Financial Inclusion and Resilience: How BRAC's Microfinance Program Recovered from the West Africa Ebola Crisis

PROJECT DATA:

PARTNER ORGANIZATION: BRAC	**COUNTRY:** Liberia; Sierra Leone
ORGANIZATION TYPE: Non-governmental organization	**REGION:** Africa
DEVELOPMENT CHALLENGE: Financial inclusion and access to finance	**AUTHORS:** Hitoishi Chakma, Emily Coppel, Aissatou Diallo, Rod Dubitsky, Isabel Whisson
DELIVERY CHALLENGE: Disasters and emergency response	**EXPERTS:** Shameran Abed, Aissatou Diallo, Rod Dubitsky, Tapan Karmaker
SECTOR: Microfinance	

Executive Summary

In July 2014, at the height of the Ebola virus disease outbreak, BRAC's microfinance institutions (MFIs) in Liberia and Sierra Leone were confronted with two competing scenarios of how to move forward. Path one: revise operations in a challenging, volatile situation and press on, despite the threat to staff and clients' health. Path two: pause operations, establish protocols to protect staff, clients and relationships, but risk long-term recovery and customer loyalty.

As the crisis escalated, there were several contributing factors that made it irresponsible—and therefore in BRAC's eyes, impossible—for BRAC to continue operating. The economic situation worsened and a state of emergency was declared in each country. Markets shut down and clients' businesses struggled to stay afloat. Restrictions on gatherings and movement were put in place, making it extremely challenging for credit officers to collect payments. Group meetings, the established platform for collections and disbursements, were not permitted, which prohibited credit officers and clients from meeting. When borders closed, and major airlines began cancelling flights, panic became even more widespread. Like many other international non-governmental organizations, BRAC sent its international staff in both countries home, including key managers of BRAC's MFIs. At the time, though more than 90 percent of BRAC's staff in both countries were nationals, the majority of senior management (area managers and higher) were international. This became a key factor in BRAC's ability to continue operating throughout the crisis.

brac

TABLE OF CONTENTS

Acknowledgements: Many people contributed their time and perspectives to this case study, and thanks are due to Shameran Abed, Faruque Ahmed, Rod Dubitsky, Amit Sarker, Ariful Hoq, Abhijit Gupta, Abdus Salam, Tapan Karmaker, Sadhan Dey, Kazi Amran Shohel, and regional managers, area managers, branch managers, credit officers, and clients (who will remain confidential). Research for this case study was made possible by the generous support of the Rockefeller Foundation. For more information, please click here.

After weeks of adjusting its operations, including closing branches in the worst-hit areas, BRAC leadership ultimately decided to suspend microfinance operations in August 2014. While other local MFIs continued operating, BRAC's MFIs closed for seven months, reopening in March 2015, when the number of new Ebola cases were declining. BRAC leadership expected that the long pause in operations, coupled with the severe economic downturn, would cause clients to default on their loans. BRAC was prepared to write off at least half of its portfolio in both countries. Remarkably, within the first few weeks of restarting collections, the repayment rates stood at well over 90 percent in Liberia and nearly 70 percent in Sierra Leone.[1]

This case study traces the effect of the Ebola crisis on the operations of BRAC's MFIs. It examines the MFIs' reaction to the crisis, and the repercussions of the suspension on operational viability, revealing lessons on how to build institutional resilience, that apply both to BRAC and the broader microfinance community.

The case study also examines the resilience of clients themselves measured by their ability to repay loans after collections restarted, with the hopes of gaining a deeper perspective into their strategies for coping during and after the crisis.

From a credit culture perspective, the findings are encouraging, especially for two countries with historically limited access to credit. Firstly, BRAC found that despite the limited history of microfinance in each country, clients in Liberia and Sierra Leone have cultivated an exceptionally high degree of credit discipline and recognition of the importance of credit worthiness. All clients interviewed for this case study communicated a sincere obligation to repay microfinance loans and made a clear distinction between their loans and other grants or benefits obtained from NGOs. Secondly, upon restart, there was a high demand for new loans. For example, clients who had not worked in months, clients who lost their initial capital, and clients who had lost their businesses and were in debt all demanded new capital to start generating income again.[2] The high demand for new loans was a key driver of repayments because clients were aware that they were generally expected to have active and in-good-standing accounts in order to access fresh loans. Finally, collection practices played some role in the ultimate recovery of BRAC's MFIs and should be noted. Recovery practices after a disaster are particularly challenging given the tension between encouraging clients to repay and the need to be sensitive to the impact the disaster has had on their lives. This case study explores how BRAC managed this tension, and provides some lessons learned.

From the MFIs' perspective, the findings in this case study are instructive for similarly situated institutions facing challenging crises. The BRAC MFIs, despite the prolonged operational pause, restarted with their reputations intact and were able to maintain client goodwill. The decision to continue to pay staff salaries throughout the hiatus was critical to a smooth restart because it meant that credit officers had maintained relationships and communication with clients. In addition, BRAC's NGO services (e.g., health, education, agriculture, etc.) were active in communities across the country where clients lived, which helped to ease re-entry into the communities for the MFIs after the suspension.

Finally, this case study reveals the operational gaps that existed upon restart that, if managed or accounted for in the future, would strengthen the MFIs and better protect the economic position of their clients. BRAC found that the BRAC MFIs in both countries could have been more effective at understanding and meeting clients' needs if there had been better internal communications systems, a stronger cadre of national staff, and a more evolved and institutionalized post-crisis client protection plan in place beforehand.

Introduction

On March 24, 2014 a story was circulated among BRAC staff, which opened with the following line: *"Africa's biggest Ebola outbreak in seven years has probably spread from Guinea to neighboring Liberia and also threatens Sierra Leone."* The next day, Abdus Salam, BRAC Country Representative, Liberia, reported that, *"There is an outbreak of Ebola in the Forest Region of Guinea. According to the Ministry of Health and Social Welfare, Liberia, six (6) cases have been reported [in Liberia] of which five (5) have already died."* Thus, it became

1 The difference in collection rates by country may be attributed to differing restrictions in March 2015 when BRAC restarted operations. In Liberia, gatherings and group meetings were allowed in March; in Sierra Leone, credit officers were making collections via a designated group member who would collect installments on behalf of others until June.

2 The BRAC MFI restart coincided with the reopening of schools in both countries and a period where many families were under intense pressure to pay yearly school fees after a long period of economic inactivity.

clear that the Ebola outbreak, which would become the largest in history, would soon threaten BRAC's work, clients, and staff in Liberia and Sierra Leone.

Nearly one year later, in March 2015, Sadhan Chandra Dey, Managing Director for the BRAC Liberia Microfinance Company (BLMCL) received a weekly report from his team of regional managers. It was their first week of operating at full capacity after a seven-month suspension during the height of the crisis. Sadhan did not have high hopes. "At the beginning of the week, I felt tense. I didn't know what was going to happen," Sadhan said. This uncertainty prompted him to visit as many branches as possible around Monrovia in an effort to lift staff morale and meet with borrowers. Internal projections for the repayment rate upon resumption were around 40 percent. But, completely upending expectations, the weekly report in Sadhan's hands showed the repayment rate at 94 percent.

At that time, in March 2015, the West Africa Ebola virus disease outbreak had caused 9,792 deaths in Liberia, Sierra Leone, and Guinea in about one year,[3] making it the worst outbreak in the recorded history of the disease. According to World Bank estimates, the projected economic impact of the crisis in West Africa could amount to up to $2.8 billion by the end of 2016.[4] The situation was slowly improving, but the long-term economic repercussions were still emerging.

Sadhan interpreted his report conservatively. He knew from experience that clients tended to repay, even when they could not afford it, in order to remain eligible for fresh loans. He thought about the implications of the crisis on clients' lives and livelihoods. The majority of MFI clients are farmers and small business owners—a group uniquely affected by the border closures, market closures and restrictions on movement that were put into effect due to the outbreak. Sadhan feared that these strong initial repayment rates were temporary; that the majority of clients would pay back one or two installments, but then find themselves unable to continue. Remarkably, repayment rates remained stable throughout the month of March, into April, and all the months ahead.

When Sadhan and his colleagues in Liberia and Sierra Leone were tasked with restarting the microfinance operations after a crisis of such magnitude, they knew their efforts were unprecedented—both at BRAC, and in the global microfinance landscape. There was no blueprint for them to follow. By retracing the thinking, decisions, and actions of BRAC staff, management, and clients, alongside changing events on the ground, this case study attempts to explain the against-the-odds rapid recovery of BRAC's microfinance companies in Liberia and Sierra Leone. The case study addresses key questions including: What factors allowed the MFIs to successfully re-engage after suspension? What factors motivated and enabled clients to continue their relationship with the MFIs and repay their loans despite the challenging economic context? What were the positive and negative management decisions, both in the short and long-term, that affected the resilience of clients and BRAC's microfinance operations?

First and foremost, BRAC's clients exhibited extraordinary resilience and commitment in their drive to remain solvent during the crisis and be able to continue repaying their loans to BRAC, which enabled the organization to resume loan collections relatively seamlessly. Meanwhile, key decisions around how to support and engage staff on the ground, specifically with regard to paying salaries, having them communicate with clients throughout the suspension, and assisting with non-microfinance related community support initiatives, affected the microfinance institutions' ability to hit the ground running once microfinance activities resumed.

These findings reveal lessons for BRAC about what worked well and how it can improve in order to better ensure the welfare of clients during future crises. In so doing, this case study outlines issues and solutions to consider for similarly situated MFIs tasked with developing crisis management plans.

The case study draws primarily from key stakeholder interviews and focus group discussions with more than 80 respondents based in Liberia, Sierra Leone, and Bangladesh. These include BRAC microfinance borrowers, senior and junior staff, current and former staff at every level of operations and management, and other external key informants. Most observations were consistent across both countries. In cases where an observation was unique to a specific country, this is highlighted. In all other cases, readers can assume observations are applicable for both Sierra Leone and Liberia.

3 WHO Ebola situation report, 4 March 2015. http://apps.who.int/ebola/current-situation/ebola-situation-report-4-march-2015.

4 Impact Update World Bank , May 2016. http://pubdocs.worldbank.org/pubdocs/publicdoc/2016/5/297531463677588074/Ebola-Economic-Impact-and-Lessons-Paper-short-version.pdf.

Development Challenge: Providing Financial Services for the Poor in Resource-Constrained Environments

The lack of access to formal financial services for the poor in low-income countries remains a key obstacle to inclusive economic development. It inhibits local market activity, threatens household resilience against shocks, hinders seasonal cash-flow, and heightens vulnerability to unscrupulous moneylenders and even fraud. The threat to resilience is observed most saliently in negative coping mechanisms such as liquidation of assets, reduction in food consumption, and postponing critical healthcare. West Africa in general, and Sierra Leone and Liberia in particular, lag far behind neighboring countries in the provision of financial services. Notably, of the poorest 40 percent of all adults only eight percent have an account at a financial institution in Liberia, and seven percent in Sierra Leone. These numbers are below the 2014 Sub-Saharan Africa average of 25 percent for account ownership.[5] In the midst of the Ebola crisis, the lack of adequate financial services only exacerbated economic hardship. The significant capital deficit among the poor and informally employed, whose trade and small enterprises were affected or lost, meant further entrenchment in poverty.

Strong financial institutions catering to the poor and informally employed are key to providing local communities with access to economic opportunities. BRAC launched its microfinance operations in both countries in response to this capital deficit and the tremendous demand for credit. While BRAC and the microfinance industry have grown overall, there remains a long way to go to make financial services for the poor widely available.

Communities in Liberia and Sierra Leone that are resource-constrained stand to benefit significantly from growth opportunities and resilience dividends that can be cultivated via pro-poor financial interventions. Yet preexisting factors make both countries challenging places to operate a sustainable pro-poor MFI. Deficits in infrastructure, human resource capacity, and financial literacy, exacerbated by decades of conflict in both countries, as well as low population density outside of urban centers, make it difficult to effectively sustain a pro-poor and inclusive financial services program.

Delivery Challenge: Sustaining Financial Services for the Poor During the Ebola Crisis

The first confirmed cases of Ebola emerged in Guinea in March 2014, marking the beginning of a prolonged outbreak in West Africa. By the end of March, the disease had spread to Liberia. By May, it was in Sierra Leone. The strain of Ebola found in West Africa had an average case fatality rate of more than 50 percent and spread between humans through direct contact with bodily fluid. As the outbreak worsened by the end of July and early August the Governments of Sierra Leone and Liberia declared states of emergency, imposing severe restrictions on movement and public gatherings. These restrictions resulted in the closure of most markets and the sealing of borders between neighboring countries of Guinea, Liberia, and Sierra Leone. Intra-country movement was also significantly curtailed, requiring special passes and health checks for those seeking to move around. Many businesses, especially those that depended on the porous nature of these borders, came to a standstill as a result.

For the BRAC MFIs, the timing of the epidemic was especially challenging. The MFIs had recently stabilized, after a massive restructuring in both countries. BRAC had addressed challenges that arose from rapid expansion and staff corruption to ensure branch sustainability. Before the crisis happened, the MFIs were finally on track to break even by the end of 2014.

Despite this progress, at the apex of the Ebola crisis, BRAC leadership had to make a critical decision regarding operations. The crisis made clear that some curtailment in operations were needed. The only question was whether to scale back or pause services completely. Initially BRAC considered only eliminating disbursements, but in the end, decided to temporarily pause both lending and collections.

There were several reasons BRAC decided to completely suspend operations. Concerns for the safety of staff and borrowers were too great to continue, especially as operating required close interaction with each other and the exchange of cash, which increased the risk of infection. Furthermore, as the crisis escalated and tensions heightened, BRAC's country management, who

5 Demirguc-Kunt, A., L. Klapper, D. Singer, and D. Van Oudeusden. 2014. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." World Bank Policy Research Working Paper 7255. Washington, DC: World Bank.

were predominantly international staff from Bangladesh, asked to be evacuated. Initially, BRAC considered keeping a small skeleton team of international staff in country, but as airlines stopped traveling to the region, and the crisis escalated, keeping even a small team of international management staff became untenable.

Second, microfinance operations relied on having group meetings with clients. The government had placed restrictions on social assembly, and an increasing number of clients were migrating to the bush to avoid infected areas. Third, amidst minimal market activity and the restrictions on movement, a slowing economy would soon mean clients struggling to repay.

BRAC faced a momentous challenge. Suspension threatened to sever client relationships and wipe out a large portion of the loan portfolios, thereby threatening BRAC's solvency. BRAC would have to manage the suspension without losing its clients, and eventually, restart operations in a way that accommodated their financial needs and struggles, while trying to rescue the sustainability of the microfinance companies.

How it works

BRAC's microcredit product for women is a general-purpose loan, typically used to invest in income-generating activities. The cash-based service is delivered via lending groups of 20-30 people, known as Village Organizations (VOs). The VOs serve as platforms to lend and collect loans as well as a powerful way of mobilizing women. They serve as safe spaces for women to share their experiences, support one another, and communicate with BRAC about other issues. VOs are central to how BRAC determines creditworthiness, screens borrowers, and organizes repayment. The VOs are managed by the VO president, who is also a client; the VO president is elected by the group to lead and convene the weekly meetings. Each VO is generally made up of five to six subgroups, each with a subgroup leader, and externally supervised by credit officers employed by BRAC. Small enterprise loans, by contrast, are higher ticket loans for established businesses, that are issued individually, and disbursed and repaid in the branch. The average microcredit loan before the crisis was US$190 in Liberia and US$163 in Sierra Leone. The average small enterprise loan (SEP) was US$2,200 in Liberia and US$1,250 in Sierra Leone.

Tracing the Implementation Process

BRAC began operations in Liberia and Sierra Leone in 2008. By the time of the 2014 Ebola outbreak, the organization had already dealt with multiple challenges in its operations in West Africa.

Early Challenges: West Africa Expansion, 2008–2014

In 2008, both Liberia and Sierra Leone were still recovering from civil wars that ended in 2003 and 2002, respectively. Public services were limited and there were few economic opportunities, especially for the poor.

At the invitation of Ellen Johnson Sirleaf, then President of Liberia,[6] and the encouragement of George Soros, whose Soros Economic Development Fund (SEDF) would be a key partner, BRAC established four new entities in Liberia and Sierra Leone. In each country BRAC established an exclusively donor-funded NGO to focus on health, education, agriculture, and adolescent girls' development objectives, and a microfinance company to build on its financial inclusion objectives. When entering a new country, BRAC typically rolls out microfinance programing first and uses it to establish networks within the community before building out its other development programs. The companies were set up with start-up investments from the SEDF, the Omidyar Network (ON), as well as other early funders such as the United Nations Capital Development Fund (UNCDF). BRAC retained a 51 percent majority stake in the companies and SEDF and ON retained 24.5 percent each.

A Challenging Start

BRAC disbursed its first loans in Liberia and Sierra Leone in June 2009 and rapidly expanded to 30 branches within its first year. The delivery challenges that BRAC faced at the time included an underdeveloped credit culture that contributed to initially low repayment rates, low population density, limited business activity, and corruption.

6 In 2007 at the Clinton Global Initiative President Sirleaf urged BRAC to bring its proven strategies to her country and help Liberia put the legacies of conflict behind it. As she put it then, BRAC's "inspiring story gives us hope that Liberia can use citizen power to rebuild and transform the lives of the poorest to bring about health, wealth, and greater well-being."

Its rapid expansion exacerbated these challenges and diluted the organization's capacity to run a sustainable and carefully monitored operation. Many of the new branches were in sparsely populated areas that did not generate enough business activity necessary to cover the costs of operating the branch. Furthermore, the lack of adequate staff supervision led to some instances of corruption.

These factors weakened the companies' ability to deliver financial services to the poor in a careful and sustainable manner. However, BRAC's local and global leadership were committed to finding an operational structure that would work for the Liberian and Sierra Leonean contexts.

Restructuring the Company

In 2013, under the stewardship of two new Managing Directors, BRAC restructured the companies to get the businesses on track. They closed poorly performing branches,[7] terminated several staff who were underperforming, promoted high-performing national staff to management positions, created an independent monitoring unit, improved staff professional development and training, and tightened lending procedures.

After nearly five years operating in the region, in February 2014, BRAC Liberia and BRAC Sierra Leone finally reported projections of 100 percent operating self-sufficiency (OSS) within six to twelve months. BRAC Liberia was serving almost 11,000 clients and had a total loan portfolio of US$2.1 million, while BRAC Sierra Leone was reaching 21,500 clients and had a total loan portfolio of US$3.1 million. Both were the largest MFIs in their respective countries in terms of client reach. However, given the challenges BRAC faced recruiting qualified local staff and covering its costs, BRAC was not fully prepared for a crisis of the magnitude of the 2014 Ebola outbreak.

Ebola Comes to West Africa

The first confirmed cases of the Ebola virus disease emerged in Guinea in March 2014, marking the beginning of West Africa's Ebola crisis.

Early in the crisis, it was unclear how the Ebola outbreak would impact the MFIs' operations in Liberia and Sierra Leone. Reports of concerned credit officers started to surface from the field. Many were afraid of handling cash from communities where Ebola was present. Although BRAC had dealt with disasters in Bangladesh, leadership were uncertain and apprehensive about how to best move forward as the crisis played out.

As infection spread and the death toll rose, BRAC faced a difficult dilemma: how to ensure the welfare of staff and clients amid an unfolding crisis, without harming the long-term viability of the programs? No one knew how long the crisis would last, nor how severe it would ultimately become.

During this period, there was constant communication between management from across the BRAC network.[8] Key strategic and financial decisions went through the BRAC West Africa Microfinance Companies board, chaired by Susan Davis, President and CEO of BRAC USA and comprised of Faruque Ahmed, Executive Director of BRAC International, Shameran Abed, Director of BRAC microfinance program, and outside directors from the ON and SEDF. Country representatives who led BRAC's overall response within the countries worked alongside the microfinance companies' managing directors and program managers to inform all decisions before they were made, and to deliver those decisions carefully.

The Choice to Suspend

Between March 2014 and July 2014, BRAC's approach to the escalating Ebola crisis was cautious. In areas that were badly affected early on, such as Lofa in Liberia, near the Guinean border, and in Kenema, Sierra Leone, BRAC suspended branch activities early on. Elsewhere, the initial policy outlined basic safety precautions for staff in the field, including hand-washing, chartering taxis instead of using shared transportation, and closely monitoring news of any new cases in the communities they served.

By the end of July 2015, just before a state of emergency was called in both countries, the Ebola crisis evolved to the point where BRAC had to take more significant action. Entire communities were being quarantined,

7 BRAC had to suspend disbursement in several branches and closed outright seven branches in Liberia, and 13 in Sierra Leone. After the restructure, Liberia and Sierra Leone had 23 and 29 branches respectively.

8 An organizational chart can be found in the Annex: BRAC Management Structure.

roads were shut down, there were multiple checkpoints around the country, and about 70–80 new cases were being reported per day in both countries.[9] It was also becoming increasingly risky for the credit officers conducting collections in the field because they were interacting with large groups of people, handling cash, and sometimes travelling to densely populated and unsanitary areas. According to a BRAC area manager and Liberian national, at the onset of the outbreak, "We never experienced any challenges with collection or disbursement, but our staff were afraid."

It became difficult to continue operations without putting staff and potentially clients at great risk. Furthermore, BRAC leadership started to receive personal pleas and requests to be repatriated from international staff across different programs. Their families back in Bangladesh who were following the news were afraid and putting significant pressure on them to come home. The fear of being trapped only escalated when major airlines began suspending flights to the region. In many ways this forced a decision. BRAC had to decide then whether to:

1. Leave its staff, against many of their wishes, potentially stranded in Liberia and Sierra Leone during a crisis that only showed signs of getting worse;
2. Quickly repatriate more than 60 staff back to Bangladesh, an extremely densely populated country where, in the unlikely chance that any repatriated staff had been infected, the spread of Ebola would be devastating; or
3. Repatriate some staff while retaining a small cadre of employees on the ground to continue to monitor the situation and coordinate its response.

BRAC decided it would not keep staff in the country against their wishes. Furthermore, as most management staff had by this point self-quarantined themselves in the office, contact with the disease was highly unlikely. Nonetheless, BRAC told all staff to spend their first 21 days—the incubation period for the disease—in Bangladesh, quarantined inside their homes.

Amid a steadily worsening crisis, unsafe working conditions, and with all key management staff soon to be out of the country, on August 8, 2014, BRAC suspended all programs including microfinance. The suspension was for an initial period of one month, and all national staff were given one month of paid leave. The suspension in microfinance operations ended up being longer, and all full-time staff continued to be paid throughout the period. Acting country management teams were put in place in Liberia and Sierra Leone while regular management were out of country.

At the time of the decision, though the MFIs had yet to see a significant impact on their portfolios,[10] BRAC benefited from not being driven by purely commercial objectives and hence was able to suspend operations despite not having experienced a portfolio deterioration. According to Shameran Abed, Director of BRAC Microfinance, having investors who shared its social mission made a crucial difference. ***"We had extremely patient, understanding investors, so when it didn't make sense for us to continue, that decision to stop was almost automatic."***

The situation would nonetheless soon get worse. When Sierra Leone declared a state of emergency on July 30, 2014, it placed a ban on public gatherings altogether. This ban compromised the ability of the VO to meet as a group, making it difficult for credit officers to conduct collections. The closure of markets and restrictions on travel also limited the ability of farmers and small business owners to access and sell goods. Furthermore, rising food prices, without a corresponding rise in income, meant that even if BRAC had continued to disburse loans, the loans would have likely gone toward household consumption. Clients would have eventually struggled to repay, and risked becoming over-indebted. The lack of certainty around the crisis' long-term trajectory made BRAC reluctant to disburse loans for consumption purposes.

"If we knew that in three months things would be normal, we could have thought about [retaining some international staff and] continuing loans to help them smooth consumption while businesses struggled," says Ariful Hoq, a senior manager in the microfinance program who supported the MFIs during the crisis.

Clients had mixed feelings towards BRAC's decision to suspend operations. Some clients, who had just paid off

9 After Ebola in West Africa - Unpredictable Risks, Preventable Epidemics, Special Report, p. 589, *New England Journal of Medicine* http://www.who.int/ebola/publications/nejm-after-ebola.pdf.

10 Total realization continued to rise, though there was a slight decline in disbursements. Credit officers mentioned that although they still had full collection sheets it was becoming harder to collect from borrowers. Some small enterprise clients also lamented the border closures with Guinea as it was common for tradesmen from both Liberia and Sierra Leone to buy wholesale goods from Guinea and sell them in their local markets.

their loans, were disappointed—they were expecting to take out new loans to help them cope through the crisis. National staff were also uncomfortable, and some felt that BRAC's senior staff had abandoned them, drawing comfort only from the fact that BRAC was still paying their salaries. ***"Nobody was sure BRAC was coming back—but the salaries gave us confidence that they would," said a BRAC Liberia area manager.*** Ultimately, the decision to continue paying salaries had important implications on BRAC's ability to cope with the crisis. Payment of salaries fostered loyalty toward the organization. "Staff really appreciated it. The other organizations that closed at the time were not paying staff," the same area manager said. The willingness to pay staff, despite suspending operations had several motivations. First, BRAC felt some obligation to their staff to continue their income at least for a short period of time. Second, loss of staff and the prospect of starting collections with a new team would have put additional pressure on the microfinance program management, broken relationships with clients, and hampered the MFIs' ability to maintain contact and gather information from clients during the crisis.

After one month, BRAC determined that it would keep microfinance activities suspended. With the number of new Ebola cases continuing to rise, its strategy was simply to carefully monitor the situation for signs of change, and maintain communication with staff remaining in country.

The MFIs' operations in Liberia and Sierra Leone were suspended for a total of seven months.

In spite of feeling left behind, staff who remained embraced their new roles and heightened expectations. The commitment exhibited by BRAC's national staff during the time of the suspension was also crucial in its ability to weather the storm. For example, out of fear that the banking system might collapse, BRAC had transferred all cash out of the country. This meant that over the course of the suspension, BRAC had to transfer thousands of dollars monthly to each country to pay for salaries and incidentals, placing considerable trust in the staff tasked with disbursing salaries.

To foster effective communication during the suspension, BRAC established an emergency phone tree to connect the international staff in Bangladesh and the national staff in country. The goal was for this communication protocol to facilitate formal communications from clients to the credit officers and ultimately to staff in Dhaka. From September 2014, once national staff returned from their month-long leave, microfinance national field staff were given additional phone allowances to collect information on clients and communities affected by the Ebola outbreak. This information was then communicated up the chain, eventually to managers back in Bangladesh. Managers in Bangladesh were in regular communication with national staff via phone, email, and Skype. They received formal updates via phone and email from acting country management at least once a week. The information they gathered helped BRAC determine how the communities in which they operated were affected. They developed an ongoing assessment that informed whether they should maintain the suspension. Eventually, it was also used to generate lists of clients who were affected, quarantined, or migrated and/or contracted the virus, either surviving or succumbing to the disease. This was a useful resource for credit officers to track clients when BRAC restarted operations months later.

Although communication about events on the ground proved critical for maintaining relationships and enabling credit officers to understand the conditions in their areas of operation, BRAC failed to generate a standardized reporting system capable of providing management with completely reliable and instructive information. In the end, it was very difficult to continue ongoing communication with the restrictions on movements, and incomplete telephone records of clients. Though text messaging was considered a way to collect information more systematically from clients, missing contact information and the continued assessment of fees on text messages for clients and staff led BRAC not to take this approach.

In the meantime, there was debate among senior management as to whether they had been right to withdraw all international staff—staff who occupied the highest management positions, and were necessary for making on-the-ground decisions. Some also felt that it sent the wrong impression: An international NGO fleeing a crisis when people are most in need.

"It didn't give us a good feeling—just abandoning our national staff though they showed great courage in keeping the offices open, keeping communications open and disbursing salaries very meticulously," said Faruque Ahmed.

Others felt that they made the necessary decision based on the demands of international staff, and all the information that was available then. Reflecting on the pressure to decide Shameran Abed said, "On that day, under those circumstances we had to take a call and we had to believe it was the right thing to do at the time."

In October 2014, BRAC resolved to send back small teams of four to Liberia and five to Sierra Leone from Bangladesh, including the country representatives, microfinance regional managers, accountants, and staff from other programs to lead BRAC's response and explore ways in which it could support local communities. Financial services would not be part of activities for the time being. Instead microfinance staff continued to monitor the situation by speaking with clients on the phone.

Ongoing Community Support

Upon return, with lending activities on hold, the country representatives reorganized their teams and immersed themselves in ongoing national emergency response efforts. BRAC's development programs in health, education, and livelihoods began operating in limited capacity in October 2014. The health program was heavily involved in community-level sensitization drives and the distribution of health and sanitation products such as buckets, chlorinated hand-washing solution, soap, water purifying solutions, and hand sanitizers.[11] They partnered with district level government workers to train community health volunteers and recruited peer educators to work with city councilors and national surveillance teams to support with tracing and reporting cases. In Liberia, BRAC's health program provided psycho-social counseling to survivors of Ebola. In addition, the agriculture and poultry and livestock programs provided remedial support (seeds, feed, tools, and consumption grants) to farmers who had been affected by the Ebola crisis. In Sierra Leone, BRAC supported the Ministry of Education's Emergency Radio Teaching program, to ensure children were still receiving education while schools were closed. BRAC distributed radio sets, textbooks, exercise books, and stationery to students. They also donated US$13,000 worth of sanitation items to the government including buckets, surgical gloves, disinfectant solutions, and face-masks. In one badly affected area, Port Loko, BRAC distributed food and sanitation items. While the MFI operations were suspended, many MFI clients benefitted from the BRAC's development programs and were reassured that BRAC was not leaving.

Resuming Operations: Testing the Water

Through December 2014 and January 2015, while there were signs of the crisis slowing, the course of recovery (particularly in Sierra Leone) remained uncertain. In February 2015, however, the number of new Ebola cases had declined significantly and businesses and markets were gradually starting to reopen.[12]

Meanwhile, tense discussions continued among the MFIs' board members. While some members, including the Chair, were pushing to restart in some capacity sooner rather than later, others took a more cautious approach emphasizing the need to observe developments further. Starting in January, Susan Davis, BRAC USA President & CEO, helped drive conversations around how to manage the financial fall-out and whether BRAC ought to seek recapitalization, likely influencing its next step.

In mid-January 2015, Shameran Abed, the Director of the Microfinance Program began discussing the return of the microfinance team with the managing directors in Liberia and Sierra Leone. If operations remained halted, by June 2015 the companies would effectively run out of cash and they wouldn't be able to cover fixed expenses, including salaries and rent.

On the ground, BRAC had been receiving mixed messages from their ongoing discussions with clients. While some clients indicated to BRAC credit officers that they were hungry for credit to restart their businesses, others told BRAC that they were not ready to start repaying loans. Client surveys to assess the impact of Ebola and the general readiness of clients to resume repayments and borrowing had not produced constructive results. The surveys were not conducted consistently and hence were of limited value in assessing what the impact might be of resuming operations. With the crisis ongoing, though it was unclear whether clients were prepared for BRAC's return, the falling incidence of Ebola cases meant staff would at least be able to find out. By mid-February 2015, BRAC's

11 As an example, when schools prepared to reopen in Liberia later on, BRAC provided such materials to properly sanitize the schools as many had been used as emergency Ebola clinics.

12 Newly constructed Ebola treatment units (ETUs) weren't filling up as fast as expected and the transportation of new Ebola victims had dropped dramatically. Initially, this decline was thought to be the result of community members continuing to hide or failing to report cases, but the WHO later reported a decline in the rate of new cases.

remaining international microfinance staff returned from Bangladesh to Liberia and Sierra Leone to restart collections on March 2, 2015.

Adapting to New Situations on the Ground

The BRAC leadership was unsure of what to expect once the MFIs started collections in March. The data they had collected during the suspension on how clients' businesses were performing was patchy and inconsistent at best, as noted above.[13]

Complicating BRAC's ability to understand the impact on clients further was the fact that many borrowers who lost their primary business had adapted to the new Ebola economy and established new businesses.

> *The resilience of the population meant that they weren't merely sitting around waiting for the end of Ebola to resume economic activity—they sought out business opportunities that developed as a result of the Ebola crisis or that could continue in spite of it.*

While this was a clear indication of resilience, it was less clear the precise extent to which this happened. The only definitive information credit officers had received was on clients who died from the disease. Credit officers would not acquire accurate information about who could and couldn't repay until they returned to the field.

The MFIs' board was cautious, expecting to write off 50 percent or more of its portfolio. The MFIs had already taken a hard hit and were in a vulnerable cash position, having paid salaries for seven months without earning any revenue.[14]

Upon their return in February, the MFI leads in both the countries held a series of meetings with their field level staff: the branch managers, area managers, and regional managers. The initial response from the staff in the meetings was positive, a significant change from pre-suspension outlook. Most of the staff had been reporting to area offices since October 2014, without being required to make potentially hazardous trips to the field.[15] By the time the MFIs resumed operations in March 2015, the staff were aware of the negative financial implications for the MFI. Feeling encouraged by the decline in the number of new Ebola cases, and feeling motivated after having remained on payroll despite the suspension, field level staff expressed a confidence in the changed context and a determination to bring the microfinance programs back into operation.

Balancing Performance and Client Sensitivity

Mindful of how the Ebola crisis had severely impacted local market activity, the MFI leaders expected that repayment would be difficult for many clients. As a result, managers at every level in both countries were instructed not to apply undue pressure on clients to repay. The instruction, however, was incomplete. The MFI leadership did not define "undue pressure," relying on a tacit understanding of what this would be in the context of individual credit officer-client relationships. Similarly, the MFI leadership also did not provide concrete instructions and actionable steps on what to do if a client was unable to repay. A branch manager in Sierra Leone explains that they were told by their supervisors not to pressure clients, but as credit officers to "use your own skill."

The instruction indicated the organization's trust in staff relationships with clients and enabled significant local discretion. This trust placed in staff functioned optimally in cases where clients were identified beforehand as having been affected by the outbreak. For example, in cases where credit officers were issued lists of clients that were known to have lost businesses, contracted Ebola, passed away, or migrated, their approach to collections was sensitive and more nuanced. In some instances, the credit officers did follow up with guarantors for clients who had migrated, in other cases they helped families pursue death benefits[16] for clients who had passed away.

But the instructions left room for misinterpretations. The majority of clients were not on pre-identified lists. In those cases, the burden of whether or not to proceed

13 For example, data suggested that 50 percent of borrowers' business were 'impacted' in Liberia, while one percent of borrowers lost businesses in Sierra Leone, showing inconsistencies in how the surveys were conducted, and how the impacts were measured or defined.

14 A line of credit was opened from BRAC International's official foundation, Stichting BRAC International, of $1 million in case BRAC had expenditures it couldn't cover. The microfinance companies had enough money to cover expenditures until June 2015, but if repayments went badly, or the crisis continued, they would have needed to request recapitalization from shareholders.

15 Between October 2014 and January 2015, BRAC staff maintained contact with most clients over the phone and continued to assure clients that BRAC would return and installment collection would resume.

16 In the event that a microfinance client passes away, BRAC offers a small death benefit of approximately USD 80 to their household, and processes the outstanding balance to be written off.

with collections rested squarely on credit officers. And in those instances, the lack of concrete instructions led many field staff, particularly credit officers, branch managers, and area managers, to revert to old collection targets even though—or, perhaps even because—no targets were issued by BRAC during the Ebola recovery period. The trust in the individual judgement of credit officers, branch managers, and relationships among staff and clients led BRAC to adopt a discretionary approach to resuming collections rather than providing a clear set of detailed guidelines on collection practices after operations restarted.

Ordinarily, a significant part of staff performance is rated according to their ability to meet collections targets. A branch manager in Kenema, Sierra Leone described when the microfinance managing director visited her branch and told them not to use pressure while collecting from clients. "It was the only explicit instruction after Ebola. But as for me, I was really stressed. It used to be a 100 percent repayment branch. My boss [the area manager] was really stressing me [to collect as much as possible]." Similarly, a credit officer operating in Port Loko, Sierra Leone, which was badly hit by Ebola explained, "Well I feel bad, because my report is not good. I'm assuming that my boss will think I am not effective at my job, that I am not capable. I feel bad because I see the truth in the field. I beg them to pay little by little."[17]

The value of linking staff performance with collection targets[18] is to discourage leniency that could contribute to poor repayment discipline over time. However, in a post-crisis context, this metric left undefined, led to some undesirable and unintended outcomes in some cases. While we were not able to extrapolate these observations across the entire operation, the undue pressure appeared to be on a relatively small number of borrowers. Nonetheless, the issue was raised frequently enough that it justifies a review of collection practices.

The pressure felt by staff to perform, inevitably trickled down to clients. In most cases, the pressure was fairly innocuous: for example, reminding clients that repayment would enable them to access a new loan. In difficult groups, credit officers would focus their effort on the group leader; once she paid, other members tended to follow suit.[19] Regardless, while overall collection efforts reasonably considered the individual borrowers' circumstances, interviews conducted for this case study revealed instances where credit officers put an unacceptable amount of pressure on clients.[20] Incidents such as detaining borrowers at the branch office, going to clients' homes as a group to demand installments, and threatening police action are examples of activities that were in absolute contravention of BRAC's own policies, unknown to BRAC country management at the time, and inconsistent with the Client Protection Principles[21] that BRAC Liberia and BRAC Sierra Leone have endorsed.

Client Response to BRAC's Restart

Clients' reaction to the resumption of collections was mixed. Although clients were aware that BRAC would reopen and collections would proceed as usual, some clients were still unprepared.[22] Illustrating the range in reactions to the crisis, a branch manager in Sierra Leone explained, "some were okay and some were struggling. Some, when we closed were keeping money aside little by little. Some had jobs, and some had good business during and *because* of Ebola so they were able to pay." According to a client that is president of a VO in Jacobtown, an area of Monrovia, Liberia that was badly affected by Ebola, three out of the 28 women in her VO were unable to repay their loans. Generally, it was observed that repayment was smoother for clients who had fewer payments left on their pre-Ebola loans than those clients who had most, or all, of their payments still outstanding, having taken out loans just before suspension. The linkage between time remaining on a loan and repayment is likely due to the fact that borrowers with few payments left would be closer to getting another, perhaps larger, loan and would

17 The same was observed in Liberia. According to a national staff member in the position of area manager, "You want to report this much recovered… but was there pressure [from leadership] to report back as much recovered as possible? No."

18 It's important to note that there is no explicit bonus provided that is linked to collections.

19 In Sierra Leone where group assembly remained banned until November 2015, all efforts were focused on the group leader who would collect from members and pay credit officers on their behalf.

20 Interviews with VO presidents suggested that in a typical VO, 10-15 percent of clients struggled to repay, however not all who struggled faced undue pressure from BRAC staff. Furthermore, interviews were concentrated in areas hardest hit by Ebola and therefore the figure is likely to be less for the average VO. Although there is not an accurate figure of how many struggling clients faced undue pressure, it can be surmised that it was significantly fewer than 10-15 percent of clients.

21 BRAC has endorsed the Client Protection Principles of the Smart Campaign, which is a global campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry. BRAC in Bangladesh was the first microfinance provider in the country, and the largest in the world, to achieve Smart Certification, in August 2016.

22 Before the MFIs resumed operations, clients were given a notice of two weeks before collections resumed. They were also informed that the time extension granted during suspension would be added to the loan period, and that they would not be charged interest for that period.

likewise be unlikely to default if only a few payments remained, even if they didn't need a larger loan.

Clients exhibited a deep sense of responsibility and integrity regarding their agreement with BRAC's MFIs to repay their loans. Asked if they had expected BRAC to forgive loans, many clients reacted with surprise. The same VO president told BRAC, "When you commit yourself you must keep up with it. Some days will come and it will be tough, we rally." The closest clients came to requesting loan forgiveness was to ask for bridge loans. For example, in some seriously affected areas, including near Jacobtown, some clients requested new loans to help restart their lost businesses, earn income, and pay off their loans. BRAC, however, did not have the capacity to administer this kind of support at short notice.

Hungry for a capital infusion, gaining access to new loans was one of the biggest motivators for repayment of old ones. When these clients observed that BRAC was collecting but not making disbursements, some interpreted this as a sign that BRAC might be thinking about closing its MFIs. In fact BRAC was exercising caution in the first eight weeks of collections, expecting that even if clients could repay the first few installments after collections started, repayments may trail off. The MFIs had intended to hold off on disbursement of new loans for a couple of months, however due to good repayment rates and the high demand for credit, they started to disburse in April 2015, one month after restarting. Credit officers observed that it became easier to collect loan repayments once clients saw that the MFIs were actively disbursing and investing in the micro economy once again.

But Can Clients Afford to Pay?

While most clients were able and willing to pay back their loans, a small minority of clients clearly struggled to make their payments. Some of this was revealed due to the dynamics of the group lending model—group loans being the service that most of our clients used. Credit officers observed that some struggling clients paid because they did not want their peers to pay on their behalf as obliged by the joint liability provision.[23] These clients did not want to be seen as bringing a burden on others in case they would not be re-admitted into the group the next time they needed a loan. In some cases, others would pay for struggling members simply to help out. For example, there were instances where the group would pool money for the client, without the credit officer necessarily knowing. In other cases, however, *credit officers* would loan money to clients to help them repay, without BRAC knowing—something that was clearly against BRAC's policies.

This case study also found examples of clients compromising their own welfare in order to repay, though the extent to which credit officers knew about such coping mechanisms remains unclear. In Monrovia, for example, an entire VO struggled to make their payments and some resorted to negative coping mechanisms such as selling their mattresses and clothes to do so. Likewise, in Sierra Leone, a client from Port Loko whose community lost 89 people to the Ebola disease, and who had only paid off two installments when BRAC had to suspend microfinance operations, could not now afford to repay the rest of her loan. Feeling both pressured by BRAC and eager to get a new loan, she resorted to asking for money from relatives, selling firewood from the bush, and at times, begging.

As credit officers reflected back, one difficulty they reported in such scenarios was that if they showed flexibility towards one client without good reason, then other members of the group would demand the same leniency. Such moral hazard risk is common to all areas of consumer lending. (For difficult cases, credit officers would meet with struggling clients separately and agree on a more flexible repayment schedule with smaller payments, but the problem remained that those clients would not be able to access a new loan until they repaid their old one). In Sierra Leone, BRAC did a special write off of loans for 700 victims and survivors of Ebola, clients whose business collapsed, and whom were lost track of due to migration during the suspension. This amounted to US$123,000. There was no corresponding write off in Liberia, where the realization rate was stronger.

The repayment rates shown in the first weeks after collections started (as shown in Table B, Annex B), exceeded the expectations of management at every level of BRAC. Because a large majority of clients began repaying their loans immediately, without credit officers having to push, this case study determines that the large majority of clients were not overburdened. However,

23 While joint liability has been eliminated in Bangladesh, and recently in East Africa, it is still a part of the loan terms in West Africa. While it is generally not enforced, clients still feel the risk of joint liability when another group member doesn't repay.

reports of a small minority of clients feeling pressured to the extent that they would harm their own welfare clearly indicates a failure on BRAC's part to institute all necessary protections for vulnerable clients. Additional specific procedures on how to identify and respond to a struggling client should have been in place. In these circumstances, expecting field staff to recognize when to be lenient proved not to be the right approach.

Key Lessons Learned on Building Resilience

The experience of BRAC's microfinance program leading up to, during, and after the Ebola crisis produced valuable lessons on how to foster long term institutional resilience, resilience among clients, and the critical role that credit can play in helping communities to recover from unpredictable crises. While BRAC and its clients appeared to make an impressive recovery, some of the outcomes revealed key areas for improvement, specifically regarding management systems and post-disaster processes that BRAC would do well to take heed of moving forward.

Credit for Rapid Recovery Must Go to BRAC's Clients

BRAC's microfinance clients exhibited extraordinary resilience during the 2014 Ebola outbreak in West Africa. The epidemic brought about devastating personal and financial loss that affected families and communities all across Liberia and Sierra Leone. In spite of an indefinite suspension to program activities, including a hiatus in loan collections, and economic stagnancy that saw many households' incomes significantly reduced, clients were remarkably diligent about managing their finances in order to repay their debts.

It is apparent that clients' abilities to bounce back financially is demonstrative of their social, emotional, and economic resilience. Anecdotally, clients we spoke to compared 'Ebola time,' and its aftermath, to the hardships they experienced during war. More thorough research would be needed to draw a direct parallel, but certain coping mechanisms illustrate their resilience and forward thinking throughout the crisis.

Many clients reported keeping their BRAC loan money aside during the suspension in what are known as *susus* or informal savings clubs. While some clients reported 'eating' their money during the crisis because they had no income, as soon as the Ebola outbreak was under control again, these clients proactively sought access to finance to repay their loans. Many turned to family and community members for help while others engaged in temporary wage labor for the first few weeks, until they had made enough to repay their loans and restart their microenterprises. Others identified business opportunities that resulted from the health crisis, for example, selling buckets to be used for sanitation or providing services such as catering to Ebola facilities. Though many clients who struggled to repay their loans asked for re-financing from BRAC to help kickstart businesses, BRAC found no evidence of clients taking loans from other MFIs in order to repay old debts. Asked why, clients consistently said they would not take on more debt than they could handle.

Among clients who faced significant social or emotional traumas, many relocated to areas where they thought they would be better off. At the time of this research, the team was unable to find these borrowers to understand their long-term recovery.

The commitment with which almost all clients tried to repay their loans is indicative of a firm credit culture in the parts of West Africa where BRAC operates. Furthermore, the grants during the Ebola crisis did not lead to an entitlement mentality or culture of dependence. A firm credit culture is an important component of a country's resilience and the widespread understanding among clients of the importance of repaying debt is critical to attracting microfinance capital into the country.

Credit Can Be Critical to Crisis Recovery

BRAC's experience with the Ebola outbreak laid bare how important it is for people to have access to cash when recovering from a crisis. When microfinance program activities resumed, there was huge demand for credit from borrowers in order to recover from the financial shock. Indeed, rather than the crisis destroying the credit ecosystem, it actually reinvigorated demand for credit and reaffirmed the importance of pro-poor financial inclusion. New capital would provide a means for clients to get back on their feet, and the promise of new loans became a principal motivation for paying back current loans. Following a crisis, instead of being wary of distributing loans, microfinance institutions should recognize the ways in which access to microcredit can assist clients' recovery, while taking added precautions against any associated risks of vulnerability.

Because the high demand for credit led to high rates of repayment, provision of credit in turn assisted the financial recovery of the microfinance institutions. In that regard, credit proved instrumental to resilience for both the clients and the institutions recovering from economic shocks.

Invest in Staff

When BRAC decided to suspend operations and evacuate all international staff, national staff were concerned that it indicated the beginning of a BRAC West Africa operational phase-out. However, the payment of salaries, and regular contact with supervisors when in Bangladesh and when small senior management teams came back in October, gave staff confidence that BRAC would return and that their jobs were secure. This motivated staff to work throughout the suspension (with the exception of the month-long leave) communicating with clients and collecting information. By retaining its staff, and keeping client relationships intact, BRAC was able to hit the ground running when it eventually resumed operations in March 2015.

Nonetheless, BRAC's struggle to adequately cultivate national staff into senior management roles prior to the crisis proved detrimental to its operations. BRAC was overly reliant on international staff from Bangladesh who held most senior management roles. While the decisions to suspend and resume operations were determined by how safe it was to operate, the lack of managerial staff present throughout the crisis severely limited the scope of BRAC's response in the absence of its international staff at that level. For example, having management-level national staff available throughout the crisis could have enabled BRAC to operate at a limited capacity in safe areas; helped ensure information was collected diligently from clients; and assisted leadership to prepare a more nuanced plan and accompanying set of protocols for re-starting collections.

This leadership gap remains a challenge, but is easier to address as the programs age, with a greater number of staff developing sufficient experience. In February 2015, fewer international staff returned to West Africa after BRAC leadership decided to promote the national staff who had performed well during the suspension. However, the fact that there were few middle to upper management national staff indicates the need to attract, train, and promote better qualified nationals to higher positions at BRAC, and for a targeted effort to build local capacities to work at those levels.

Relentless Focus on Clients

During the crisis BRAC drew considerable strength from the relationship it had with its client base. BRAC had established a strong social contract with its clients, which most had no intention of dishonoring, partially because borrowers felt that BRAC cared for the communities in which it worked and prioritized their needs. Borrowers, including people who struggled to repay, consistently reported that they respected and appreciated BRAC as an organization. This was in large part due to the development initiatives done by the NGO, outside of microcredit. But clients also compared BRAC to other microfinance institutions, seeing it in a positive light relative to those that continued to collect throughout the Ebola crisis, when clients were struggling the most. When BRAC resumed collections, instead of resisting repayments, many clients were grateful for the respite. By feeling that BRAC had put clients' welfare ahead of private concerns, BRAC was rewarded with greater cooperation and loyalty towards the institution. In the end, BRAC's successful re-entry into the market somewhat mooted the question of whether the decision to completely pause operations was the right one. The suspension, with continuing community connections and NGO programing may have even created a halo effect that allowed BRAC to restart with greater support from clients relative to other MFIs that were more commercially driven.

This was reflected in how some clients willingly repaid their loans, in spite of their difficult circumstances. For example, BRAC later learned of a client in Liberia who had repaid her loan using cash grants she had received from another NGO to cope with the death of several family members. As group president, she even encouraged other members of her VO to repay their loans too, saying "BRAC had helped them and so they should repay BRAC." While BRAC did not know at the time, let alone encourage borrowers to repay loans using Ebola-related grants, it's open to question whether BRAC should have actively discouraged sourcing repayments from much needed grant money. Notwithstanding lessons learned, it does reveal serious commitment to repay credit and very likely a belief that using the grant to repay the loan would likely be rewarded in the form of larger loans in the future. This was very likely an economic and a moral decision.

Nevertheless, client relationships ought to be harnessed effectively. In BRAC's case, the information shared with credit officers and their branch managers should have been captured more systematically to make decision-making at higher levels more informed. The extent to which strong client relationships benefit an institution depends to a large extent on how well they listen to clients and what they choose to do with the information.

Evidence-Based Decision-Making

Key to making any decision on how to change or adapt an operation is reliable data. Much of BRAC's response was informed by data, such as trend reports that showed the extent to which payments were being affected, and qualitative information through conversations with clients and staff. However, as the crisis progressed, and the program was suspended, data-capturing mechanisms were insufficient for presenting an accurate picture of how the crisis was affecting clients. For example, based on the data, Sierra Leone seemed significantly more positive—in spite of similarly difficult conditions—but in the end, saw lower repayment rates.

Had reporting been more consistent, with systematized channels to move information upwards, the microfinance managing directors could have had a better understanding of the impact on clients and their capacity to repay. BRAC country management could have enforced a more robust system to collect accurate data despite the absence of a sophisticated technology, for example by having consistent survey methods, or by collecting all clients' contact details beforehand and gathering information from clients systematically via text message.

Relatedly, there was no formal system for feedback loops, from credit officers to management. While the decision to disburse new loans soon after starting collections was an adaptation of BRAC's strategy based on real-time ground-level observations, this was based on patterns clearly visible in repayment data. But the minority of clients that struggled to repay were not always visible because the feedback loops needed to capture nuanced observation were absent. If management had a better idea of how many clients were struggling to repay, decisions could have been made on how to ease collection demands for those that needed it.

Clarity with New Instruction

There may be a misconception that being adaptable means giving more flexibility to staff and less explicit instruction. On the contrary BRAC's experience suggests that institutions, especially operating under new circumstances, need to be absolutely explicit about what the adaptation strategy is, and precisely to what extent there is flexibility with standard procedures.

BRAC was rightly diligent about informing all field staff that they were to adjust their collections behavior to take into account additional significant hardships that clients had faced or were facing due to the Ebola crisis. Although this message was communicated effectively, the lack of formalized instructions or protocols on what to do when credit officers encountered struggling clients led, in a small minority of cases, to pressure being applied in a way that was not consistent with BRAC's social mission. Lacking clear guidance, many staff reverted to expecting and aiming for repayment levels that were as high as their pre-Ebola targets. Clients accepted that BRAC was returning to business as usual and credit officers, eager to fill their collections sheets, did not challenge this understanding.

Paradoxically, this lack of clarity may have been a factor in the strong repayments that led to the financial recovery of the microfinance program, but it nonetheless compromised its social objectives. While interviews for this case study indicate that it was a small minority of clients who faced undue pressure from BRAC staff, any instances of these practices indicate a need for better systems to ensure that struggling clients are identified and supported accordingly.

Simply issuing a message to be flexible with clients, although clearly received, was not enough. BRAC should have provided more specific guidelines on what constituted a struggling client and what actions credit officers should take. Furthermore, since staff performance had previously been measured by client repayment rates, BRAC leadership should have either made it explicit that they were relaxing targets, or formally adjusted these performance evaluation tools to look for staff with a demonstrated commitment to client protection. For field staff, the balance between leniency and discipline can be difficult to get right in practice, particularly if clients know that credit officers are obliged not to pressure them. When clients say they are unable to pay, credit officers encounter the prisoner's dilemma. They can believe them, and forgo collection from someone who possibly could have paid, which may send a signal to other clients that BRAC is soft, and in turn weaken BRAC's financial viability (so-called moral hazard risk). Alternatively, they can demand the installment and risk putting pressure on a client that legitimately can't pay, which goes against the objectives of the organization.

There are two balancing acts in play. The first is for management, between enabling flexibility for credit officers to treat each client according to their individual circumstances, and providing clear instruction as to how to approach clients in certain situations, as defined by certain indicators. The second is among field staff themselves who must seek to maintain repayment discipline among clients, without applying pressure that would lead to clients compromising their welfare for the sake of loan repayment. At a minimum management should define red lines, making clear to staff that behavior will be monitored and there would be no tolerance for crossing them. Hence more specific guidance, with scope for credit officers to adapt as needed, may have been a better approach. While some flexibility was important, more guardrails would have allowed a better balance between repayment discipline and client protection.

Prepare Mechanisms in Advance

Every microfinance institution is likely, at some point, to face circumstances that challenge its normal operating procedures, whether caused by national crisis, natural disaster, or a credit-specific crisis (as seen in India in 2010), and would be well placed to think about how to adapt in advance.

While clients' needs were communicated and understood, BRAC could not always respond to them because of limited capacity to rapidly institute the systems and measures required to provide the necessary support. For example, BRAC briefly considered whether it could refinance or reschedule some loans, but simply did not have the capacity for this new kind of programing at the time. In the future, BRAC, and similarly situated MFIs, can think about making tools available to clients unable to stick to their agreed repayment schedules. They may also consider how to better target and support more vulnerable borrowers throughout their recovery process, whether through additional livelihood support or diversified loan options that target and treat poorer segments differently.

Part of being adaptable to crises means having staff with the right skillset to manage rapid changes that are required. While national staff were supported, empowered, and given additional responsibility, they hadn't previously held leadership positions. If crisis situations emerge where there is greater reliance on national versus international staff, national staff must be equipped with the necessary skills and competencies to take on additional responsibilities.

There should also be greater investment in a comprehensive client protection framework. While BRAC Liberia and BRAC Sierra Leone have endorsed the Client Protection Principles of the Smart Campaign, creating a system that ensures protection of all clients takes time to build. BRAC is continuing its work to promote client protection by reviewing staff terms of reference, reviewing staff training material, creating grievance redress mechanisms, building in staff performance measures that go beyond lending and collecting, and building clients' awareness of their rights.

Conclusion

The BRAC microfinance programs and their microfinance clients recovered remarkably well from the Ebola crisis. BRAC's experience, including its reflections on how it could have improved its response, have generated key lessons about how microfinance institutions and their clients can be resilient to shocks. First of all, the resilience of clients themselves is not to be underestimated, as demonstrated by the inspiring integrity and iron will of BRAC's clients in Liberia and Sierra Leone. Secondly, BRAC's experience demonstrated how important credit can be to helping clients to recover from economic crises. While the suitability of credit will always depend on the circumstances, this case challenges the notion that those hit by crises are too vulnerable and risky to be given loans. Third, BRAC's experience highlighted the vital importance of staff capacity. During normal times an institution's human resources are its lifeblood, but during crisis, their skills and competencies are even more consequential. Staff must be empowered to be able to respond discerningly to unexpected situations, and therefore investment in their development can make all the difference. Fourth, in the same way that staff are critical to how an institution responds, relationships with clients are key to knowing what to do. Furthermore, institutions that take the time to understand and meet clients' needs are more likely to be rewarded with their loyalty. Many clients were willing to cooperate with BRAC because they trusted the organization was working in their best interests. Finally, central to fostering institutional resilience is building one's adaptive capability. This means having evidence to make informed decisions in new and unusual circumstances; having clear chains of communication and instruction to all levels of staff; and having mechanisms for flexibility and protection in place in advance. While greater resilience cannot be built overnight, these lessons should serve as a starting point for BRAC and others to better prepare for crises to come.

Annex A: Timeline of Events:

December 2013: A two-year old child dies in Meliandou, Southern Guinea, and is later identified as "patient zero."

March 2014: French scientists confirm several suspected Ebola virus disease cases found in Guinea, near the border with Liberia. Ebola is confirmed in Liberia by the end of March. Suspected cases emerge in Sierra Leone.

May 2014: Sierra Leone confirms its first death from Ebola.

June 2014: Sierra Leone closes borders with Liberia and Guinea

A state of emergency is announced in Kailahun district, Sierra Leone.

BRAC makes the decision to stop disbursements and new member enrolment in branches where Ebola was known to be in the area, including Kailahun district, Sierra Leone.

July 2014: BRAC's SEP portfolio starts to be affected by the Ebola crisis as many SEP clients travel to Guinea to purchase their stock.

A state of emergency is declared in Liberia and borders are closed. Schools and universities are also closed.

A national state of emergency is declared in Sierra Leone.

August 2014: Airlines begin to suspend flights to and from countries with confirmed cases of Ebola.

BRAC suspends all programs for an initial period of one month.

All international staff are evacuated home.

September 2014: International microfinance staff, who had been working in Liberia and Sierra Leone, convene in Dhaka after 21 days quarantine.

BRAC Country offices and area offices in Liberia and Sierra Leone re-open after a one-month BRAC-wide suspension. Microfinance operations remain closed. Other programs begin to coordinate their support efforts.

Government of Sierra Leone imposes a three-day lockdown. As healthcare workers go door-to-door in densely populated neighborhoods to identify and isolate the sick, ordinary citizens are not permitted to leave their homes.

October 2014: Small teams of international staff return to Liberia and Sierra Leone from Dhaka to manage the response to the crisis.

BRAC branch offices reopen. Microfinance operations remain closed.

November 2014: The rate of reported Ebola cases in Liberia starts to decline, but continues to rise in Sierra Leone. Field staff monitor the situation on the ground by communicating with clients via phone.

December 2014: Field staff continue to monitor the situation on the ground and the number of clients directly affected by Ebola.

January 2015: BRAC leadership in Bangladesh and the USA hold discussions around when to restart microfinance operations.

February 2015: All remaining international staff return to Liberia and Sierra Leone.

March 2015: BRAC resumes collections in Liberia and Sierra Leone from microfinance and small enterprise loan borrowers.

April 2015: BRAC starts to disburse repeat loans in Liberia and Sierra Leone.

May 2015: After finding repayment rates to be unexpectedly high in both countries, BRAC starts to disburse new loans.

August 2015: Sierra Leone experiences its first week since the crisis started where there were no new cases of Ebola reported.

President Koroma lifts the ban on public gatherings. BRAC is able to conduct group meetings with clients again.

January 2016: The WHO declares the end of the Ebola crisis, with no new Ebola cases reported in Liberia, Guinea or Sierra Leone for over 42 days.

Annex B: BRAC Microfinance Companies Before and After the Crisis

Table A: Microfinance Dashboard in February 2014 and July 2015

	February 2014		July 2015	
BRAC Liberia	Microcredit	Small enterprise	Microcredit	Small enterprise
Branches	23	17	22	18
Average loan size US$ *	187	2,197	193	2,100
Borrowers	10,059	840	11,397	748
PAR> 30	5	7	2.28	11.54
Total outstanding US$	1.07M	1.10M	1.28M	1.13M
International staff	19		14	
National staff	206		197	
	February 2014		July 2015	
BRAC Sierra Leone	Microcredit	Small enterprise	Microcredit	Small enterprise
Branches	29	18	28	16
Average loan size US$ *	163	1,532	150	1,438
Borrowers	20,259	1,489	20,086	1,529
PAR> 30	2.72	8.3	23.96	20.13
Total outstanding US$	1.81M	1.34M	1.63M	1.25M
International staff	22		13	
National staff	175		185	

* Exchange rates used for the period, US$1 = 88 LBD, US$1 = 5577.50 SLL

BRAC Microfinance Companies Recovery

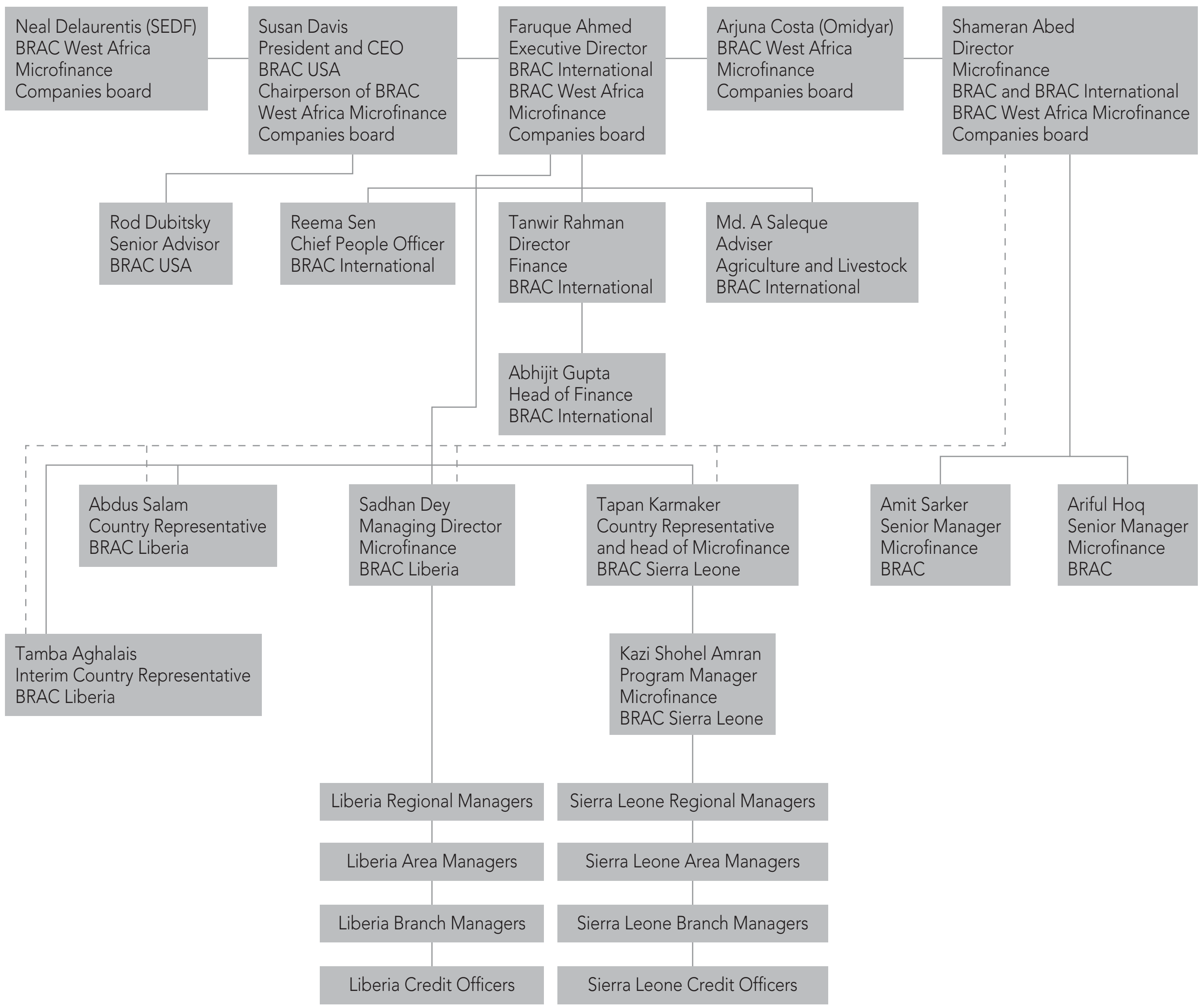
Internal trend reports illustrate a robust recovery. Payments continued to increase beyond March 2015, despite fears that the stellar performance figures would eventually trail off if borrowers failed to keep up with the regular payment demands. Within almost three months of the program's resumption in March 2015, the performance statistics had climbed up to pre-Ebola levels.

Table B: Repayment Rates in Both Microfinance and Small Enterprise Program from March 2015 Onwards

	Sierra Leone		Liberia	
	Attendance (%)	Realization (%)	Attendance (%)	Realization (%)
		Microfinance		
Week 1	59.47	65.68	88.97	93.72%
Week 2	72.60	74.82	91.03	97.16%
Week 3	69.67	74.09	92.46	97.98%
Week 4	62.29	66.57	93.83	100.14%
Month End	64.68	68.85	91.97	97.83%
		Small Enterprise (SEP) loans*		
Week 1		34.85		78.96%
Week 2		35.39		62.10%
Week 3		55.53		89.19%
Week 4**		427.28		322.56%
Month End		68.63		93.34%

* Because SEP loans do not require attendance at group meetings, SEP does not report an attendance rate.
** The figures exceed 100 percent where clients paid two or more installments at the end of the month, instead of weekly, as is common among many SEP clients.

Annex C: BRAC Staffing Structure



BRAC is a development organization dedicated to alleviating poverty by empowering the poor. Founded in 1972 in the newly sovereign Bangladesh, BRAC evolved from a small relief operation into the world's largest development organization (measured in terms of the number of staff employed and the cumulative number of people reached—an estimated 138 million in 11 countries), with expansive programs in microfinance, education, health, human rights and legal empowerment, and disaster preparedness.

BRAC's microfinance programs provide financial services to more than six million poor and low-income clients. In Bangladesh, where BRAC has its largest presence, clients include women, farmers, small entrepreneurs, migrant workers, persons with disabilities and youth. Its services range from microcredit and small enterprise loans to savings, microinsurance, financial education, and access to mobile money.

In the six countries outside of Bangladesh where BRAC operates microfinance programs, Pakistan, Sierra Leone, Uganda, Liberia, Tanzania and Myanmar, it offers primarily women-focused microcredit and small enterprise (SEP) loans. BRAC's development programs work in tandem with its microfinance operations to provide women with livelihood support, financial awareness building, agriculture training for farmers, and empowerment programs for adolescent girls.