

Building Better Lives: Sustainable Integration of Microfinance and Education in Child Survival, Reproductive Health and HIV/AIDS Prevention for the Poorest Entrepreneurs

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It is widely acknowledged that the very poor need more than microfinance to address the causes and conditions of their poverty. Ideally, the poor would have access to a coordinated combination of microfinance services and other development services to improve business, income and assets, health, nutrition, family planning, education of children, social support networks, and so on. The question is how to ensure a “coordinated combination” of appropriate services, especially in rural communities and other communities where multiple services are simply unavailable.

Microfinance practitioners are often motivated to provide nonfinancial services to their clients, because they recognize the need and hear the demand. However, the legitimate concern for sustainability, interpreted as the financial viability of the microfinance service as a business, has made practitioners very cautious about nonfinancial add-ons. They believe that add-ons can only be a drag on the drive for sustainability. Where other, nonfinancial service organizations can provide these add-ons for the same clients, some microfinance practitioners have fostered referrals and common points of service with their nonfinancial counterparts. But most microfinance institutions feel compelled or prefer to focus on the financial needs of their clients and do not attempt to meet their nonfinancial needs.

On the other hand, group-based microfinance provides a good opportunity to provide low-cost education services needed by the poor, if only to improve their performance as microfinance clients. This is especially true for village banking and related delivery systems that bring large groups of relatively poor clients together in regular meetings. Good, nonformal adult education techniques can be used effectively at the regular meetings to promote changes in personal behavior and in child-care practices and also to promote awareness of and confidence in whatever good-quality health services are available locally. Such education technologies can also improve business skills that enable clients to put their loans to more productive use and generate more profit and savings. A variety of education topics can be covered effectively.

One purpose of this paper is to provide diverse examples of microfinance institutions that have responded successfully to the challenge of integrating microfinance with education, without compromising the sustainability of their microfinance and overall operations. Special attention is given to integration of microfinance with health education for very poor women. They and their children are very vulnerable to health and nutrition problems that threaten women’s abilities to contribute economically to their households, even families’ abilities to survive. There is critical need for innovative integration of

microfinance with promotion of family planning and HIV/AIDS prevention. Pioneering examples are described.

Some institutions create integration by providing microfinance and education as *parallel* services, delivered to the same groups of clients by *different* staff, each specializing in one or the other service. BRAC in Bangladesh and PRO MUJER in Bolivia are described as detailed cases to illustrate this parallel service delivery approach. Both institutions depend on revenues other than their financial margin on credit operations to maintain their educational staffs and related expenses, though they can provide some cross-subsidy from microfinance to education.

This paper also illustrates the feasibility and effectiveness of a *unified* approach in which microfinance and education services are delivered to village banks by the *same* staff. The overall cost of unified delivery of the two services is considerably less, for the simple reason that one staff in the unified model does the jobs of two different staffs in the parallel model. FUCEC-Togo, FOCCAS Uganda and CRECER in Bolivia are described in detail to illustrate the unified model in action. They (and similarly designed unified delivery systems) have achieved, or are likely to achieve in the near future, full recovery of their operating and financial costs for the unified service. The cross-subsidy from microfinance to education is or can be sufficient to sustain the education. Unification with education adds only 6 to 10 percent to the cost of village banking alone. In some cases, at least, the education also seems to give these institutions some competitive advantage with clients over microfinance-only institutions.

For the sake of efficiency (to achieve sustainability), the unified approach delivers microfinance and education as a single package to village banks. The education is designed to meet prominent local needs and demand, but clients are not given the choice to reject the education component of the package. Some observers have questioned the ethics of not allowing choice, yet there is considerable evidence that the education is appreciated by clients and even that they opt for the unified service when given the chance to switch to microfinance-only institutions.

Certain impacts can be expected from microfinance but not education and vice versa. Their combination yields a greater range of impacts and possibly even some synergy of impact. Definitive, direct comparison of unified delivery with parallel delivery or microfinance alone or education alone is yet to be successfully carried out, due to considerable methodological challenges. However, several careful studies of economic, health, nutrition and empowerment impacts of the unified service demonstrate no less impact than was found in similar studies of microfinance or education alone. There has been concern about diminished impacts due to poorer quality of services delivered by generalists rather than specialists in those services. But the results of the impact studies indicate that quality of the two services does not have to be compromised when delivered by one and the same person to a village bank.

The multi-sectoral tasking of service delivery staff gives unified-service providers a major advantage for achieving sustainability of both education and microfinance. But it is also a critical challenge to an institution. The self-sustaining unified approach cannot

deliver as broad a range of services to the poor as parallel delivery systems with access to long-term external funding. For unified delivery, it can be difficult to maintain balance between and the quality of the two types of service in the recruitment, training and supervision of staff. Field staff and their managers have to respond to different demands and expectations from two different sectors of development (or more than two, depending on the range of education topics). Donors and other stakeholders tend to hold up one sector as more important than the other. Management information systems over-emphasize the importance of financial performance of the institution vs. economic and social impact for the clients. These internal stresses and contradictions can be very difficult to manage. The will to unify service delivery, whether it comes from commitment to a philosophy of development or simply lack of other options or both, is essential for success.

There exist ample and promising opportunities for microfinance providers to create integration with other development services, through either parallel or unified delivery of services from different sectors of development. In terms of impacts for the poor, neither delivery option is inherently superior. In terms of institutional issues, each has its advantages—especially the potential range of services for parallel delivery and potential financial sustainability for unified delivery—and its disadvantages—especially the financing and coordination challenges for parallel delivery and the management and staffing challenges for unified delivery. The best choice depends on local options for providing diverse services and the institutional will to provide more than microfinance.