

**DEVELOPMENT OF MICRO-FINANCE INDUSTRY PEACEBUILDING
INITIATIVE**

Report of Findings

Presented to

THE ASSOCIATION OF MICRO-FINANCE INSTITUTIONS (AMFI)

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Abbreviations and Acronyms

AMFI	Association of Micro Finance Institutions
CEOs	Chief Executive Officers
CPMR	Conflict Prevention, Mitigation and Resolution
DAI	Development Alternatives, Inc.
DPC	District Peace and Development Committees
ECK	Electoral Commission of Kenya
FSD	Finance Sector Deepening Fund
IDPs	Internally Displace Persons
JCS	Jitegemea Credit Scheme
KADET	Kenya Agency for the Development of Enterprise and Technology
KAM	Kenya Association of Manufacturers
KEPSA	Kenya Private Sector Alliance
KARF	Kenya Access to Rural Finance
KPA	Kenya Ports Authority
KWFT	Kenya Women Finance Trust
MFIs	Micro Finance Institutions
ODM	Orange Democratic Movement
ODM-K	Orange Democratic Movement - Kenya
PAR	Portfolio At Risk
PNU	Party of National Unity
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Kenya was, at best, at a crossroads, and, at worst, on the verge of civil war in the aftermath of the bitterly contested, deeply divisive and generally inconclusive presidential election held in December 2007. After the announcement of the disputed election results, there was spontaneous eruption of **violent protests** in many parts of the country. The violence was of unprecedented scale and it took the security apparatus by surprise. While groups with links to the parties were mobilizing for civil unrest, little thought seems to have been given by the police or its intelligence services to how to counter whatever would occur. Neither the Electoral Commission nor the security forces, and even civil society had plans for what to do in the event that a predictably-tight election went down to the wire and yielded a contested result. Past experience should have indicated that violence would almost inevitably ensue, but little or nothing was done officially to prepare for this eventuality. The Electoral Commission itself sent out dangerously contradictory signals. National leadership in effect abdicated any role in managing the national crisis, while the nation's leaders instead focused on managing their interests. The security forces responded to protest and unrest with violent repression, in some cases allegedly crossing the line into indiscriminate violence against civilians.

The manifestation of **post-election violence** ranged from spontaneous violent anger, ethno-political vigilantism, organized retaliatory violence to disproportionate use of force by the police and organized militia violence. The result was an unleashing of longstanding local tensions and resentments. Some of the localized violence had been planned and fermented by operatives with ties to the parties, while some of the violence was driven by opportunistic criminal logic. The **sources** and underlying **causes** of the post-election violence are complex and manifold. No easy or simple explanation is sufficient for all the different patterns of violence witnessed during the political crisis. Some of the major causes of the conflicts identified during the field assessment revolve around a tragic confluence of an unfolding youth crisis, predatory political elites, weak governance institutions, as well as socio-economic inequalities, contest for state power, warring ethnic and regional identities and the question of land. The post-election violence brought to bear the crisis of youth in Kenya. The youth played an important role in the perpetration of violence. Their grievances ranged from unemployment, lack of opportunities, exclusion and poverty. The youth crisis in Kenya manifested itself along ethnic and regional fault-lines. The post-election violence took place in a context in which ethnically-driven and youth-dominated militia groups already existed.

The post-election violence exposed deeply rooted ethnic, regional, social and economic cleavages within the Kenyan society. It ruptured the social fabric of the society. It divided populations by undermining interpersonal, familial and communal trust, weakening the norms and values that underpin cooperation and collective action for the common good, and threatened to destroy the nation's social capital. The post-election violence had far-reaching **effects** on different dimensions of the micro finance sector

ranging from portfolio at risk, escalation of costs to loss of income and opportunities. Kenya's economic and business landscape dramatically changed owing to the violence. The enduring economic legacy of the violence will be its impact in distorting future patterns of investments. Communities displaced in parts of the country are likely to return to do business there but will be repatriating profit to invest in more secure and stable areas. Other economic impacts included decline in group solidarity, destruction of businesses and premises and disruption of demand and supply chains. The effects of the violence on the staff of MFIs were multidimensional: while some staff members lost property, others suffered psychological traumas associated with physical threats, harassment, intimidation and the burden of housing large numbers of displaced relatives. On the clients, the effects included displacement, loss of livelihoods, death as well as rupture of group cohesion.

The microfinance industry displayed resilience and **responded** to the post-election violence in a variety of ways. The industry not only organized counseling and group therapy sessions, but also addressed the immediate concerns of their clients by providing refinancing packages, rescheduling loan repayments and giving moratorium on loan repayment. Under the aegis of AMFI, the industry initiated discussions on its potential role in peacebuilding and social reconstruction.

In view of the enormity of the inter-communal violence in some areas, it is easy to lose sight of the fact that many ordinary Kenyans reached out to assist and protect their neighbors and fellow-citizens. In the midst of the worst mayhem, there were countless acts of individual and group kindness, often at great risk. Some Provincial Commissioners and District Commissioners also responded with admirable objectivity and sought, in many cases successfully, to avert violence or to stop it once it had broken out. Provincial Commissioners in Nairobi and Mombasa, for example, immediately contacted traditional leaders and civil society experts and made a major effort to bring the situation under better control.

The stakeholders in the industry acknowledged that they had **learnt** a number of **lessons** following the eruption of the post-election violence, namely: peace is core to MFI's business and that thriving businesses and human security go hand in hand and reinforce each other; peace is often taken for granted; peace is not at the national level only, it starts at the interpersonal level; peacebuilding requires a bottom-up approach and is not only a process but also the sum total of all gestures of goodwill. To this end, individual actions count, and they count a great deal. It was also apparent that everyone is vulnerable to the devastating and disruptive effects of violence and conflict, and that the MFI is part and parcel of the conflict system in Kenya. Finally, we can never build durable peace unless we successfully break the often reinforcing cycle of poverty and violence by getting people (particularly the youth) out of the poverty trap.

There is a huge **opportunity** for MFIs to contribute to the reconciliation and reconstruction efforts in Kenya. This is not only because MFIs were affected by the post-election violence and did experience violence and tension at workplace, in surrounding communities, through clients and along supply chains, but also because MFIs inherently possess the potency to be a force of peace and non-violent social change. MFIs have the capacity to create a secure and stable environment for dialogue, as well as being part of inter-communal dialogue processes, and they have a network (AMFI) that can provide a framework for the engagement in post-violence recovery efforts. MFIs are at the forefront of changing lives through economic empowerment and can therefore be critical actors in peacebuilding in Kenya. The MFIs and security (peace) are linked in many ways, most obviously because violence and conflict infringe on the efficient and effective operation of the microfinance sector. MFIs can contribute to vulnerability-reducing and livelihood-enhancing efforts among communities dislocated by the violence by giving them, especially the youth, access to financial resources necessary for recovery. By their very nature, MFIs do provide a flexible support structure that has the capability to mitigate the effects accruing from conflict.

For MFIs to provide security to their staff, clients and assets, peace is of utmost necessity. MFIs already have existing structures and systems that they can build on to promote dialogue, reconciliation and peace. These include the solidarity groups, groups leadership structure, strong networks with faith-based and civil society organizations, and working with specific groups in society such as women and youth. MFIs also command respect from communities and work with highly resilient clientele. MFIs can therefore be instrumental in providing timely information for early warning and conflict prevention, and in undertaking confidence-building measures among the communities they work for.

There is a **role** for AMFI in peacebuilding and reconciliation. AMFI can provide leadership in mainstreaming peacebuilding into MFIs operations and spearhead peacebuilding initiatives and counseling for staff. In addition, AMFI has the potency to provide a platform for senior management of MFIs to deal with the enduring impacts of post-election violence, and assist MFIs to design peace-related performance standards and indicators for the industry

For MFIs to be effective in peacebuilding they will require the following **skills**: understanding conflict and peace; conflict-sensitive development; early warning and conflict prevention; post-trauma healing; inter-cultural tolerance and alternative dispute resolution mechanisms.

Recommendations

1. MFIs should:

- a.** invest in long-term development initiatives that aim to tackle poverty and reduce class differentiation and inequality in Kenya by lobbying for pro-poor policies and deepening their outreach to cover the low income segment of the population, especially those in need of credit.
- b.** diversify products to include other forms of credit delivery to supplement the solidarity group system.
- c.** Support people-to-people peace processes that promote constructive dialogue, social interaction and good neighborliness.
- d.** Initiate Integrated Programmes for the Youth
 - a)* Mentoring initiatives for the Youth: Since MFIs are working with economically active clients mentoring the youth will create an entrepreneurial culture that values hard, self-employment and financial independence. Part of this will include exploring the concept of Business Incubators to train the youth in managing business, creating wealth and investing.
 - b)* MFIs should develop products targeting starters since most of the youth are in this category.
 - c)* Undertake exchange activities amongst the youth to promote cross-learning, solidarity and multi-cultural tolerance.
 - d)* Train the youth in transformational leadership and active non-violence activities and support youth-to-youth dialogue processes.

2. AMFI should:

- a.** Mobilize and coordinate the resources needed for the reconstruction of the sector. Some of the institutions will need grants in some areas for their business to continue. AMFI should play a central role in determining who needs what and in ensuring that all the institutions are assisted in a balanced way;
- b.** Play a leading role in mobilizing resources for training MFIs in conflict-sensitive business and peacebuilding. The network should also source, consolidate and channel resources for peacebuilding to MFIs;
- c.** Ensure that peace messages are packaged in such a way that they can be delivered throughout the year during staff-client regular business meetings, leadership training sessions and in community platforms;

- d.** Be the focal point for information on conflict prevention and peacebuilding activities;
- e.** Be the convener of an Annual Peace Assembly as a platform for MFIs to reflect on their work, share their experiences and identify challenges for the year ahead.

1. INTRODUCTION

Violence is a recurrent feature of Kenya's multiparty politics and elections. The 2007 general election was no exception, as it exhibited and surpassed observable patterns of previous multiparty elections, especially 1992 and 1997. Intense political campaigns by the three main political parties, namely: the Party of National Unity (PNU), the Orange Democratic Movement (ODM) and the Orange Democratic Movement ó Kenya (ODM-K) raised political temperatures high, causing tension and general instability in most regions in the country.

Unlike in past elections, public anger rose to unprecedented levels and the violence acquired momentum never witnessed before. This pent-up of anger was triggered by the announcement of presidential election results. The announcement and its cataclysmic ripples effects has caused the death of more than 1,000 people, displacement of more than half a million and massive destruction of property. Besides Nairobi, the lakeside city of Kisumu which is an ODM stronghold also witnessed widespread violence and wanton destruction of properties. The coastal city of Mombasa which also overwhelmingly voted for ODM also experienced violence though of a much smaller scale. Rift Valley Province bore the brunt of the post election violence resulting from announcement of contested presidential results. The second wave of violence (24-28 January 2008) hit the Rift Valley Province towns of Nakuru and Naivasha, necessitating the intervention of the Kenya military.

The announcement of contested results and subsequent violence upset the progress of Kenya's democracy and was an epic assault on the stability of Kenya and the region. It seems that both sides of the political divide undertook the pre-election mobilization with the dual purpose of seizing the electoral process during the campaigns and shaping the outcome of the vote. The violence also unearthed subterranean deep-seated issues and created a new generation of grievances, problems and issues among communities in Kenya.

The purpose of this assessment was to enable the AMFI to facilitate a process to rapidly develop an industry-wide programme for peacebuilding and reconciliation among affected communities through micro-finance institutions working in close partnership with other key actors in the peacebuilding field. The task was part of a process in which the industry conducted a series of consultative meetings among its members following the destruction, disruptions and dislocations caused and associated with post-election violence. The culmination of this process was a one-day meeting held in April where the CEOs and Senior Management of MFIs expanded their consultations to involve actors in the peace movement in Kenya. This meeting resolved that this assessment be undertaken to guide the involvement of the industry in peacebuilding and reconciliation.

The assessment further aimed to identify the impact of post-election violence on the industry, the challenges faced as well as opportunities for engagement by the industry. An identification of the comparative advantages of the industry in promoting dialogue and reconciliation was an integral part of the assessment.

MFIs in Kenya, in collaboration with other actors and sectors, can make a vitally important contribution to the peace building effort. It was in this spirit that AMFI engaged in this assessment to determine the specific role of the industry but also the kinds of skills necessary for it to make its contribution in the post-crisis recovery phase of Kenya.

2. BACKGROUND AND CONTEXT

Kenya teetered on the brink of a full-blown civil war in the aftermath of the general elections held in December 2007. The elections saw the incumbent, President Mwai Kibaki, controversially return as president for another five-year term in an electoral process judged by all national and international observers¹ as far from being free and fair. All National and International Election Observers reported that while the voting and counting of ballots at polling station level was orderly and satisfactory with a few exceptions, the tallying and compiling of the results was manipulated, dramatically undermining the credibility of the results announced on 30th December 2007². Other contextual dynamics of the 2007 elections included the collapse of the National Rainbow Coalition (NARC); the contestation around a new constitution that culminated in the November 2005 National Referendum on the Constitution; historical tensions, unresolved grievances and simmering stereotypes in Kenyan society; as well as massive inequality, widespread poverty, high youth unemployment and the festering land question.

Kenya's economic and business landscape dramatically changed following the violence that rocked various parts of the country after the announcement of the disputed presidential election results on December 30, 2007³. Despite initial dismissal on the impact of the violence on the economy as a temporary hitch by Kenya's Finance Minister, and exuberant optimism by the Governor of Central Bank of Kenya that the economy can still achieve 8% GDP growth in 2008⁴, many analysts, industry stakeholders and even high level policymakers acknowledged that the explosion of violence would have a devastating impact on the economy. The steady economic growth and sustained positive outlooks Kenya has been experiencing since 2003 were, at best been thrown off balance and at worst reversed. The worst hit sectors of the economy were tourism, finance, transport, communication and agriculture⁵. The impact was

¹ Among election monitoring teams that took part in observing the electoral process were: the Kenya Democratic Election Observer Forum, the European Union Election Observer Mission, the Commonwealth Secretariat Observer Mission, the East African Community and the International Republican Institute.

² See: 'Preliminary statement and verdict of the 2007 Kenya General elections', Kenya Elections Domestic Observation Forum, 31st December 2008; 'Preliminary Statement: Doubts about the credibility of the presidential results hamper Kenya's democratic progress', European Union's Elections Observation Mission, 1st January 2008; 'Kenya General Election: 27 December 2007: The Report of the Commonwealth Observer Group', Commonwealth Secretariat, January 2008; 'Report on the Kenyan General Elections in December 2007: East African Community Observer Mission, January 2008; and 'Statement on Post-Election Violence in Kenya', International Republican Institute, 2nd January 2008.

³ Prior to the December elections, world's major credit agencies, (notably Standard and Poor, and Fitch) had predicted that the polls would have little impact on Kenya's economic development. The violence that followed the polls negated these predictions.

⁴ African Business, No. 339, February 2008, pg. 23

⁵ See February/March 2008 edition of 'BusinessPost Magazine: 'Economy: Thrown Off the Track', pgs. 34-47, for a detailed analysis of how each of these sectors was affected by the post-election, and generally the impact of political violence on the economy and business in Kenya.

experienced both at the institutional and client levels. The destruction to the economy and business ranged from material losses to private and public property to damage to public infrastructure caused by widespread looting, vandalism and disruptions. Other impacts were as a result of loss and displacement of staff, loss of opportunities and investor confidence, as well as factors around staff morale and performance.

The prospects of a virtual collapse of the economy appeared inevitable. The predictions in January ominously pointed to this possibility: the World Bank and African Development Bank both warned of the possibility of 2 million people becoming destitute as a direct result of the political crisis. In January alone, tourist arrivals declined by 90% resulting in a drastic drop in hotel occupancy, and the Kenya Private Sector Alliance (KEPSA) estimated the cost of violence-related destruction of business to be 5 billion Kenya Shillings (\$70 million)⁶. KEPSA further projected that the economy will lose \$3.7 billion, and as many as 400,000 people risked losing their job by June, should the violence and related instability persist. On January 29, the market lost Kshs. 40 billion (\$555m) within an hour of trading at the Nairobi Stock Exchange (NSE). During the same month, the Kenya Association of Manufacturers (KAM) warned that companies were reporting cumulative losses of Kshs. 230 billion, with the manufacturing and retail sectors losing 60% of their businesses.

The microfinance sector was not an exception to the disruptive impact of violence on business and economy. Many small and micro-enterprises were affected by the violence. Members of the AMFI estimated that a portfolio loss of Kshs. 25 billion had been affected⁷. The impact on this sector was on client, liquidity and financial exposures⁸. The specific impact on the sector included relocation of staff, breakdown in group-guarantee system, displacement of clients and destruction of premises. In a nutshell, the violence, conflict and insecurity posed a serious threat to the sustainable operations of MFIs.

The ripple effects also spread across the region with Southern Sudan, Uganda, Rwanda, Eastern Democratic Republic of Congo as well as Burundi bearing the brunt.

2.1 Association of Micro Finance Institutions (AMFI)

AMFI is a member institution that was registered in 1999 under the Societies Act by leading microfinance institutions in Kenya to build the capacity of the microfinance industry in Kenya. These institutions realized the need for an umbrella body to cater for their broader interests and help them speak in one voice. The Association deals with issues such as lobbying the government and providing members with vital information as

⁶ Africa Report, No. 10, April 2008, pg 27.

⁷ *BusinessPost Magazine: 'Economy: Thrown Off the Track'*, pg 45.

⁸ Cracknell, David: A Rapid Review of the Initial Impact of the Post-Election Crisis in Kenya on Microfinance Industry in Kenya and Potential Response, February 2008.

well as sensitizing the public on the positive impact microfinance services can have in their lives.

2.2 Post-Election Violence, Responses and Implications for MFIs⁹

The grievances generated by communities and groups that were involved in post-election violence exist just about everywhere in Kenya. Despite concerted efforts by both civil society and officials to prevent or mitigate it, violent conflict remains endemic in many areas, particularly (but not exclusively) in the pastoralist periphery. Yet many areas (including areas where inter-communal or clan-based violence is chronic) suffered little or no specific violence during the post-electoral period, while in others, encouragingly, signs of mobilization for violence were detected and measures were taken that successfully prevented it, or limited it once it had broken out.

Once the initial shock had worn off, informal networks of officials, civil-society conflict prevention, mitigation and response (CPMR) professionals, civic-minded businesspeople, and community leaders came together in many areas. In many cases, the impulsion for these mobilizations came from provincial commissioners (PCs) or district commissioners (DCs) who had previous experience as DCs in districts that had active District Peace and Development Committees¹⁰ (DPCs), and they contacted members of that network for advice and support as they reached out to other leaders in an effort to prevent or to stop violence.

Some of these examples include:

Local Administration: Some PCs and DCs responded with admirable objectivity and sought, in many cases successfully, to avert violence or to stop it once it had broken out. PCs in Nairobi and Mombasa, for example, immediately contacted traditional leaders and civil society experts and made a major effort to bring the situation under better control. The joint efforts of local administration and civil society (including religious leaders and MFIs) brought the brief outbreaks of violence in Mombasa under control, and Mombasa remained largely free of unrest in the period after January 7, when the violence peaked in many other areas.

The Military: Like the civil service, the Kenyan military is expected to be apolitical, and on the evidence it remained so throughout this crisis. When it was called in to quell violence and restore law and order in Naivasha and Nakuru, it is credited with doing so

⁹ See E.S. Kona *et al.*, March 2008: *Kenya 2007 Elections: Process, Context and Aftermath* for a detailed analysis of the governmental and civil society responses to the post-election violence.

¹⁰ Building on the experience of the Wajir District Peace and Development Committee, these committees bring together the provincial administration with traditional leaders, religious leaders, and civil society groups, and serve in turn as the focal point for local peace structures that reach every community in the district. The DPCs are full-time early-warning and response structures that identify tensions within and between communities, work with schools, churches and mosques to provide hands-on training in peaceful conflict resolution, intervene in disputes, and mobilize response efforts if and when violence breaks out.

professionally and impartially. Kenyans can take pride in the fact that, on a continent known for its military coups, there seems to have been no consideration by the military of stepping in and imposing a resolution to the crisis.

Civil Society: Kenya has an unusually large civil society and a capable body of CPMR professionals and of individuals with substantial CPMR training and experience. Overall, the CPMR network clearly failed in anticipating and preparing an effective response to possible post-electoral violence. The network too was lulled by the relatively low levels of pre-electoral violence and by the peace and good cheer that was prevalent on election day. It failed to heed or process the warning signs effectively, and when violence broke out it lacked the resources, the cohesion or the capacity to respond effectively at the national level. Like so many others, it was at first stunned, then overwhelmed. But not everywhere. For example, organizations like PeaceNet, had deployed 100 election monitors, and when it appeared that the delays surrounding the issuing of official results was a sign of an potential crisis, the PeaceNet monitors immediately shifted to their CPMR mode. They established a central call-in center, using mobile phone calls and SMSs to process and disseminate reports of violence or seeming preparation or violence, establishing the first nationwide reporting network to emerge during this period. The network was overwhelmed in many places, but in others (especially where it was successful in linking with sympathetic PCs and DCs), this proved a vital and effective CPMR tool.

Similarly, humanitarian institutions saw the need to broaden their mandate and to make CPMR a central focus of their work. The Kenyan National Red Cross, for example, succeeded in reporting and disseminating news of the horrendous violence that occurred in the Eldoret area. The human rights community also played a crucial role in ensuring that news of what was happening reached the broader Kenyan and international communities, galvanizing responses without which things might well have gotten worse.

3. METHODOLOGY

A joint assessment team, comprising of two consultants, E.S. Kona (Conflict Resolution and Peacebuilding) and Rosemary Kantai (Micro-Finance) undertook a participatory assessment that involved a review of relevant documents, and individual and group interviews using a questionnaire guide. The assessment team was joined by Carol Kimani (representing AMFI) on the Western and Nyanza legs of the mission. The activities of the assessment were carried out over a one-month period from June 3 through July 8, 2008. The assessment team focused on identifying the causes of post-election violence, its socio-economic impacts on MFIs, the challenges MFIs faced as well as opportunities for peacebuilding, skills required and recommendations for the way forward. The assessment consisted of participatory discussions with Chief Executive Officers of MFIs in Nairobi, Embu, Mombasa and Kisumu; and field staff of MFIs, MFIs clients, internally displaced persons, youth and women representatives and other stakeholders in Nairobi, Mombasa, Kisumu, Kakamega, Kisii, Eldoret and Nakuru.

4. FINDINGS

The following are the key findings and observations of the assessment team:

4.1 Patterns and Nature of Violence

The violence ranged from spontaneous violent anger, ethno-political vigilantism, to disproportionate use of force by the police and organized militia violence. The result was an unleashing of longstanding tensions and resentments between communities. It is clear that at least some of the localized violence had been planned and fomented by operatives with ties to the parties. It is also clear that in other places, violence started up more or less spontaneously, as word of the seemingly arbitrary imposition of an electoral decision overwhelmed hopes that longstanding grievances, particularly relating to land, might be redressed by political means. The violence was also geographic in nature. Not all parts of each area were affected by the violence, urban areas were more affected than rural areas. In Mombasa, for example, violence started as political differences along party lines, but later transformed itself into a contest between upcountry and coastal communities. At the epicenters of the violence, all ethnic groups suffered through death, destruction of property, threats and lootings, their political affiliation notwithstanding.

4.2 Sources and Causes of the Post-Election Violence

The sources and underlying causes of the post-election violence in Kenya are complex and manifold. No easy or simple explanation is sufficient for all the different patterns of violence witnessed during the post-election violence. A number of inter-linked socio-economic, ethno-political and governance factors account for the escalation of the violence and persistence of hatred, suspicion and enmity between ethnic identities in Kenya. Some of the major causes of the conflicts identified during the field assessment revolve around a tragic confluence of an unfolding youth crisis, predatory political elites, weak governance institutions, as well as socio-economic inequalities, warring ethnic and regional identities and the question of land, as summarized below:

4.2.1 The crisis of the youth in Kenya

The youths took an active role in perpetuating Kenya's worst post-election. Kenyan youths felt marginalized in many aspects and this has resulted into simmering tensions. The unemployed youths feel they have no voice and feel dejected. They therefore have no avenues to direct their anger and frustrations thus engaging in violent protests to convey their grievances. In light of this, the youths took advantage of the prevailing condition to engage in civil disobedience and act of violent protest thus became a tempting alternative.

From information gathered in areas that experienced post- election violence, the youth played an active role in causing chaos and mayhem to persons perceived to be from the opposing side in politics, and from different ethnic identities. The reasons attributed to

the participation of youths in post election violence in many parts of the country are varied. Part of the problem is successive governments' failure to address legitimate youth grievances in a holistic way and also the failure to invest in people centered policies aimed at achieving lasting social transformation across the country. Social transformation can be achieved through an elaborate job creation strategy, provision of affordable education and availing tangible social security to all.

Unemployment is a big problem among most of the Kenyan youths. Unemployment levels are disproportionately higher among the youthful segment of the population. This state of joblessness was effectively utilized by politicians and political parties to gain mileage during the election campaigns. Politicians and political parties made numerous pledges to the electorate most of whom were the youth. Job creation for the unemployed youths was one of the agendas in the manifestoes of key political parties in the last general election. They raised their expectations, with many promises made to address the plight of the youth should they be elected or their parties assume power after the general election. The stakes were thus high and a 'must win' situation was all the youth from the different political divides expected. When the disputed presidential results were announced, there was a lot of disappointment especially from the opposition stronghold who felt that their candidate should have been declared the winner. The youths took to the streets in disillusion and vented anger on property and individuals perceived to belong to the opposing side.

The youth crisis in Kenya also manifested itself along ethnic and regional fault-lines. The youths were incited along these lines and were meant to believe that when one from their ethnic community and geographic region wins they stood a chance to benefit. It is now wonder that voting patterns were mainly along ethnic and/or regional lines. In Rift valley, the youths from the Kalenjin community staged dramatic violent protests targeting members mainly from the Kikuyu community and also some from the Kisii community.

Drug use was also attributed to the angry and destructive response of youth to the presidential results, particularly in Mombasa. Individuals and groups interviewed identified this as an important accelerator in the perpetuation of post-election violence and associated destruction of property.

The post-election violence also took place in a context in which ethnically-driven and youth-dominated militia groups already existed. Various gangs of youths such as the dreaded *Mungiki* sect, *Sungu Sungu* and *Chinkororo* were actively involved in the violence. New militia groups also emerged during the violence, such as the *Kalenjin Warriors*, while others which were hitherto dormant were revived, e.g. *Amachuma Boys*. The result of this was violent confrontations between them which resulted in loss of lives and wanton destruction of property. In Naivasha and Nakuru, members of the *Mungiki* are believed to be the ones who went on rampage and acts of lawlessness which resulted

into loss of lives and wanton. They were on a revenge mission, which targeted members of the Luo and Kalenjin communities whom they accused of having chased their folks from the Rift Valley Province and other parts of the country.

Many youths who took part in the recent post-election violence, mostly come from impoverished parts of the country. Most come from slum dwellings especially in urban centers. They do not own any land or substantial property and therefore are easily lured by perpetrators of violence through being given a small fee to engage in acts of hooliganism. Youths in rural areas whose parents own little or no land were easy target for politicians to incite them to evict people perceived to be from certain ethnic groups or from opposition. Landlessness and the related problem of squatters is prevalent especially in the Coastal region. This problem heightened tension in the area and violent protests witnessed there were staged by idle youths bitter with issue of landlessness and lack of opportunities.

Another important issue that underlies the youth crisis in Kenya is abject poverty and gross inequalities in the Kenyan society. As former U.S. President John F. Kennedy once said: "If a free society cannot help the many who are poor, it cannot save the few who are rich." Such was what was witnessed in many parts of the country where business premises and property worth millions of shillings were targeted by the mostly unemployed youths and numerous other poor and vulnerable groups. In Kisumu, the youths went on rampage and a looting spree and arson in because they had nothing to lose, and were simply ventilating their economic frustrations on the segments of society that seems to be doing well as they wallow in dehumanizing poverty, lack of opportunities and joblessness. Looting was mostly undertaken by marauding groups of youths chanting slogans such as "Tunatake Haki Yetu" (We Want Our Right)¹¹ as they went smashing vehicles and looting. This explains the fact that though Kisumu was an opposition stronghold, the youths were interested in looting and targeting the rich members of the society

4.2.2 Role of Political Elites and Political Expediency:

The post-election violence was a failure of politics. A major trigger of the post-election violence relates to the public utterances of political leaders. All the people interviewed for this assessment pointed accusing figure at the political elites. During the campaigns and even at the height of the crisis, politicians inadvertently send out signals and messages appealing to, and whipping up emotions for the selfish promotion and preservation of parochial and sectional interests of their groups and regions. Apart from engaging in public outbursts that incited communities against one another, politicians

¹¹ This was the slogan the marauding youths in Nairobi were using as they demonstrated on the streets.

were also blamed for being biased insofar as their conduct of public duties is concerned. Many a times, the political elites provide partisan leadership by taking sides along ethnic divides. The political elites have also be accused of complicity in policy-related sources of conflict in the country, principally, in the broad areas of development programs, policies, wealth distribution and initiatives such as youth employment and empowerment.

The politicians were also blamed for stirring up tensions between ethnic groups and regions during the highly divisive campaigns and later taking advantage of the high levels of poverty among the youths in slum areas in urban centres to stoke the flames of hatred and destruction at the height of the crisis. It was reported that youths could kill, maim or engage in destruction of property for a small fee of as little as Ksh. 50. It is widely believed on the ground that the post-election violence widely blamed on marauding gang of youths was planned and financed by politicians before it was executed. Politicians took advantage of the youths' state of poverty to pay them to cause chaos. One politician in Eldoret on encountering a group of local youths asking for money is reported to have retorted: *"You are telling me to give you money when these people are still roaming leisurely in this town!"*¹². This statement is a telling pointer to the potentially negative role politicians might have played in the violence.

The political elites and leadership were also blamed for lackluster support to the taming of the violence. During the initial phases of the crisis, leadership disappeared, communications were poor, and there was no serious effort made to activate national dialogue. There was also no effort in the early stages of the political crisis to accept international mediation. Initially, neither political coalition seemed willing to envisage mediation or to make other visible, public efforts to work toward a solution. No obvious persons with enough stature and independence appeared to exist who could play such a role. Meantime, external mediation was rejected on principle, and, prior to the establishment of the African Union facilitation, a number of credible mediators and advisors offered their services and were rejected on the grounds that only Kenyans could solve an internal crisis. In the void that ensued (absent leadership, no visible signs of willingness to resolve the political impasse), local tensions were exploited for political purposes, and others welled up more or less spontaneously. Some of this, at least, was planned in advance. The structures and networks that should have provided interfaces for dialogue and conflict resolution (religious leaders, civil society) were initially paralyzed by shock, then made dysfunctional by political polarization.

4.2.3 Power and the Control of the State

At the heart of the regional organization and mobilization for violence is the fact that there are parts of Kenya that feel marginalized, ignored and excluded in economic development processes and programmes. The ÷zero-sum÷ and ÷winner-takes-it-all÷ nature of governance in Kenya fuelled the desire for each ethnic group and region to

¹² Interviews with MFIs clients in Eldoret on July 4, 2008

capture or be associated with whoever will occupy the highest office on the land – the Presidency. The motivation was that whoever will take the reign of executive power will not only control all the resources in the country, but also ensure these resources benefit his or her community and region. This partly explained why some parts of Kenya are more developed than others, and why there is debilitating poverty and chronic underdevelopment in some of the areas which were the epicenters of post-election violence such as slums. The poverty situation in these places is described well by the Columbia University professor and director of United Nations Millennium Project Jeffrey Sachs, in which he sees the world's poor as caught in a "poverty trap", in which there are widespread feelings of neglect by the government where underdevelopment, neglect and poverty are manifest in the absence basic services (education, health) and infrastructure (water, sanitation, electricity, road, communication). There are also limited opportunities for employment in such areas.

The marginalization of some ethnic groups and regions from mainstream development and the concomitant unequal distribution of national resources play a major role in causing ethnic tensions and discontent. Strong feelings of deprivation and neglect provided fertile grounds for ethnic groups to engage in communal violence and confrontation. The property and businesses of neighboring ethnic groups become obvious targets, as happened during the post-election violence. Poverty, accentuated by bad governance, in this case was a catalyst for the escalation in the post-election violence, but groups also agree it worsened their situation. All the people interviewed for this assessment admitted that the post-election violence worsened the deprivation caused by poverty and led to a vicious cycle of collective violence that became the rule rather than the exception – a kind of a positive feedback, in which deprivation causes more deprivation.

Successive regimes in Kenya have marginalized the youths politically and administratively over the years and only involve them to the murky business to cause chaos and mayhem during campaigns. The youth that took part in the violence had high expectations insofar change in governance is concerned. When these hopes and aspirations were dashed, they resorted to angry protests purportedly in defense of democracy and electoral justice. Records show that the youths are the majority voters in the country and many who were interviewed especially in Nairobi, Rift Valley, Nyanza, and Western Kenya claimed that they took part in lawful protests in their anger over Electoral Commission of Kenya (ECK) "criminal conduct" in handling the general election. Many politicians especially from the opposition side stated that the youth had a constitutional right to contest a stolen election.

4.2.4 Weak Institutions of Governance in Kenya

The 2007 elections brought to the surface the individual and institutional weaknesses in governance machineries in Kenya. The bizarre handling of results by the Electoral Commission of Kenya, its Chairman and other Commissioners was mainly responsible for preparing the ground for the eventual explosion of anger and associated violence and destruction. The Chairman in particular, was engaged in a comedy of errors process and made a number of public statements that prepared the platform for doubt. The violence was of unprecedented scale and it took the security apparatus by surprise. While groups with links to the parties were mobilizing for civil unrest, little thought seems to have been given by the police or its intelligence services to how to counter whatever would occur. Neither the Electoral Commission nor the security forces, and even civil society had plans for what to do in the event that a predictably-tight election went down to the wire - and, in this case, arguably beyond - and yielded a contested result. Past experience should have indicated that violence would almost inevitably ensue, but little or nothing was done officially to prepare for this eventuality.

One arm of the law which falls in the office of the president docket which was overwhelmed was the police. Widespread violent protests put the law enforcement officers in an awkward situation in many instances especially in opposition stronghold. The sense of crisis was fanned by the disappearance of leadership. The President himself was hardly seen after his abrupt swearing-in. The customary New Year's address was not given. There were few authoritative calls for calm and for patience that were not linked to calls for acceptance of the electoral results or to their rejection. The Electoral Commission itself sent out dangerously contradictory signals. National leadership in effect abdicated any role in managing the national crisis, while the nation's leaders instead focused on managing their interests in relation to it.

The security forces (regular police, administrative police, and the paramilitary General Services Unit) generally responded to the protest and unrest with violent repression, in some cases allegedly crossing the line into indiscriminate violence against civilians. In addition to the mobilization for violence and repression mentioned above, there were signs before and during the actual election (disappearance of election monitors, systematic culling of voter lists) that preparations were underway for skewing the results. Given the exceptional levels of participation in the electoral process, and effort to distort the results was bound to lead to protests, yet the only preparations that were made to counter violent protest were for repression, which led to more violence. The absence of credible judiciary made the situation worse, as the opposition could not make recourse to it.

The media too was not spared. The elections also highlighted the double-edged role of technology in electoral processes. The 2007 elections were covered live, with mobile telephony playing a significant role. There was high coverage by ICT but unusual oscillation between 'slow' and 'quick' pace in the relay of results. The vernacular FM stations also contributed negatively to the post-election violence. The language used by

these stations was at best highly partisan, and at worst derogatory and destructive to opposing groups and parties. One pro-PNU station was for example heard broadcasting words to the effect that: it is better to die than to be led by a boyö, while an ODM-friendly station concentrated on a revolutionary theme and messages, articulating a strategy for ungovernability in the event that the elections are stolen. These played a major role in ensuring that the reaction to the election results would be violent and immediately take on an overtly tribal hue. Yet no systematic effort appears to have been made to call these broadcasters to account. The shutting down of live coverage locked in pressures. Closing off call-in shows limited opportunities for violent messages to be transmitted, but also calls for peace. What was seen and heard on the media seemed canned and detached from what people were experiencing, and the media failed in their responsibility to explicate the nature of the crisis and the steps that might have been taken to move forward peacefully.

4.2.5 The Land Issue and Question

In Kenya the land question is a really thorny issue and is one of the structural causes of the recently experienced post election violence. The land problem in Kenya dates back to pre-independence period and successive regimes have overlooked and failed to address it in a comprehensive way. Information that have come out from the field has shown that land question in most parts of Kenya is a sensitive issue and forms a bulk of historical injustices which have haunted Kenyans through successive regimes. There is a general view that there had been general inequality in allocation of natural resources to the Kenyan public especially land. Successive commission of enquiries and rising levels of tensions between land owners and the landless albeit squatters illustrate just how unfair or unequal distribution of land is. The land issue is a ~~time bomb~~ likely to erupt again in future as it occurred in the last post election violence unless the relevant authorities find a way of addressing it as a priority.

The post-election violence revealed a close link between kinship and territoriality (land), and there is consensus that Kenya's ~~land question~~ is the principal source of politically motivated ethnic violence. There is a mutually reinforcing relationship in which territory is the basis of allegiance as is ethnic identity. Salient tension over land distribution is one of the main factors associated in post-election violence.

During the post-election skirmishes, violence was directed at members of ethnic groups, particularly in ODM-strongholds, with the purpose of expelling them from those areas to their ~~ancestral land~~. The land issue was opportunistically used by political entrepreneurs for political mobilization to fight communities opposed to them by reactivating simmering demands for territorial land claims, especially in Rift Valley and Coast Provinces, and to a lesser extent in Western and Nyanza Provinces. Most of the areas badly affected by post-election violence had members of the Kikuyu community who were perceived to have moved in to acquire land and engage in lucrative commerce

at the expense of communities who lay claim over the land. The situation was exacerbated by the perception that the Kikuyu community does not want to integrate into the host communities and that they were opposed to the popular political party in those areas.

Voices from some parts of the Rift Valley illustrate the hatred that has been simmering between people of different ethnic groups. On inquiring on relations between different ethnic groups, a Kipsigis lady said this of the Kikuyu: "They have come, conquered and taken our land and businesses. Kikuyus now want to take power by force. We should teach them a lesson" On a related vein: in Luo Nyanza, members of the Luo community chased away Kisii, and Kikuyu accusing them of dominance in business by being too aggressive and arrogant.

Violence meted on specific groups of persons belonging to particular ethnic groups was seen to be an attempt to lay claim to land belonging to the targeted group. The post-election violence in most parts of the Rift Valley has resulted in partial or total depopulation of tracts of land and business premises. The youths who were mostly incited to undertake acts of violence were promised to take over the businesses or farms, engendering a culture where there is no respect for private property and no respect for law and order.

4.2.6 Grievance or Greed?

In addition to grievances, the ethno-political violence witnessed in many parts of the country was also driven by greed and jealousy.

Economically, political violence profited some groups who incited communities to target their business rivals in the area. The aim was to drive them out of business or force them to abandon their land or property. This will eventually force them to sell their assets or property at a throw away price thus benefitting the architects or perpetrators of violence. This was manifest in several parts of the Rift Valley, Western and Nyanza provinces where businesses of specific ethnic groups were looted and vandalized in order to drive them away.

Political violence on many occasion provided a range of psychological pay-offs. This included an immediate reversal of relationships of dominance and humiliation that have sometimes prevailed in times of tranquility and relative calm. In Coast province, the local communities had a lot of latent grievances that they directed at people from other regions of the country whom they commonly refer to as "watu wa bara" (people from the mainland). They claim that employment opportunities have been taken over by people from outside. They lay the blame on Kenya Ports Authority (KPA) for affording employment opportunities to people from other areas leaving the local people. They complained of high unemployment and general poverty in the area. Unemployment

among the youths came out as the main factor that fueled post-election violence in this region. The local people also claim that the business opportunities have been dominated by outsiders. They also accused KPA of not giving the many contracts in the ports to the local people.

In Kakamega, there were sentiments directed towards people mainly from the Kikuyu community in the area. One interviewee who is a member of a micro-finance institution in the area stated; *“Kikuyus were doing well; they were given higher loans and offered business opportunities by existing micro-finance institutions. This set a fertile ground for silent bitterness that came into open confrontation as a result of the post election violence. This incidence led to violent protests directed at people perceived to be opposition supporters. It resulted in looting, arson and violent attacks on individuals resulting in displacement of many people”*¹³. Kakamega residents also raised similar grievances against outsiders in their midst. They claimed that population pressure is causing tension and this prompted them to attack and expel people from other regions who owned property and have businesses in their midst.

In Eldoret, most residents from the Kalenjin community complained that big businesses and good buildings are for the kikuyu community. Kikuyus are seen to be aggressive and they have even bought large tracts of land from the local Kalenjin people. A resident in Eldoret town from the Kalenjin community quipped; *“How can strangers become wealthier than the natives”*. This highlighted concern of the local population of economic dominance by the Kikuyu community. It resulted into attacks on kikuyus and also targeted their properties and businesses. This resulted into massive displacements of kikuyus from their farms and businesses. *“Even if Kikuyus come back and rebuild, we will still bun them”*, another added.

In Luo Nyanza, members from the Kisii community were attacked and their businesses targeted. The Luos felt Kisii people have come and they have overtaken them in Luo Nyanza. Both Kisiis and Kikuyus are perceived to be aggressive in business and arrogance, if not disrespectful to other communities.

4.3 Economic Impacts of Post-Election Violence on MFIs

The year 2007 saw a lending boom by banks and microfinance institutions to small and micro enterprises which have now emerged as major economic drivers in the last five years. According to the Central Bank of Kenya, growth in private sector credit accelerated from 13.3 per cent in September 2006 to 17.5 per cent by September 2007.¹⁴

The post election violence targeted small businesses in major towns, where most borrowers are more likely to set up businesses. While small businesses in the central

¹³ Interview in Kakamega on July 24, 2008

¹⁴ Business daily, Thursday 29th May 2008

business district of the capital, Nairobi were spared the agony of looting, not so for those in the estates and slum areas and in Mombasa, Eldoret, Kakamega and Kisumu, important regional commercial points. The other sector that was greatly affected was the tourism sector that had made major strides in the previous year.

The micro finance institutions concur that there has been an increase in the volume of non-performing loans and a decrease in the volume of loans. This is likely to negate the gains made in the sector especially in the last 5 years.

4.3.1 The Business Environment

All the institutions and clients interviewed acknowledged that the violence had a major negative impact on the business environment. In Mombasa, the violence dealt a major blow to Tourism. There were major cancellations of confirmed bookings. Hotels had to close down and staff were laid off. The closure of the hotels meant that the businesses that provide these hotels with supplies also had their orders cancelled. Poultry and vegetable farmers were especially hard hit.

The burning, looting and displacement that took place also meant that the demand and supply chains were broken. In Mombasa, the clients indicated that they could not get food supplies from the upcountry because of the disruption of transport and the fact that the displaced people were the main suppliers of food produce. In Kisumu, the clients mentioned two specific products ó English potatoes and clothes (both new and second hand). They indicated that those displaced were the ones who sourced for these items and supplied them to the local market. In the Rift Valley, milk went to waste because the people who were the main consumers had been displaced. Throughout the country, goods could not reach their destinations because of the disruption in transport. Most of the markets were inaccessible and farm produce went to waste.

On the other hand, people were evicted from their farms in the Rift Valley and food crops and animals destroyed. Hundreds of sacks of cereals were destroyed as the raiders used them as fuel as they burnt the homesteads. This has had a major impact at the national level and the government will resort to importing maize which would otherwise have been bought from the farmers in the Rift valley.

All sectors of the economy were equally affected. Boda Boda taxis suddenly realized that the people they had displaced were their main customers. Landlords also realized that their buildings had no tenants because those were the same people who were renting their premises. In the Rift valley, locals whose main source of income was leasing land to outsiders realized that their source of income was gone. They could also not access food crops from the neighborhood because the land lay bare. As at the time of the interviews

the mood had now changed to “*Kikuyu akuje afanye Biashara lakini asinjenge.*” (Kikuyus can come and do business but they should not build)¹⁵

In the towns, people from certain communities were asked to vacate their business premises. Landlords feared that their buildings would be burnt down if they retained them as tenants. This therefore meant that the goods supplied by those businesses could no longer be supplied. In some towns, the landlords are still not renting out their premises to these undesirable community.

In all the areas visited, food became very expensive. This was at a time when people’s livelihoods had been destroyed and they barely had the money to buy.

4.3.2 Loss of Livelihoods

Many of the clients interviewed reported that their homesteads and businesses were either burnt down or looted. The loss of their households and their businesses meant that they were now destitute. Some of these people were also employers with several people working in their businesses. Some are deeply traumatized as shown by the following case as narrated to us by one of the MFI staff:¹⁶

¹⁵ Interview with displaced clients in Nakuru

¹⁶ Interview with one of the staff in an MFI in Mombasa.

Kamau¹⁷ is a client of one of the leading Micro finance institutions operating in Mombasa. He was operating in his business in Likoni. He started off with a small shop and a loan of Kshs. 15,000/= but as he continued to borrow subsequent loans, he was now at a position where the institution had lent him Kshs. 800,000. This loan was disbursed in December 2007. During the Christmas period, his wife and child traveled to their rural home in Muranga. He was left in Mombasa because the Christmas period is usually good for business in Mombasa. By December 2007, Kamau's investments comprised of a well stocked hardware store, a lorry and a matatu. His residential premises were located behind the hardware shop. When the violence broke out, his shop was the first to be looted and burnt down. They then turned on his lorry and his matatu. In a day, he lost everything other than what he was wearing.

The institution put a temporary freeze on the loan so that the loan would not generate interest for 6 months. 6 months are over and Kamau is still totally confused. The group members have assisted him with clothes and he lives with a friend. However, he is consumed with fear of starting something permanent. He has also lost confidence in himself. He can also not relocate because he says business opportunities in the Muranga are fewer. He still cannot meet his loan repayments. The Catholic Church has started providing counseling sessions in the area and the group has advised him to attend.

His biggest concern is the repayment of the loan but he is a far shadow of the man he used to be. The group members are not able to pay for him because several other members are also affected and they also lost their businesses. They hope that the counseling sessions will restore him to his former self.

The situation of Kamau is replicated in all the areas where the violence broke out. The people he had employed have lost their livelihood and he is barely able to start again. The country has lost the revenues generated from the taxes he was paying and now he has to rely on handouts.

¹⁷ Names have been changed to protect the identity of the client.

Jane¹⁸ had lived in Kericho for the last 42 years. In the process she and her husband bought land in Kericho town and had no intentions of moving back to Kisii where they had come from. As at the time of the clashes, Jane's family was reasonably well to do. She had a 9 bed roomed house, 7 rental houses, a private primary school, an electronics shop and several dairy cows. As the violence ranged on, Jane had no reason to think that she would be affected because she is not a Kikuyu. This however changed when the Ainamoi MP was killed on 30th January 2006. Apparently the person who pulled the trigger was a Kisii and the Kalenjins decided to evict all the Kisiis in their midst. When the marauding youths started threatening Jane and her husband, they thought they could buy them off. After all, these were children they had seen grow into young men. The husband spent over 200,000/= trying to appease these gangs. In the final analysis, all her investments were burnt down. The gangs did not even spare the cows. Everything – the school, the homestead, the shop the rental houses – everything other than a few things she could carry by hand. She moved to a safer place and eventually, her relatives in Kisii sent her some money so that she could pay the 7,000/= required for one to be transported to the safer areas. As at the time of the interview, she was staying in Kisii and had taken a loan from one of the MFIs to establish a cereals business. She was still trying to find her footing having left Kisii as a young girl. She was bitter but being a staunch Christian, she said she had forgiven but could not forget. She said her children were very bitter and had sworn never to return to Kericho.

Employment opportunities have also been lost in a country with a very high level of unemployment.

4.3.3 The MFI as an economic unit

The MFIs interviewed are still reeling from the effects of the violence. They have had to bear huge burdens as a result of the conflict. The magnitude differs from institution to institution with those that had a very heavy presence in the rural areas bearing a bigger burden. Several aspects of the institutions were seriously affected as highlighted below:

i) Impact on liquidity

Nearly all institutions reported a major impact on cash flow in affected areas. Institutions with widespread coverage in the rural areas were especially hard hit. Most of the clients had received loans in the last quarter of 2007. Some of the loans were to be repaid for the first time in January 2008. In the areas affected, many of these clients were victims and their businesses were destroyed. In other areas, banks were closed down and even the offices of the respective institutions were closed. Therefore even the clients who were still operating could not make payments as required.

¹⁸ Not her real name.

ii) Portfolio at Risk (PAR)

In a conflict situation, it is natural that the clients will not meet their loan repayment obligations. Therefore there was a sharp increase in portfolio at risk for nearly all the institutions interviewed. In the areas affected, people lost their livelihoods. At the business level their businesses were either burnt or looted. In some other areas, their homes were also either burnt or looted. For their own safety, they had to move to safer areas ó mostly the IDP camps. These people could not meet their financial obligations and were reduced to beggars.

In a meeting with 12 clients from one of the MFIs, the clients kept on asking what could be done for them. They explained that they wanted to pay their loans. However the reality was a bit difficult. Some indicated that their loans were relatively new at the beginning of the year. If someone had taken a loan of 300,000/= how could an additional loan of 20,000 meet those installments? Their questions are real and their dilemma was evident on their faces and in their voices. Whereas they appreciate what the MFIs were doing, they were still finding it difficult meeting their repayments. Majority were still in the IDP camps.

In January no groups could meet in the affected areas. In February and March, staff occupied themselves with trying to trace the whereabouts of their clients. Their main concern at this stage was not loan repayments but knowing where they could get these clients. Slowly they started discussing solutions with the clients they could trace and how they could meet their financial obligations. The loans therefore fell into arrears and the Portfolio at risk rose to heights that were unheard of previously. As at the time of these interviews, some of the clients had not been traced.

For the groups that started meeting, some of the members were coming from the IDP camps. Their businesses were no more and they had nothing. For them they needed assistance to start their lives all over. Others who were still in business said that they could not pay for those who had ran away. They challenged the institutions to follow them. They indicated that businesses were doing badly and they could barely afford to pay their own loans.

Only one institution reported that their PAR did not increase. This is because; the institution has very high levels of savings. Therefore during the clashes, the loan repayment installments were taken from the savings. This led to a reduction in savings but the loan installments were not affected. They also attributed this to the fact that their loan sizes are low compared to other MFIs.

iii) Escalation of costs

All institutions interviewed had to meet costs which had not been anticipated. Immediately the problems started, the management needed to know where each of their staff were and whether they were safe. They also needed to ensure that staff to get in

touch on phone with them at all times. This meant that they had to look for air time and send it to the staff. This cost ran into thousands of shillings but it was the only way of ensuring that they could monitor the staff who were in the violent areas.

Some of the staff were in areas where they were threatened. All institutions which had a presence in any of the affected areas had to evacuate staff who were not from the community using whatever means was available. This proved to be quite expensive. Staff taken to safer areas needed accommodation. Institutions had to put staff in hotels. They also had to provide them with money for clothes because some had lost everything. Others had their houses looted. The institutions have had to compensate them. Other costs incurred included the cost of professional help for those staff who were deeply traumatized.

In Nyanza, one of the staff we interviewed told us that her house was looted. For a whole month she could not access the office and had to operate from a hotel. She also informed us that when Kisumu town appeared to have calmed down a number of staff went to the office hoping to catch up on the backlog of work in the office. As they were in the office, marauding youths decided to target them because they said that the people who work in that office are not from their community. They surrounded the building in which the office is housed and wanted to burn it. The owners of the building had to be called and the caretaker was frantic. In the process, the institutional head office had to try and get the police to go and evacuate the staff. The staff were evacuated to the airport and airlifted to Nairobi. In Nairobi, they had to be accommodated in hotels and then had to be transferred to other work stations because none of them could agree to go back to Kisumu.

In Eldoret, the story was the same. One of the managers interviewed informed us that she had to be airlifted to Nairobi when they were threatened. When violence broke out and they could not get out of the house, their head office had to send security team to escort her and her family to the airport from where she moved to Nairobi. When she got to Nairobi she went to live with a relative in Thika.

Staff are also spending a lot of time talking to those affected. In February and March they spent time going to the IDP camps because they knew some of their clients had been displaced.

In one institution, a staff member visited the Kirathimo camp in Limuru and found a whole group of their clients. The members quickly reconstituted themselves and informed the staff member that they were willing to start all over again. Other clients in the Limuru area provided a lot of assistance and even looked for alternative accommodation in the town. They also donated various household items to help their counterparts reestablish themselves.

This activity of staff looking for their clients is continuing to this day. They are even asking members of the groups to find out the phone numbers so that they can call them. When they make contact, they are asking the clients to visit any of the offices that are closest to them. This way, they can at least know what is happening in the life of the client even when the loan is not being paid.

Groups are being encouraged to meet even when they do not have the money to repay the loans. This is costly for the institution but it is the only way of ensuring that they do not lose contact with their clients.

Loans will also have to be written off. All institutions interviewed indicated that they have some clients have disappeared without trace. For some it is not just one client but a whole group that has not been traced since. Some of these clients have very large loans. A decision will have to be made to write off these loans since staff have no one to follow.

iv) Loss of Income

The major source of income for MFIs is interest from loan repayments, followed by loan application fees. To a smaller extent, some income is generated from membership fees. During and after the conflict, many clients in the affected areas could not service their loans. As at the time of this study, many were still not paying because they had not found a stable source of income. This was especially the case in Eldoret, Kisumu, Nakuru and Kakamega. They were still relying on handouts. Though they had resumed group meetings, they were looking up to the institution to give them a way out, to tell them what to do about the outstanding loans. The staff have no answers and they can only listen. The first three months of the year also was a period where no new loans could be made. This seriously affected the income levels of most of these institutions.

v) Loss of Opportunities

All the MFIs interviewed indicated that they give school fees loans to their clients. The demand for school fees loans is highest in the month of January. This year, the school fees loans could not be disbursed in many of these areas. Some of the clients whose businesses were destroyed would have taken higher loans. At this point however, a client who was capable of servicing 100,000 is going back to 20,000 as they try to start their lives all over again. The budgets done for this year will have to be revised as institutions grapple with the reality in those areas. Interviews with the clients in Eldoret indicated that nearly all the ones who had come had borrowed for a minimum of 6 cycles. Their businesses ranged from poultry rearing, rental houses, selling clothes in wholesale and distributing them to different market centers, hardware, supermarkets and coke distributorships etc. A common characteristic of the clients in Eldoret and Nakuru was that majority were born there and they had no other place to call home. They could therefore not move to any other area and some told us they can only move from there to heaven.

vii) Impact on transformation

In 2007 the Kenyan microfinance sector was moving forward rapidly towards transformation. In May 2008, the prudential guidelines were gazetted and the MFIs were given the green light to apply for regulation. Many developments were going on in areas of computerization, product development and other innovations. The crisis and its impact have put many of these developments on hold. The impact on transformation is multi dimensional; funding constraints have put expansion plans on hold; human resource constraints as management staff focus on response to the crisis are delaying implementation of transformation oriented technical assistance; institutional focus is clearly divided. The impact on commercialization is likely to be more subtle and careful strategic planning will be necessary to balance new priorities against reduced resources and continued ambitions¹⁹.

viii) Institutional Image

In 2007, some of the MFIs had been key players in the implementation of the Youth Enterprise fund and the Women fund. This made the community classify them as pro government. The impact of these is that some of the clients saw an opportunity not to repay their loans saying that it was government money. At the extreme level, some of the offices were looted and some of their staff threatened.

4.4 Social Impacts of Post-Election Violence on MFIs

The violence had far reaching impact on the social fabric of the country. Institutions with deep penetration in the rural areas and low-income urban dwellings were most affected. This affected the social systems in many ways and MFIs bore the brunt of the effect because of the nature of their operations. The displacement disrupted whole communities, hence affecting group cohesion and even the economic livelihoods of the affected people. Some of these aspects are analyzed in the section that follows:

4.4.1 Displacement

All the MFIs interviewed reported that they had a number of clients who were displaced by the violence. The situation was the same across the country. However institutions with a deep coverage of the rural areas were hardest hit. The pattern of the displacement varied from place to place with the worst hit area being the North Rift Valley. The displacement meant that whole communities would be uprooted from their homes to areas they considered safe. This completely changed their lifestyles. People who previously relied on their farming activities or businesses in the local shopping centre had to run for dear life with nothing but the clothes they had on their back.

In an interview with one of the staff in Nakuru he had this to say²⁰

¹⁹ Cracknell, D. (February, 2008). *A Rapid Review of the Initial Impact of the Post Election Crisis in Kenya on the Microfinance Industry in Kenya and Potential Responses*. Microsave

²⁰ Interview with one of the staff in one of the MFIs in Nakuru on 7/7/08

My parents were living in Turbo. They moved to the area in 1963. When the violence broke out, our homestead was the first to be targeted. They surrounded our home led by our neighbor who was my former primary school teacher. They slashed the cows to pieces and burnt the sheep alive. I have had to move my parents and my brothers who were living there to Subukia where I had a piece of land. They however had to stay for a while in the IDP camps before I could build some structures for them to live in.

In Mombasa, the displaced clients had their houses looted and their shops burnt down. A number of them relocated to other areas still within Mombasa and especially the Island which had no problem. Others moved to IDP camps for safety. In Nairobi, those affected were mainly in the slum areas of Mathare and Kibera. In western there were pockets where the violence was worse than others. In Kakamega and Mumias towns, some of the clients are still in IDP camps. In Eldoret, the story is the same with many clients still in the IDP camps. The government has embarked on moving the people in IDP camps to transitional camps near their farms. In some areas, the locals are not willing to negotiate nor take them in. Threatening leaflets are being circulated to warn them that they will still be attacked. Majority of the displaced in Eldoret owned their homes on plots they had bought and build. Others owned land and that is the only place they know as home.

In the midst of all these chaos, some of members of the community assisted those who were being evicted by storing for them their household goods, hiding them in their houses and even hiding and protecting the children as the parents escaped. This was at a great cost to their lives. Those who were discovered by the perpetrators of the violence suffered great losses in the hands of those from their community.

4.4.2 Significant decline in group solidarity

All the Microfinance institutions interviewed have the solidarity groups as the main channel of a large percentage of their lending. Membership to these groups is voluntary and is based on trust. Members co-guarantee each other because they do not have the traditional forms of collateral. The microfinance institution trusts that the group will ensure the success of the co-guarantee mechanism by weaning out undesirable members and ensure peer pressure is upheld. With this the MFI entrusts the individual entrepreneur with funds to invest in his/her business. The post election violence was a major blow to this element of mutual trust. One of the key requirements is that group members should be from the same locality. This has therefore led to groups coming up which are from different communities.

As these groups continue working with the MFIs, some communities were said to be very aggressive in business hence taking increasingly larger loans. These clients are a favorite of the MFI field officer because of their good repayment record and their increased loan size.

Even before the violence, this had already started creating some discontent among those with smaller loans. They perceived these clients from the “outside” community as being favored by the MFI. In some groups, members could even express dissatisfaction at being expected to guarantee increasingly larger loans and they indicated that their savings were at risk. The violence only brought to the fore what had been simmering all along.

In some of the areas visited, members of the groups separated along tribal lines after the violence.. In Burnt Forest for instance, a group that had members from two warring tribes had split into half with meetings being held separately. Even where groups had not completely disintegrated, there was tension in the meetings and the officers had to be very diplomatic to ensure that the group could function. In one institution visited, the staff informed us that in Moiben, the Kikuyus had been asked to leave the groups. When they came from the IDP camps, the local community was not willing to take them in.

In Kakamega, most institutions reported that their clients had no problem with one another. However those who had been displaced are finding it hard to trust the locals and are requesting to form their own groups. However the locals had even gone out their way to go to the camps to visit and provide necessities for their members. They were also encouraging them to start attending the group meetings and working out modalities for loan repayment.

The group cohesion has also been affected by the decrease in membership. Some of the members who were displaced left the affected areas completely. The members left behind do not even know how to contact them. In an ideal environment, these members should repay the outstanding loans but with the current issues, the members are not willing to do so. They are asking the institution to look for them.

In some of the areas like Kisumu, Kakamega and Eldoret, some groups collapsed completely. This is because the members left the area and they can no longer meet. Nearly all institutions in these areas reported some groups which were as yet unaccounted for.

For the MFI, forming groups along tribal lines would negate the very essence that the institution is a national institution. This would also mean that in areas where a certain community is the minority, then they would not enjoy the services of the MFI.

ii) Bonding across Tribes

The violence contributed significantly to people bonding by tribes. People were made more conscious of their tribal differences and deep seated animosities that had not come to the fore before. Kalenjins who were displaced in Eldoret could not go to IDP camps occupied by the Kikuyus. This spread the violence even further. As the government started transporting the displaced people to different areas those who considered them as

our people started preparing for revenge. This was the situation especially in Nakuru and Central Province.

The following story was narrated to us by one of the staff in Nakuru.

In Nakuru, all hell broke out on February 7 2008. On this day, seven (7) trucks of IDPs arrived from Eldoret and Kericho and were dropped at the main Nakuru Nairobi bus stop instead of the showground. Their stories created quite a spectacle and heightened tension and the people from their community felt that they had to revenge. Immediately, they closed the main highway and started destroying shops owned by Kalenjins. In a short while, 5 businesses had been destroyed. They however did not burn the buildings because they did not belong to the Kalenjins

For the microfinance institution, forming the mixed groups even in the urban areas becomes more difficult. This can even affect the staff where different communities refuse to be served by staff from other communities. In Eldoret some of the institutions reported that some groups were so bitter they did not want to be served by staff from other communities other than their own. Some clients were reported to have left groups because they were the minority in certain groups although they had been together for several years. Others left because they did not like the staff member's community.

iii) Impact on the Family

One of the greatest tragedies of the post election violence is the impact it had on the institution of the family. From Mombasa to Nakuru, Eldoret, Kisumu and Kakamega, the team was told of families that had broken down because of the tribal divide. It did not matter whether it was the man or the woman who was considered to be from the wrong tribe. Couples who were married across ethnic groups were forced to separate or divorce. A case at hand is where a kikuyu lady married to a Kalenjin Man was forced to flee for her dear life. She ran into a transit camp. She was expectant and she gave birth in the camp. Her home (husband's) can clearly be seen from the transit camp but he has never come looking for her.

Children have not been spared either. The following story was narrated to us by some staff in Nakuru of an incident in Molo which the staff witnessed:

On this day, we decided to go to Molo to check on the situation of our clients and groups which could still meet. Unknown to us, marauding youths had decided to protect themselves and their people and they had blocked the road. When we arrive at the road block, we managed to convince the youth since we were speaking their language and they knew our institution. Just then, a man from the other community driving a pick up came to the road block. He was taking his daughter to school and he thought he could still get to Nakuru. The youth did not even listen. They got him out of the car, beat him up and cut off his head. They wanted to do the same to the daughter. Women who had heard the commotion came to find out what was happening (the women were from the same community with the youth). They screamed and took the girl and insisted that the youth could not kill the girl. The youth insisted that the girl had to say good bye to her father. She was forced to shake the blood stained hand of her father's headless body.

The violent conflict traumatized children especially school going ones. Divorce cases instigated by the post-election violence lead to parents of school going children to separate. Mothers would move with the children to IDP camps which were not conducive for the school going children. Mothers had to bear with numerous questions from their children on the whereabouts of their fathers. In Kisumu, one child who witnessed ethnic hatred and aggression of one group to another said to her father; *“Baba, how come mama Grace hajafukuzwa na waKikuyu wote wamefukuzwa?”*.

Another child on being asked why she does not want to go to school answered; *“I refuse to go to school because my best friend will kill me.”* These examples highlight the deep trauma and enduring legacy of post-election violence on children, the next generation of Kenyans!

Schooling in general has largely been affected in many parts of the Rift valley, since parents were forced to flee from troubled areas to safer areas. Some schools were destroyed by arsonists and children had nowhere to go when schools opened. Even areas where there was less violence in the Rift Valley and western Kenya, schools could not yet open in time as IDPs occupied them as safe havens.

Single parenthood has increased after eruption of post-election violence. There are cases in Gituamba village in Kitale where three women were separated with their husbands due to pre-election tensions and their fate sealed by the eruption of post-election violence. Children are the losers here as their education is disrupted and situations in IDP camps are not conducive for their upbringing. At the coast a child had to be withdrawn from a kindergarten because she was from communities from the mainland (*Watu wa Bara*)

Children were separated from their parents and have not yet been reunited. In one case, a displaced woman broke down as she narrated how she ran from Eldoret to Nakuru and then back to Eldoret when the violence broke in Nakuru. As at the time of the interviews, she had not been reunited with her husband. She had no idea whether he was alive or dead. As a client of one of the MFIs, she was looking to the staff for help not knowing what to do.

iv) Social impact on Staff

Most MFIs have a policy of not posting staff to the areas where they come from. Therefore, staff were working in communities which would generally be different from their own. This meant that for most of the institutions, staff at the front line were at risk. Institutions had to move staff from where they were formally working and transfer them to safer areas. Where staff were in danger, evacuations had to be organized either using the police or in the case of Kisumu, airlifting the staff to Nairobi. Temporary accommodation had to be sought for the staff once they were in the safe area.

One institution reported that one young girl was removed from a group meeting and frog matched for 5 Kilometers. By the time she was rescued she was completely traumatized. Though she was airlifted to Nairobi, she could not think of going back to that area. She could not understand how a fellow officer who was from the community could not even try to intervene. She felt abandoned by her colleague, and by the group members. She considered it betrayal.

In another institution, the manager had to take a lot of risks to ensure that all his staff were safe. Having a mix of tribes on his staff, he had the unenviable task of ensuring that each of them was safe. He had to put all of them in a hotel temporarily as they looked for ways to go home. He had this to say:²¹

When the violence broke out in Nakuru, we were caught unawares. By the second day of the violence, the Mungiki came in. They headed to an area called Ponda Mali and Kaptembwa and by the third day moved to Githima with the sole aim of eliminating the Kalenjins and the Luos. I had Kalenjin and Luo staff living in those estates. They started calling me telling me they were surrounded. I had to figure out how to get them out. In Nyahururu on the other hand, the staff had moved to the police station and I had to go for them. By the third day, the army moved in.

Staff have also found themselves unable to believe that they could run away from the same people that they were serving. In some of the institutions staff are grappling with the prospect of serving people from certain communities. They have to overcome their bias and forgive for them to go on.

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In the midst of all these confusion officers found themselves expressing tribal sentiments unconsciously.

In view of the enormity of the inter-communal violence in some areas, it is easy to lose sight of the fact that many ordinary Kenyans reached out to assist and protect their neighbors and fellow-citizens. In the midst of the worst mayhem, there were countless acts of individual and group kindness, often at great risk. These actions should be documented and celebrated. From individual heroic acts to such modest positive gestures such as in Kisumu, where a Luo family hosted a Kikuyu family friend at the height of violent protests, the Kikuyu family instructed the child to disguise herself from marauding gangs saying, ‘*If they call you Njeri do not respond, your name now is Anyango*’.

4.5 Challenges faced by MFIS

4.5.1 Staffing

Some of these staff have refused to report back to those areas where they ran away from. New staff are also having very serious issues with where they can be posted. One institution reported that a prospective field officer turned down the job once they were told that they would work in a certain area which was dominated by a community he considered hostile. The MFIs will therefore have to spend much needed resources in recruitment and retraining staff

The challenge is whether institutions will only recruit staff to work with their people. This would negate the very issues that they have been promoting of the fact that one should be able to work anywhere in this country.

4.5.2 Staff dilemma

In the midst of all these, the primary role of a field officer in an MFI is to lend and to ensure that all the loans are paid back. They are currently dealing with very desperate situations. The last three months of any given year are always good business for the MFIs and that is when most loans are given. This means that the clients displaced had very new loans. Right now, the clients have nothing. The officers are asking themselves:

“When a client is desperate, how do you comfort them? How do you respond? Our clients expect solutions from us. How do we deal with this?”²²

The staff on the ground indicated that it was overwhelming. They indicated that they needed a lot of support. They were feeling that all their efforts had been razed to the ground. In one institution, the CEO went to the ground and held meetings with group leaders. The response was overwhelming and the clients were willing to go the extra mile

²² A staff in one of the MFIs in Eldoret.

to assist one another. They indicated that if they mattered enough for the CEO to come, then they had to try their best. For the staff, they felt supported.

The other question for the staff was how to distinguish between the genuinely displaced and those who are pretending. In a situation like what happened there will always be people taking advantage of the situation.

Staff are also wondering how to balance growth and risk. The clients have indicated that will a they would want to restart their lives and have asked for refinancing and rescheduling of loans. Their head offices have approved the same but is this the best option? What will happen if you give this person more loans? Are they going to buy food or to start a business?

As field officers , we are trained to assess ability to pay based on an existing business. We have not been financing starters. Now we have to refinance individuals who not only do not have any business to show but do not even have a place they can call home. What happens when they cannot repay? What do we do? In the group guarantee system, the group members ask the person borrowing to pledge some items to them as security. Now the person borrowing has nothing. The usual forms of group pressure cannot work. Where do we go from here?

The staff are also dealing with people who are deeply traumatized. The magnitude of the trauma the staff have to deal with came to light when the consultants were interviewing some clients. All of them (12) started crying and the whole experience was quite draining. A staff member dealing with this daily is carrying a lot of emotional baggage. This will need to be addressed.

For the staff there are additional dangers in operating, in an uncertain environment. Some of the staff were threatened when they try to make recoveries often by thugs not wanting business as usual

4.5.3 Psychological effect of the violence on staff

Several institutions hired professionals to counsel some of the staff. In situations where a staff was deeply traumatized, this had to be done for some time until the staff can come to terms with the issues.

For the Christian institutions, praying together played and has continued to play a major role in the healing process especially where there was friction between staff. The prayer sessions are also held at the group level and this has helped in the healing process. However there is a large group of staff who are crying out for a hearing. These may be supervisors and staff who were transferred to the conflict areas on the basis of their tribes. From discussions with them, one felt them crying out just for people to talk to. People

who would talk to them not as supervisors but people who would allow them to say it as it is. This will continue to be a major challenge for the MFIs.

Some of the staff lost loved ones. Staff had to house large numbers of relatives who were in the conflict areas. This is both a psychological and a financial burden. Watching your parents who were formally independent reduced to dependants is depressing. What they call home has been totally destroyed and they cannot begin to understand. Some of these staff are deeply traumatized and will take time to recover. They indicated that there was need for an officer who can do trauma counseling.

4.5.4 At the group level

The MFIs reported that the groups which had a mix of clients had become very difficult to manage. In Burnt forest for instance, groups which previously had Kikuyus and Kalenjins had split into two as at the time of the interviews. The Kikuyus and the Kalenjins met separately. The solidarity group is a major vehicle for MFI lending and especially where small loans are concerned. At this point however, MFIs will have to focus on product development to deal with the current crisis until the situation goes back to normal. This may become a costly process.

4.5.5 Rescheduling/Refinancing

These are some of the ways that MFIs have responded to the crisis where businesses have been destroyed. When they spoke to the clients, they indicated that they would want to restart their lives all over. Some just wanted to get their loan repayments period increased and some wanted to get some money to start again. The MFIs are in a dilemma. Refinancing means adding a loan on top of a loan to someone who now has nothing. Initially, this client had been funded on the strength of an ongoing business. Now they are asking for money but there is no business to be assessed. What do they do?

The MFIs do not have funds which they can even give as grants to assist some of their best. They are at a crossroads. IF they abandon this client, even the old loan cannot be paid. If they give an additional loan, they are increasing the burden for someone who already has another burden. What then do they do?

4.6 Opportunities for Peacebuilding by MFIS

There is no doubt that MFIs can make a positive contribution to the reconciliation and reconstruction efforts in Kenya. This is not only because MFIs were affected by the post-election violence and do experience violence and tension at workplace, in surrounding communities, through clients and along supply chains, but also because MFIs inherently possess the potency to be a force of peace and non-violent change. The experience of the post-election violence demonstrates the inextricable link between MFIs and peace, and reinforces the need to make MFIs, and the private sector in general, critical actors in

peacebuilding in Kenya. The MFIs and security (peace) are linked in many ways, most obviously because violence and conflict infringe on the efficient and effective operation of the microfinance sector. By the same token, thriving markets and human security go hand in hand, and reinforce each other.

For MFIs to provide security to their staff, clients and assets, peace is of utmost necessity. But whose business is it to bring peace? Is there a role for MFIs? There are different ways in which MFIs can contribute to peace in Kenya. They can contribute to vulnerability-reducing and livelihood-enhancing efforts among communities dislocated by the violence by giving them access to financial resources necessary for recovery. By their very nature, MFIs do provide a flexible support structure that has the capability to mitigate the effects accruing from conflict. The sector can also provide necessary post-violence microfinance support to development for addressing essential post-conflict needs of different segments of the population. In making these contributions, there exist a potential for MFIs to combine rebuilding damaged economies with rebuilding the social fabric of society destroyed during the post-election violence. On the one hand, MFIs would be maximizing their contribution to long-term economic recovery and stability, and on the other hand, contributing to building peaceful relationships and long-term social stability. In this regard, MFIs will be using economic activities to promote social causes such as poverty alleviation and peace²³. This later role is all the more important because MFIs have the capacity and networks to build trust among their staff, members and clients, and hence between members of communities they work in and with.

Another important statement the experience of the post-election violence has made is the urgent need to address the structural sources of conflict in Kenya. Through their microfinance services, MFIs can creatively promote peace by uprooting two of the root causes of conflict in Kenya: poverty and inequality. MFIs can also manage or minimize conflict escalating factors through the concept of 'business diplomacy'

MFIs have a vested interest in building peace between different communities. Their target group – those in the lower income brackets will always bear the brunt of conflict. In Nairobi, Mathare and Kibera were the ones affected. Peace is often taken for granted but the MFIs can no longer afford to ignore the issue. They have to take the initiative and participate in peace building.

Everyone is vulnerable to the devastating and disruptive effects of violence and conflict, and the MFI is part and parcel of the conflict system in Kenya. We can never build

²³ The granting of the 2006 Nobel Prize for Peace to Prof. Muhammad Yussuf and his Grameen Bank not only validated the use of microfinance as a tool for poverty reduction, but also signified the importance of microfinance in peace, and pointed to a possible link between economic development to peace development.

durable peace unless we successfully break the often reinforcing cycle of poverty and violence by getting people (particularly the youth) from poverty.

Other lessons MFIs have learnt in the aftermath of the post-election violence include:

- Peace is core to MFIs business.
- Human security go hand in hand and reinforce each other; peace, and not conflict, should be part and parcel of life and society.
- Peace is often taken for granted, and people are susceptible to manipulation
- Peace is not at the national level only, it starts at the interpersonal level; peace is not only a process but also the sum total of all gestures of goodwill. To this end, individual actions count, and they count a great deal.
- Out of violence, you can realize the potential and resilience of diverse groups and individuals in society.
- Peacebuilding requires a bottom-up approach since peace rotates around people who are in contact with the grassroots.
- Everyone is vulnerable to the devastating and disruptive effects of violence and conflict.
- We can never build durable peace unless we successfully break the often reinforcing cycle of poverty and violence by getting people (particularly the youth) out of the poverty trap.
- Kenyans pretend they love one another; we saw the violence coming, but no one did anything about it; and that communities can choose to embrace violence.
- Negative ethnicity magnifies small issues while violence rejuvenates negative ethnicity.
- Peace cannot be kept by force, it can only be achieved through dialogue and understanding.

MFIs are thus strategically positioned to actively participate in building peace because of their unique positioning where they are addressing economic empowerment of the poor. They can use some of the following opportunities which are already at their disposal:

4.6.1 The Solidarity groups

As already mentioned, Microfinance is access of financial services to the poor in the community. Since the target group lacks conventional collateral, microfinance devised a

way of using social collateral where members of a group guarantee one another hence enabling members to borrow for their businesses. Members form themselves into groups of 20 to 30 members. The members should know one another well and also trust one another. They should also be willing to guarantee one another. The field officers of MFIs educate these groups on the types of leaders to elect for their group to function well. In most instances, those elected as leaders will be people who have some influence in the community. Every week/month a field officer of an MFI will meet with these groups. On average, a field officer meets with 600 clients per month in a structured way for the normal finance business. These clients are met in their groups. Field officers are in a unique position because the groups look up to them and they trust them. During the group meetings field officers can pass on peace messages to the group members. These officers would therefore be very ideal ambassadors of peace at the group level and to a larger extent to the community.

4.6.2 Group leaders

MFIs ensure the smooth running of the groups by training the group leaders. The group leaders in an MFI ensure that the group is obeying their constitution and that the loans are repaid as per the requirements. The frequency of the leaders' trainings varies from MFI to MFI. As already mentioned, the group leaders are people with some influence in the community. These leaders can therefore be used as ambassadors of peace in their communities. They can be trained as peace builders and encouraged to pass the message of peace in their communities. This is an enormous opportunity.

These leaders would also be challenged to come up with community initiatives to protect one another if violence erupts again. In some of the interviews held with the clients, the greatest question they asked is *why were we fighting one another?*

4.6.3 Relationship with the church

Some of the MFIs are owned by Christian institutions or have a Christian foundation. The role of the church in peace building and conflict resolution cannot be overestimated. These MFIs would be in a very strategic position to deliver the peace messages because the clients already trust them. They can also use the resources available in their mother churches to pass on the peace message. The Catholic Justice and Peace Commission is one such body that would be useful for MFIs especially those affiliated to the Catholic Church.

4.6.4 Respect in the Community

Nearly all MFIs enjoy a lot of respect in the community. They always work very closely with the local administration all the way from the Provincial commissioners to the sub chief on the ground. This respect is such that even at the height of the campaign period,

the MPs do not interfere with the activities of the MFIs. This is an opportunity in itself where the MFI can work with the local administration in the peace building process.

4.6.5 Outreach

Micro finance is a labor intensive activity where field officers interact with their clients on a daily basis. The current outreach of Microfinance institutions is such that in a month, more than half a million people will have had contact with an MFI officer at least for an hour. If each of these clients was given a positive peace message, millions of Kenyans can be reached in one month alone. For the MFI institutions no extra effort would be required to mobilize these people. They have already been mobilized. The hundreds of field officers who are out in the field every day would just need to add the peace message to the messages they carry every day.

4.6.6 Partnering with other institutions

MFIs can also partner with institutions which are already involved in peace building and conflict resolution. The following institutions were identified during the interviews:

- Religious institutions
- Government institutions
- NGOs already specializing in peace building
- Village elders
- Opinion leaders in the community and to a lesser extent
- The politicians.

By partnering with these institutions the MFIs do not have to re-invent the wheel. They can use the resources already available to pass on the same message to their target group.

4.6.7 Client Resilience

The typical MFI client will rise up one way or another as long as he/she has the chance to do so. This provides an enormous opportunity for the MFIs.

In one institution, the clients have taken it upon themselves to counsel others. MFIs can build on these and have peace ambassadors who are willing to go an extra mile among their clients.

4.6.8 Address the Problem of Youth Unemployment

All institutions agreed that the post election conflict also had an economic dimension. The high rate of unemployment among the youth meant that they were idle and could easily be bought for very little money. It was easy to exploit their desperation.

MFIs need to create their business for tomorrow. They will need to make deliberate effort to create programs addressing the youth. One CEO suggested that MFIs could create a youth mentorship program to inculcate a sense of responsibility in them. These would mean that the youth would be busy and not so open to misuse.

5. ROLE OF AMFI

AMFI is strategically positioned to play key role in ensuring the industry becomes a major player in peace building. Some of the key areas identified include:

i) Mainstreaming Peacebuilding into MFI Operations

MFI operations are intensive and time bound on a day to day basis. If MFIs are left on their own, the task of incorporating peacebuilding and conflict resolution will fall by the wayside. AMFI will have to design how the activity will be carried out and clearly define how these fits with the normal microfinance business.

This initiative cannot be left to one institution alone. It would be too expensive and the institutions may not have the resources to do it. Sustained programs in peace building will also require collaboration among the MFIs.

ii) Counseling for staff

AMFI should spearhead the counseling for Staff. Many of the staff have not yet to come to terms with what happened. They are yet to understand how their clients could turn against them. The same people who have called them "Mwalimu" and "Mtoto Wangu" turned against them and called them strangers. Others lost all their household items. There are also those whose relatives have either been displaced or killed. They will need somebody to walk with them for some time before they can fully recover from the trauma. Those who have been transferred to areas that were affected by the violence are also having to deal with a lot of trauma at the client level. AMFI may not have the resources to carry out the counseling but they can spearhead forums where group therapy is done for a period of time as the industry recovers.

iii) MFI Senior Management

Many institutions indicated that there was need for a program addressing senior management. These were the people who had to deal with the cries from their staff and the clients. They were called to make decisions on a 24 hour basis. Some were deeply traumatized but had to remain strong as leaders. A program where they can meet as peers even for a day would contribute to their healing.

iv) Data Base for Information Sharing

MFIs felt that AMFI should provide a data base for information sharing of all the peace building initiatives among the different institutions. This way the institutions can share best practices and have a higher impact. It would also be good to share the portfolio information and provide a forum where institutions can learn from one another what interventions have worked best during the crisis.

v) Performance Standards

AMFI should also develop performance standards in the industry to monitor progress of the peacebuilding initiatives. This would encourage the members not to relegate conflict resolution to the periphery but to maintain it as a core activity in the MFIs.

6. SKILLS FOR PEACEBUILDING BY MFIS

In order to assume this new role of building peace MFIs will require skills in Conflict Prevention, Management and Resolution (CPMR). There is therefore a need to expose stakeholders in the sector to basic peacebuilding concepts, skills and tools. Of equal importance too is the need for actors in the sector to gain better understanding and appreciation of the potential role MFIs can and cannot play in peacebuilding. Related to this is the need to increase awareness of issues and potential opportunities, and to clarify how the sector can appropriately be used to promote peacebuilding. It is also instructive that stakeholders in the sector appreciate the potential impact of MFIs in exacerbating conflict and/or conditions related to MFIs that may have combined with other factors to bring about the violent reaction to the proclamation of presidential election results in December 2007. This is important because grievances and consequent tensions around the provision of microfinance services is a significant risk factor that could heighten the risk that conflict will erupt. Conflict-sensitivity skills would enable MFIs to avoid or minimize potential reputation damage associated with such incidents.

Applying conflict-sensitive and CPMR methodologies without creating an internal framework where this practice can take root, grow and be internalized is likely to be less effective in either meeting the institution's goals or in affecting the conflict environment. MFIs would therefore need to make changes that would re-orient them to deliver the demands of peacebuilding too. This will entail first putting in place CPMR structures for dealing with conflict within institutions.

Therefore, in addition to using the skills to promote dialogue, trust, tolerance and reconciliation in society, stakeholders in the microfinance sector would also use the skills in their institutions to:

- i)** Promote diversity, enhance inter-cultural relations and build effective multicultural work-forces;
- ii)** Encourage bonding, teambuilding and tolerance among employees at work-place;
- iii)** Boost morale and performance;
- iv)** Support counseling and trauma healing;
- v)** Manage intra- and inter-organizational disputes;
- vi)** Manage the sector's reputation;
- vii)** Develop conflict sensitivity profile of organizations in the sector;
- viii)** Identify opportunities for the sector in conflict and post-conflict settings.

The institutions identified the following training areas for their staff to effectively participate in peace building and conflict resolution:

- i)** Understanding Conflict and Peace, notions of peace
- ii)** Conflict and Actor Analysis: Skills, Tools and Techniques
- iii)** Peacebuilding and Conflict Management skills

- iv) Conflict Sensitive Development
- v) Negotiation and Mediation skills
- vi) Early Warning and Conflict Prevention Skills
- vii) Leadership Skills
- viii) Inter-Cultural Communication and Social Mobilization
- ix) Stress and Risk Management Skills
- x) Post-Trauma Counseling, Healing and Reconciliation skills
- xi) Public Education

One institution recommended a 5 day training for field staff in two phases. In phase one; the staff would have 3 day training. Day one would just be used for debriefing - Letting staff just say what they felt. Day 2 and 3 would be used for imparting skills. Staff would be given specific assignments and after a period of about 3 to 4 months, the staff would then be met once more for a two day session where they could share their experiences. A second institution also agreed with the 3 days training. However there was a general consensus that this was a process. The 3 days would only be a beginning.

All institutions however agreed that there was need for training especially for the staff who were in contact with the clients on a daily basis. The people in the field also suggested that they would incorporate the peace messages in the group meetings. They felt they could do this in the first fifteen minutes of the group meetings, during the leadership forums and as they participated in the community peace committees.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

Despite the precarious stability and guarded optimism brought by the fragile peace accord signed on February 28, 2008, Kenya remains at a cross-roads. While the threat of reversal looms large, the prospects of securing durable peace also exist. The direction the pendulum will swing will be determined both by the political will to implement the peace agreement, and the cumulative engagement of all sectors of society in the implementation of peace accord and most importantly, in rebuilding relations and infrastructure at the community level.

The post-election violence experience illustrates how bad governance, poverty and unequal patterns of development can be a major source of societal cleavage. The consequent exclusion and inequality become compounded by the politicization of ethnicity and ethnicization politics. As a consequence, violence is embraced as an instrument for controlling state power and resources by political elite. In a context where there are weak institutions of governance and readily available youth, the political elites used ethnic and regional identities to mobilize and pervert extant social capital as ready means of achieving their ends. This led to a rupture of social capital and fragmentation of society. Entire villages were destroyed and relocated; families lost their homes and other possessions and were often separated and displaced. The fragmentation split not only neighbouring communities but also families, breaking virtually all bonds of relationships and bridges of friendships. Trust was destroyed, hostilities are widespread and seeds of deeply rooted fear were planted across the country. This has engendered political cynicism, a contemptuous distrust of politicians and political processes.

The task of rebuilding and reconstructing Kenya is enormous and requires a multiplicity of skills and leveraging of competencies across the Kenyan society. The Micro Finance Institutions in Kenya, were affected by the post-election violence in various ways. MFIs, in collaboration with other actors and sectors, can make a vitally important contribution to this onerous effort. MFIs have the capacity to bring a range of networks and resources essential and necessary for deepening the depth and widening the breath of rebuilding the highly polarized Kenyan society. The stakeholders in the sector are exploring how microfinance can become a tool for reconciliation, reconstruction and development in Kenya. In order to achieve this, training in conflict-sensitive development skills, tools and methodologies would be an indispensable prerequisite. Through this training, MFIs would be sensitive to the potential impact of their actions in zones of conflict and the way their activities are carried out so as not to contribute to triggering new conflict and/or exacerbating existing conflicts and tensions.

7.2 Recommendations for the MFIs

In addition to what is included in 5 and 6 above, the assessment team hereby makes the following **Recommendations**:

i) Address poverty and inequality

MFIs should invest in long-term development initiatives that aim to tackle poverty and reduce class differentiation and inequality in Kenya by lobbying for pro-poor policies and deepening their outreach to cover the low income segment of the population, especially those in need of credit. This will entail developing pro-poor products. MFIs should not allow changes associated with the ongoing transformation to take them away from their target group of the low income earners.

ii) Product Development

MFIs should diversify products to include other forms of credit delivery to supplement the solidarity groups system.

iii) Initiate Integrated Programmes for the Youth

MFIs should give the youth reasons not to join militia groups or be exploited by politicians by implementing the following:

- a) Mentoring initiatives for the Youth:* Since MFIs are working with economically active clients mentoring the youth will create an entrepreneurial culture that values hard, self-employment and financial independence. Part of this will include exploring the concept of Business Incubators to train the youth in managing business, creating wealth and investing.
- b) MFIs should develop products targeting starters* since most of the youth are in this category.
- c) Undertake exchange activities amongst the youth* to promote cross-learning, solidarity and multi-cultural tolerance.
- d) Train the youth in transformational leadership and active non-violence activities* and support youth-to-youth dialogue processes.

iv) People-to People peace processes

Support people-to-people peace processes that promote constructive dialogue, social interaction and good neighborliness. The notion of Family Fun Day should be explored and supported, especially in areas where there is a mixture of ethnic identities. MFIs should also maintain their policy to have multi-ethnic staff in all offices and always endeavor to create opportunities to enable the locals to be part of the team.

v) ***Staff counseling***

MFI should design programmes that give staff an opportunity to not only express their experiences and communicate their challenges, but also for continuous counseling and trauma healing.

vi) ***Civic Education***

MFI should participate in the civic education programs to empower clients and staff. This may call for collaboration with other players but it would go a long way in ensuring that the clients and their staff are knowledgeable and minimize political manipulation.

vii) ***Business Interrelationships***

MFI should assist their clients to establish supply chains and interdependent businesses amongst themselves and across ethnic groups. This would serve as a deterrent because clients will be conscious that if that business burns, even mine gets affected. This strategy can minimize the politicization of ethnicity.

viii) ***Resources for Peacebuilding***

MFI should be given grants to meet some of the costs of recovery incurred by offices affected by post-election violence. Such grants will cover interests that could have been earned had post-election violence not occurred. A loan fund accessible to MFIs at a lower interest rates is also recommended. MFIs should also develop products appropriate to the current conflict context and for clients dispossessed and displaced during the post-election to enable them restart their businesses and lost livelihoods.

7.3 Recommendations for AMFI

These recommendations are in addition to the role of AMFI as highlighted in no. 5 above:

- i) AMFI should mobilize and coordinate the resources needed for the reconstruction of the sector. Some of the institutions will need grants in some areas for their business to continue. AMFI should play a central role in determining who needs what and in ensuring that all the institutions are assisted in a balanced way;
- ii) AMFI should play a leading role in mobilizing resources for training MFIs in conflict-sensitive business and peacebuilding. The network should also source, consolidate and channel resources for peacebuilding to MFIs;
- iii) AMFI should ensure that peace messages are packaged in such a way that they can be delivered throughout the year during staff-client regular business meetings, leaders' training sessions and in community platforms. The messages should take no more than 10-15 minutes. The material for peace messages should be varied to

range from verbal, pictorial to role-plays, and must be context-sensitive. The group leaders will act as conduits for transmission of peace messages to the wider society

- iv) AMFI should be the focal point for information on conflict prevention and peacebuilding activities;
- v) Convene an Annual Peace Assembly as a platform for MFIs to reflect on their work, share their experiences and identify challenges for the year ahead.

8. ANNEXES

ANNEX 1: TERMS OF REFERENCE

DEVELOPMENT OF MICRO-FINANCE INDUSTRY PEACEBUILDING INITIATIVE

1. BACKGROUND

The crisis arising from the general election held in Kenya at the end of 2007 has had a disastrous impact on the livelihoods of large numbers of Kenyans. Inevitably many, if not most, of these are among the more vulnerable and poorer in society. While the economy as a whole has been impacted by the crisis it is clear that the informal sector in the areas most affected by violence are likely to have suffered the greatest impact. Reports from informal settlements in affected areas indicate that in some cases whole markets have been destroyed. Even where the violence has subsided, economic activity is still subdued as a result of the persistent threat of its return through reversals in the implementation of the peace accord or other disruptive processes. Transport of both people and goods across the country – notably within and to the Rift Valley and Western Provinces – is operating at much reduced levels and considerably higher costs. Ethnic tensions and sporadic attacks continue, especially in these two provinces.

There is a potentially major impact on micro-finance institutions (MFIs) with operations in the affected areas of Nyanza, Western, Rift Valley, Nairobi and Coastal Provinces. Many MFI members suffered losses. These range from the loss of family members in the worst case, to destruction of houses, business premises, assets, and stock as well as loss of businesses. Many people have been internally displaced in Kenya and are relying on either relatives or makeshift camps for survival. This will all inevitably give rise to loan repayment problems and a likely deterioration in the quality of affected portfolios.

2. OBJECTIVE

The objective is to rapidly develop an industry-wide programme for peace building and reconciliation among affected communities through micro-finance institutions working in close collaboration with other key actors in the peace-building field.

3. SCOPE OF WORK

3.1 Consultation with potential MFI partners

The initiative has already received strong support from senior management of many institutional members of the Association of Microfinance Institutions (AMFI) at a seminar held in April 2008 to explore the potential role of MFIs in peace building and develop the concept. During this seminar, the senior managers of MFIs provided their top-level perspectives on the causes and consequences of post-election violence, and the broad impact on the industry. The seminar also acknowledged the urgent need for an industry-wide response to the post-election violence, and reaffirmed the importance of

forging strategic partnerships in post-accord peace building and social reconstruction. In this regard, the senior management of MFIs agreed to work in synergy with other institutions, organizations and networks, especially the peace movement community in Kenya. In terms of strategy and approach, the seminar recommended a bottom-up approach that captures the experiences and perspectives of the grassroots.

A number of institutions volunteered to participate in the next stages of development of the AMFI peace building initiative. Those identified for participation in the first phase of work by AMFI are those with a strong geographical focus on the areas affected by the post election violence and with extensive operations. These are:

- Jamii Bora
- Kenya Women Finance Trust (KWFT)
- Faulu Kenya
- Adok Timo
- K-Rep Bank
- Kenya Agency for the Development of Enterprise and Technology (KADET)
- Small & Micro Enterprise Programme (SMEP)
- Jitegemea Credit Scheme
- Business Initiatives and Management Assistance Services (BIMAS)
- Yehu Microfinance Trust

Some, for example Faulu and KWFT, have already started work on peace building, counselling and reconciliation. Direct consultations should be made with the senior managers of these institutions to fully understand the operations of the institutions, the impacts of the post-election violence and the opportunities for peace building and reconciliation work. It is also an opportunity to provide further information and explanation on the background to the peace-building field in Kenya.

3.2 Field-based design

A strongly bottom-up design process is required to develop initiatives in which MFIs are able to add real value to the peace building and reconciliation processes. The design needs to be based on a strong understanding of the field-based operations of MFIs. This should aim to identify both the **challenges**, which MFIs face as a consequence of the post-election violence, and the **opportunities** through which MFIs can add real value to peace building and reconciliation processes.

It is vital to recognise that most MFIs have a social mission, which is fulfilled through meeting the financial needs of its clients/members. On one hand it is vital to the continuation of this mission that trust is restored within communities, on the other, MFIs have limits to the extent to which they can engage in broader social projects. The approach developed should capitalise on areas in which MFIs have a real comparative

advantage in contributing to peace building and avoid those where it is absent. Key will be to develop grounded, practical ways to collaborate with local partners and networks from the peace building community, the local administration, faith based organisations and other non-governmental organisations.

This field phase will prioritise the most affected areas determined in consultation with the institutions consulted under 3.1 above. There will be a strong geographical focus to ensure that the relevant local actors are fully included within the design process. Much of the phase will involve working directly with credit officers and other branch staff with on-the-ground knowledge of the environment and the ability to identify where the best opportunities for practical work by MFIs lies.

The fieldwork would be as participatory as possible and the principal methods to be used would be individual and group interviews as well as observation.

3.3 Programme design and curriculum development

Following the field phase, a detailed design for the initial programme of work will need to be developed. This should follow best practice in both the micro-finance and peace-building fields. Pragmatism is essential. A rapid response is required in order to have the maximum impact. Furthermore, a number of MFIs have expressed a strong desire to move forward rapidly. A comprehensive programme may take longer to design and therefore the detailed design of follow-up work may be deferred until a subsequent stage. The emphasis for now should be on work in which MFIs can rapidly contribute to peace building. It is anticipated that this will require the development of a curriculum for delivery to MFI clients and for which MFI credit officers or other front-line staff will need training. A training programme together with a training of trainers programme should be fully developed and documented. As far as possible, this should draw on existing proven material from the peace-building and micro-finance fields. Given the need to reach, large numbers of people efficiency is an important consideration. Costly residential courses should be avoided as far as possible, the opportunity cost of time spent by MFI staff in training taken into account and maximum use made of qualified trainers with strong local knowledge.

3.4 Support for pilot implementation

Following the development of the programme the team should provide support to the piloting of material in the field. This should enable any problems to be identified at an early stage and rectified before full rollout across the industry. Given time constraints it is essential that the piloting and necessary revisions are undertaken expeditiously to ensure that the programme can be rolled out at scale within as short a time period as feasible.

4. CONDUCT OF THE WORK

The team engaged to undertake this work will report directly to the CEO of AMFI and be fully accountable to him for all aspects of this assignment. Advisory input will be provided by Finance Sector Deepening (FSD) Kenya and the USAID Rural Finance Development Programme. Comments will be provided to the team by AMFI on the deliverables produced at the three stage and these should be taken into account by the team in developing the work

5. OUTCOMES AND DELIVERABLES

The desired outcome from this work is a practical programme on peace and reconciliation, which allow the micro-finance industry to directly contribute to rebuilding trust and co-operation in communities impacted by post-election violence. This will create permanent structures to mitigate and manage potential future problems before they turn to crisis

The specific deliverables required against each area of the scope of work are:

- 3.1 A brief aide-memoire summarising succinctly the key findings from the consultations and the implications for the design work (no later than 2 weeks from assignment commencement)

- 3.2 A short report on the results of the field phase with a draft outline of the proposed programme design approach (no later than 5 weeks from assignment commencement).

- 3.3 A draft full design of the programme and all relevant material should be submitted to AMFI for comment (no later than 7 weeks from assignment commencement). The revised documentation should be produced within one week of comments from AMFI.

- 3.4 Design and test a Pilot program

- 3.5 Short report on the results of the pilot implementation (no later than 8 weeks from assignment commencement). Revised materials for full roll-out of the programmed should be delivered and approved with AMFI within 10 weeks of the assignment commencement.

6. REQUIREMENTS

A team of two specialists is required: a peace-building specialist and a micro-finance specialist.

Peace building specialist requirements:

- Extensive knowledge of peace building initiatives and best-practice
- Detailed understanding of peace building organisations in Kenya
- Track record in the field
- Ability to work effectively at all levels from the grass-roots through to the policy level
- Strong capacity in developing training materials to support peace building work

Micro-finance specialist requirements:

- Strong knowledge of micro-finance operations at a senior management level
- Field-level experience
- Understanding of best practice in micro-finance
- Extensive knowledge of micro-finance sector in Kenya
- Good understanding and capability in development of training courses and materials in micro-finance sector

7. TIMETABLE

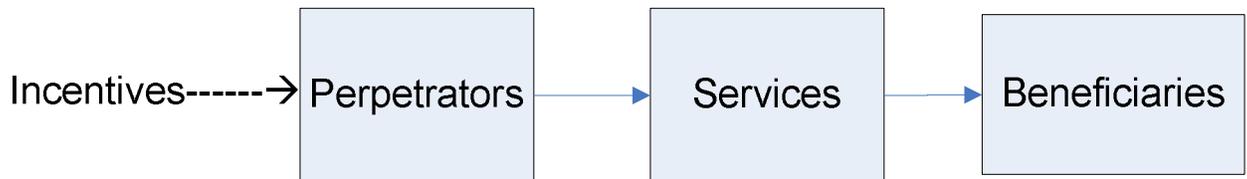
The work should start as soon as possible and no later than 28th May 2008. A programme should be ready for full roll-out no later than 29th August 2008.

The whole activity is planned for not more than 62 man working days.

ANNEX 2: ASSESSMENT GUIDELINES

RELATIONSHIPS CHAIN

Relationship between perpetrators of violence (destroyers), the service providers, and the service beneficiaries



Focus:

- I) The Problem
- II) The Response
- III) Way Forward

GUIDELINES FOR CEOs of MFIs

1. What was your general assessment of the AMFI Forum at the Serena?
2. What has changed since the AMFI forum of the Serena?
3. What can be done to promote reconciliation among your clients?
4. How did the violence affect the group dynamics in your organization?
 - What in your opinion shaped the reaction of different groups?
5. What can be done to promote reconciliation among your clients?
6. What can you do as an institution to contribute to the reconciliation process?
7. What specific opportunities are there for you to contribute to the process?
8. What special competencies do you possess to contribute to the process?
9. What changes do you foresee in your current operations for you to effectively contribute to the process?
10. What kind of training will the COs need to be effective in peacebuilding?
11. What specific messages will have the best impact? How can the messages be transmitted?

12. What institutions do you think you can partner with in this AMFI's Peacebuilding Initiative?
13. How can violence be avoided in future in Kenya?
14. Peacebuilding requires that there is collaboration and harmony within the Micro-finance Industry. How can we promote this considering that MFIs are in constant competition?
15. Peacebuilding and especially its early warning and conflict prevention dimensions demand for timely sharing of information. How can we bolster this among MFIs?
16. What do you see as the role of AMFI?

GUIDELINES FOR MFI FIELD OFFICES

A. PROBLEM

1. What was your experience of the violence? (institutions, individuals, clients)
2. How did the violence affect you and your institution?
3. Which segments of the population were involved in the violence? What was the role of each actor? (Actors)
4. How did the violence manifest itself?
5. What were the patterns of the violence and/or destruction?
6. What were the causes of this violence?
7. How did the violence affect the group dynamics in your organization?
- What in your opinion shaped the reaction of different groups?
8. What is the history of relation between the communities involved in post election violence in your area of operation?
9. In what ways did MFIs contribute to the violence?
10. What did you learn from the violence?
11. How did the violence affect market linkages (if any) in your area?

B. RESPONSES

1. What did you do in response to the violence? Why? What were your immediate concerns?
2. What were the results of your intervention?
3. What structures or institutions did you work with during your intervention?
4. What did you learn from your interventions?
5. What challenges or constraints did you face during your intervention?
6. What is your view on the grand coalition?
 - Thoughts about the mediation process
 - Thoughts on the accord
 - Views on the IDPs and resettlement program

C. WAY FORWARD

1. What can be done to promote reconciliation in your operation?

2. What can you do as an institution to contribute to the reconciliation process?
3. What specific opportunities are there for you to contribute to the process?
4. What special competencies do you possess to contribute to the process?
 - As an individual?
 - As an institution/industry?
5. What can you do as an individual (COs)
6. What do you require (need) to effectively contribute to the process?
 - institutional needs
 - individual needs
7. What changes do you foresee in your current operations for you to effectively contribute to the process?
8. What kind of training will the COs need to effective in peacebuilding?
9. What specific messages will have the best impact? How can the messages be transmitted?

10. What institutions do you think you can partner with in this AMFI's Peacebuilding Initiative?
11. Who are the opinion leaders in your area of operation?
12. Which are the most influential institutions in your area of operation?
13. How can violence be avoided in future in Kenya?
14. Peacebuilding requires that there is collaboration and harmony within the Micro-finance Industry. How can we promote this considering that MFIs are in constant competition?
15. Peacebuilding and especially its early warning and conflict prevention dimensions demand for timely sharing of information. How can we bolster this among MFIs?
16. What do you see as the role of networking with other MFIs?

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