortality is 80 per 1,000 live births, and the mortality rate of children under 5 is 117 per 1,000. Nearly 48 percent of Haiti's adult population over 15 years of age is functionally illiterate. The country is plagued overall by poorly developed infrastructure, poor governance, political unrest, economic underdevelopment, and frail or absent institutions of civil society.

## The political climate

Jean-Bertrand Aristide, a Roman Catholic priest, became Haiti's democratically elected president in early 1991. He was overthrown in September of that same year in a violent coup led by dissatisfied elements of the army. The coup was supported by a fair number of the country's economic elite. Following the coup, a de facto military regime seized power and Aristide began a three-year exile in the United States.

In September 1994, a multinational force entered Haiti and forced the military regime to return power to the constitutionally elected government headed by Aristide. In February 1996, Aristide turned over the government to his democratically elected successor, Rene Preval, in Haiti's first-ever transition between two democratically elected presidents.

Aristide returned to power in November 2000 through an election widely viewed as invalid. Shortly into his second term, opposition to his regime erupted into armed violence, followed by a government crackdown against the political opposition. The escalating cycle of violence culminated in a full-fledged armed rebellion against the

[5] All socioeconomic statistics on Haiti are taken from The World Bank, *World Development Indicators* (Washington: World Bank, 2004).

Aristide government in February 2004. In the face of mounting pressure, Aristide resigned as President in February 2004 and fled the country. An interim president was then appointed to take his place.

Despite Aristide’s departure, violence and political instability persist in Haiti, and political polarization and economic hardship continue. Haiti's beleaguered interim government faces the threat of extremist violence groups from Aristide supporters and others and has responded to the violence in kind by stepping up its pursuit of different groups.

Political violence in Haiti is characterized as “low-level conflict,” meaning ongoing political tension that occasionally erupts into sporadic, unsustained violence. The threat of violence is ever present, creating significant uncertainty that has affected the level and nature of economic activity at all levels in the country, including the microenterprise level.

## Hurricane Jeanne and its aftermath

In September of 2004, Hurricane Jeanne struck the northern coast of Haiti. Heavy rainfall created deadly floods and mudslides, which combined to overwhelm already inferior infrastructure (i.e., roads, bridges, and sewer systems). The hurricane left thousands dead or missing and some 300,000 already impoverished people homeless—without food, water, or electricity. The fourth largest city in Haiti, Gonaives (located in the Northwest) was particularly hard hit.

Hurricane Jeanne also inflicted significant damage on financial institutions in Haiti, including ACLAM and its clients. Financial institutions suffered significant losses of physical assets and large numbers of their clients lost their businesses or customer base. These factors combined to destabilize the loan portfolios of financial institutions and led to increased loan losses. ACLAM and a few other financial institutions received temporary relief from DAI/FINNET to replace lost assets, but this assistance did not fully compensate for the losses caused by Jeanne.

The regions hit by Jeanne have yet to recover. Thousands of people remain homeless or have fled the areas hit by the storm, unemployment and hunger are rampant, infrastructure remains broken, outbreaks of disease continue to threaten the population, and damaged or destroyed healthcare facilities have yet to be restored to pre-hurricane conditions.

## Client assessment activities at ACLAM

The internal political, economic, and social problems of Haiti make the country a potentially significant market for microfinance services. Among Haitians who are not employed in agriculture, approximately 90 percent work as owners or employees of micro and small enterprises.

Based in Port-au-Prince, ACLAM operates in four rural regions of Haiti, including the Northwest, the country's poorest region. Founded in 1989, the MFI currently serves just over 7,700 clients with loans, savings, and education services. It uses village-banking methodology that integrates lending with informal adult education at bi-monthly meetings.[6] Loans are provided for six months at a 2.5 percent flat monthly interest rate, plus a 3 percent service fee for the first loan.

ACLAM's initial foray into client assessment was motivated by concerns over mounting delinquencies in 2003, as well as by client feedback that suggested the MFI should adapt its products to suit the poor, rural, and isolated regions in which it worked. With financial and technical support from the SEEP Network and Freedom from Hunger, ACLAM joined the SEEP PLP in "Putting Client Assessment to Work" and embarked on a process of developing and implementing a client assessment system. Its goals were to build its institutional capacity to systematically develop and test product innovations and create an institutional culture of listening and responding to clients.

Following from its client assessment goals, ACLAM trained a market research team that subsequently conducted a series of focus group discussions and interviews with individual clients at its Northwest branch. Based on this assessment exercise, ACLAM decided to close two local offices in two communities in the Northwest, transfer the staff of these offices to a central location at ACLAM's Northwest branch office, and pilot test both a grain storage product and a grace period for clients after the second loan cycle.

The results of the client assessment exercise in the Northwest branch, and the enthusiasm expressed by clients and field staff for the exercise, encouraged ACLAM management to conduct additional market research in its southern branch. In December 2003, the same research team traveled to this branch to conduct a series of focus group discussions. Meanwhile, with technical assistance from Freedom from Hunger, ACLAM developed a new strategic plan to make client assessment a core business function.

ACLAM's strategic assessment plan called for it to implement two client assessment activities during the first half of 2004: a series of focus group discussions with staff and an evaluation of the pilot tests implemented after its initial assessment exercise. However, escalating political violence and Hurricane Jeanne necessitated a postponement of these plans and forced the MFI into a reactionary mode—adapting its operations, policies, and product mix to an increasingly volatile and uncertain environment.

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[6] ACLAM is a member of the Freedom from Hunger network, which utilizes the latter's "Credit with Education" methodology.

# Section 2

# The Impact of Political Violence and Hurricane Jeanne

Despite ACLAM's best intentions, escalating violence and the aftermath of the hurricane made it impossible to implement its strategic assessment plan and bring the pilot test of its product and policy innovations to a conclusion. Instead, ACLAM found itself struggling to maintain normal operations in an environment that had turned increasingly hostile.

In addition to nullifying ACLAM's strategic assessment plan, the onset of external difficulties also nullified ACLAM's three-year plan (2004–2006) to address program weaknesses, reach new markets, and develop new products and services. Events in the external environment also profoundly affected the nature and level of microenterprise activity, which manifested in a worrisome increase in ACLAM's delinquency and loan loss rates and a corresponding decrease in operational revenues.

Meanwhile, loan officers were spending an increasing portion of their time chasing down delinquent borrowers instead of making new loans. Similarly, the Credit Committee was devoting more time and resources to loan evaluation. Both trends further cut program growth and revenues, while increasing administrative costs. At the same time, donors grew hesitant about committing more funds to ACLAM and Haiti in general, given the high level of political and economic uncertainty in the country.

Ongoing political conflict increased physical risks for ACLAM clients and staff alike. For example, the armed groups frequently disrupted trading activity at local markets particularly in downtown Port-au-Prince by firing their weapons menacingly in the air and seizing products and assets left behind by fleeing merchants. Violence and the threat of violence also drastically affected the supply and demand for goods and encouraged merchants to shift out of traditional product lines into product lines better suited to the climate of risk and uncertainty (e.g., from perishable to non-perishable items), even though they did not always have experience in these new product lines.

As a result of such client coping strategies, shortages in traditional foodstuffs soon occurred. These shortages led to lower purchase volumes and an increasing tendency on the part of producers to divert foodstuffs intended for sale to home consumption, thereby cutting into household income and further worsening market shortages. Ongoing conflict also cut into attendance at weekly group meetings, as clients were either dissuaded from attending or encouraged to relocate to communities with a lower risk of violence. Prior to the onset of the political violence in 2004, client attendance at ACLAM's weekly village bank meetings averaged around 80 to 90 percent. This number subsequently dropped to around 20 to 30 percent, although it has since begun to rise.

In the case of program staff, it became increasingly risky for loan officers to perform their day-to-day duties and for central office staff to visit field sites for supervisory and support purposes. Moreover, the confluence of events ended up reducing staff compensation, as the incentive system was based on loan growth and portfolio quality. Staff were also frustrated that the onset of external difficulties prevented the MFI from following up on recent trainings to improve staff performance.

In areas affected by Hurricane Jeanne, market activity predictably fell in proportion to the extent of damage, injury, and loss of life. Many clients either lost their businesses or were unable to repay loans due to losses and the general decline in market activity. Many other clients lost their homes or means of income and left the affected areas to relocate elsewhere. On top of these developments, post-hurricane development relief fostered a handout mentality among certain borrowers, who expected lenders to contribute to the relief effort via debt forgiveness.

The events thrust on ACLAM rendered its earlier client assessment work moot. The product and policy innovations that it hoped to implement became impractical in the new environment, as were other recommendations made by clients. ACLAM needed a new strategy, and it needed one soon. Its earlier client assessment work had taught the MFI the value of talking to clients, so management decided to return to clients to ask what their needs were in the changed environment and how ACLAM could best serve those needs, given its operational constraints (i.e., the imperative to maintain the integrity of its loan portfolio).

Before discussing ACLAM's response to its external environment, however, let us review the experience of other MFIs in conflict- and disaster-affected environments. This review will allow us to see how ACLAM's experience compares with that of other MFIs in similar circumstances and the relevance of their experience for ACLAM's coping strategies.

# Section 3

# Microfinance in Conflict- and Disaster-Affected Environments

A number of studies have investigated microfinance in conflict- and disaster-affected environments. These studies generally conclude that:

- demand for financial services exists in conflict- and disaster-affected environments (although it may fall initially, demand can be expected to rise again)
- MFIs can operate successfully in such environments
- clients can fulfill expectations of full, on-time repayment

The second and third conclusions above are based on the premise that MFIs will continue to adhere to the principles of sound microfinance practice. In other words, they will continue to adhere to commercial practices, full-cost pricing, efficient operations, rigorous and transparent credit appraisal, offer incentives for timely loan repayment, and commit to financial sustainability.

The principal differences between sound practice in normal operating environments and in conflict- and disaster-affected environments are that the latter require a higher degree of flexibility[7] and acknowledgment that progress toward financial self-sufficiency will be temporarily slowed. The collective experience of MFIs operating in such areas is that such environments pose a number of serious operational challenges. MFIs commonly have to adjust their strategies and operating procedures to manage:

- increased security risks for staff, clients, and assets
- human resource constraints caused by loss of efficiency and know-how when management and staff are lost to disaster or violence, recruited and/or drafted into armed groups, relocate, flee, or take jobs in other organizations
- growth in administrative and operational costs caused by increased monitoring and underwriting costs (incurred to maintain high portfolio quality), as well as investment in additional security measures
- increased risk to the balance sheet and lower returns on investment, given lower staff productivity, slower program growth, shrinking revenues, increased loan delinquencies and write-offs, and loss or theft of financial and physical assets

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[7] For example, operating in a conflict- and disaster-affected environment may require greater willingness to reschedule loan obligations or working with clients in creative ways to ensure maximum loan repayment in light of changed economic conditions. An MFI must be careful, however, that flexibility in loan repayment terms increases rather than decreases credit discipline.

- increased operational risks resulting from parallel relief operations, which debilitate the credit culture fostered by microfinance institutions
- volatile markets characterized by wide swings in the type and extent of economic activities
- deterioration of trust in society and political and economic institutions

# Section 4

# ACLAM's Reaction to Disaster and Political Conflict

ACLAM's experience in a conflict- and disaster-affected region places the MFI squarely within the general range of MFI experience in such regions, implying that lessons learned about sound operating principles in such environments also apply to Haiti.

ACLAM maintained its commitment to sound operating principles throughout the external crisis. The time and effort devoted by loan officers to loan collection and by office staff to loan evaluation, as well as its resort to legal officials to enforce loan contracts, underscored the institution's commitment to maintaining the integrity of its loan portfolio and long-term financial sustainability.

In order to protect its loan officers, ACLAM management made the decision to avoid communities deemed particularly risky and undertook other measures to limit the MFI's risk exposure. For example, it organized group meetings in the mornings, when political violence was less likely to occur, rather than in the afternoons, as was previously the custom. It also assigned loan officers to accompany each other to group meetings so as to provide extra protection and help in dealing with troublesome clients. Finally, the MFI delegated three to four clients in each loan group to accompany each other to commercial banks to make savings deposits or to cash checks received from the program.

At the same time, ACLAM shifted short-term operational goals from program growth to loan recovery and program stabilization. The commitment to long-term sustainability remained, but environmental considerations required a different approach, giving precedence to practical, short-term considerations. The collective experience of other MFIs operating in conflict- and disaster-affected areas demonstrates that client and market assessments are integral to a stabilization approach, allowing an MFI to determine successful program and product adaptations that meet changes in both external conditions and client credit needs.

Consistent with sound operating principles, ACLAM decided to launch a third wave of client assessment to inform its customers of its strategic response to the turbulent external environment. The process was designed to be a rapid assessment that sought simple, feasible ideas that the institution could implement quickly and easily, would help maintain client loyalty, and put the MFI on a more solid financial footing.

The first step in this process was making staff aware of the situation and soliciting their recommendations. Senior management in each of the four regions met with office and field staff to discuss the issues, analyze the quality of loan portfolio, and compare the loan portfolio of each loan officer to determine the reasons for observed differences. Management also asked staff for suggestions on how to manage the crisis.

At the conclusion of these meetings, the Regional Managers sent a summary of findings and recommendation to the central office. After receiving the regional reports, the National Program Coordinator, Supervisor, Financial Manager, and Executive Director met to review the findings. The Regional Managers were then invited to the central office to review the findings with senior management.

At this point, ACLAM made the decision to carry out further research among its clients. The management team designed a short client survey intended to help the MFI better understand how the external environment affected clients' lives and businesses (see annex 1). Management hoped that survey responses would provide the basis for product and policy modifications.

To carry out the new assessment, ACLAM created research teams comprised of staff that conducted the two previous assessment exercises, together with staff that had no previous client assessment experience. The teams administered the survey to 120 clients, 30 each in the four regions in which ACLAM operated, over a two-week period. Clients selected to participate in the survey had completed at least three loan cycles, ensuring that they knew the products and culture of ACLAM sufficiently to provide useful ideas.

At the conclusion of the survey, the results were summarized and sent to the central office. The senior management team then met to review the findings and recommend appropriate actions. Their findings and recommendations were subsequently sent to the regional offices, where Regional Managers also reviewed them. The survey results revealed strong client demand for several new products, such as equipment loans, larger loans (up to double the size in some cases), and individual loans. Unfortunately, management felt that it could not implement such significant product innovations in the current environment.

Other recommendations, however, proved more feasible and were subsequently implemented by ACLAM on a region-by-region basis. These included increased loan lengths, small-to-modest increases in loan sizes, incorporation of the service fee into the monthly payment (so that clients had more money to invest upfront, given the increased cost of inventory and inputs), and, in some cases, outright elimination of the service fee. The survey results also convinced management to reschedule loans for clients who could not repay under current loan terms.

During the survey process, a large number of clients voiced a strong preference for working in smaller groups because they did not want to guarantee the loans of people who could not repay their loans. Consequently, ACLAM management decided to explore the feasibility of offering solidarity group loans, which would reduce clients' risk exposure and give them access to larger loans. Management also hoped that offering solidarity loans would allow it to retain its good clients with strong repayment histories, thereby mitigating the negative impact of the external environment on the loan portfolio.

Before implementing these changes, ACLAM management met with loan officers to discuss the changes and train the officers to implement them. Due to the need to respond quickly, ACLAM did not pilot test the adapted products, although it did conduct eight focus group discussions (two in each region) with 8 to 12 clients each, over a two-week period, to describe the changes, the reasons behind them, and ask whether they made sense from the clients' perspective. The same staff that conducted the original round of focus group discussions conducted this round of discussions, assisted by local staff in each of the regions.

Overall, clients agreed with the changes, but some argued that ACLAM needed to go even further. Yet senior management believed that acting on all client recommendations would have completely changed the nature of the MFI's products, a risk considered too radical in light of the uncertain external climate.

In addition to client assessment work, ACLAM's National Coordinator and its Regional Supervisors conducted a market assessment of what its competitors were doing to cope with the external environment. They found that some competitors were responding to ongoing political conflict by expanding operations in less volatile areas, introducing new products targeted at different market segments, and increasing loan sizes.

# Section 5

# Conclusion

The onset of natural disaster and political violence has significantly affected microfinance operations in Haiti during the last few years. In ACLAM's case, external conditions destabilized the markets for the goods and services provided by its microenterprise clients, threatened the soundness of its loan portfolio, increased physical risks to its staff and assets, and eroded staff morale. The turbulent external environment further disrupted the MFI's ongoing implementation of its client assessment plans, as well as its three-year strategic operating plan.

Like all MFIs operating in disaster- and conflict-affected environments, ACLAM has been forced to adopt a variety of coping strategies to ride out the unstable external climate in the short term. ACLAM has coped with a hostile external environment by maintaining a commitment to sound operating principles, including prudential measures to protect its human and physical assets and enforce credit discipline, and by adapting operations and products to market conditions. A new round of client assessment was integral to this process.

Client assessment during the period of unrest and uncertainty focused on rapid assessment activities. These activities were intended to generate the basis for feasible, quick actions that the MFI could take to stabilize its client base and operational performance in the short term, while preserving its commitment to financial self-sufficiency over the long term. After consulting with management and staff at different levels of the organization, ACLAM implemented a quick, simple survey with a sample of experienced clients. It followed this exercise with client focus group discussions, which investigated client responses to proposed product and policy changes.

Based on survey findings, ACLAM implemented a number of program changes, including increased loan terms, small-to-modest increases in loan sizes, incorporation of the service fee into the monthly payment, and outright elimination of the service fee. Survey results also convinced management to reschedule loans for clients unable to repay under current loan terms and to investigate the feasibility of offering solidarity group loans to clients with good repayment histories, larger businesses, or greater credit needs.

Not all program changes made by ACLAM produced hoped-for improvements in repayment or operational performance, although on balance, they helped the MFI stabilize its loan portfolio and maintain program performance at acceptable levels. Increased attention to sound operating principles and credit discipline contributed significantly to this outcome. One unanticipated, but positive, change brought about by client assessment activities is that loan officers' attitudes toward clients have changed. Loan officers are now listening more carefully to clients, as evidenced by their newfound tendency to advocate client concerns before management.

For the time being, ACLAM appears to have successfully coped with its turbulent external environment. It has learned and implemented the lessons learned by other MFIs in disaster- and conflict-affected environments. Moreover, it has learned that client assessment is a useful tool for coping with such environments. Regardless of the context, ACLAM has come to understand that client assessment is both an indispensable management tool and a sound operational practice.

## ANNEX 1. CLIENT ASSESSMENT SURVEY # ………

Region: …………………………  Locality: ……………..

Village Banking:  Loan Officer: ………..

Date of gathering data: ……………………………

### I. Identification

1. Man  Woman
2. How many children do you have? ………………………….
3. Where is the children's father? ……………………
   What is he doing? …………. . . .
4. Where do you do business? …………………………….
5. For how many years? …………………………...
6. What are your main products? …………………………..

### II. Loan current situation

1. How much money did you borrow from ACLAM? ………………………
2. What loan cycle are you in? …………………………………..
3. How many installments have been already paid? …………………………

4. What is the estimated value of the products that you are selling now?
   ………...

## III. Current juncture

1. Did the last situation in the country affect your business?

   Yes ……    No ……

2. How? ……………………..

3. Did you lose products? ………………….

4. How did you lose them?

5. What is the value of the lost products? ………………….

## IV. Perspectives

1. Have you decided to continue to do trading activities?

2. Please tell us three ways that the current situation in the country has affected your business.
   - ………………………………………….
   - ………………………………………….
   - ………………………………………….

3. Please tell us three ways that the current situation in the country has affected your family.
   - ………………………………………..
   - ………………………………………..
   - ………………………………………..

4. Please tell us, in terms of priority, three things that you think should be done to help your business to keep it in strong standing.
    - ……………………………………….
    - ……………………………………….
    - ……………………………………….

5. Is there anything else you want to say?

    ………………………………………………………………………………