



## ***Using Microfinance as a Platform to Achieve Breakthroughs in Health and Well-Being for People in Africa and the Middle East***

On the morning of Thursday, April 9, the esteemed **Dr. Helene D. Gayle**, President and CEO of CARE, led the plenary panel discussion on “Using Microfinance as a Platform to Achieve Breakthroughs in Health and Well-Being for People in Africa and the Middle East,” which featured two of the leading experts in global microfinance, **Alex Counts**, President of the Grameen Foundation, and **Christopher Dunford**, President of Freedom from Hunger, and one of the leading microfinance practitioners in South Africa, **Lufuno Muvhango**, Project Manager of IMAGE. This discussion took a hard look at the benefits and challenges of integrating microfinance with non-financial services for the poor. On a market-by-market basis, there are often good examples of successful programs that combine microfinance with non-financial services, but to date, there are only a few broad-based initiatives that have achieved significant scale on a regional or global basis.

Of the myriad non-financial issues that pose challenges for the poor in emerging markets, health care expenses are recognized as one of the primary causes of severe financial distress among the poor, and the leading cause of default among microcredit borrowers. Although there are many different models to consider, it is clear that there are ample reasons and substantial client need from a social, financial and business perspective, for the microfinance sector to continue investing in best practices that can effectively integrate financial and health-care services for the poor.

While this plenary conversation took several lively and thought-provoking turns, some of the most powerful themes raised by the panelists were, the marked increase in confidence among microfinance borrowers within their families and communities; the importance of trust among loan officers and their clients; the need for strong partnerships among microfinance practitioners and non-financial service providers; non-financial services as a competitive differentiator for MFIs in a crowded playing field; technology’s role in facilitating greater outreach to the poor; and gender-focused microfinance practices.

**Dr. Helene Gayle**, President and CEO of CARE, launched the plenary discussion with a brief overview of CARE’s Village Savings and Loans Associations [(VSLA)] that began in a small village in southern Niger. These [VSLAs] were built by women living on less than \$2 a day who collectively pooled their pennies and went on to make loans to each other. Dr. Gayle remarked, “Many of these women are the kinds of people you’ve seen firsthand ... because of these groups, their lives have really been changed. They radiate a certain pride and confidence that I think we’ve all seen. And we know that it’s not just about the money, but it’s also about the opportunities—the financial independence it affords them—but also the opportunity that it affords them, and their families, and their communities—as a result of having this increased economic empowerment.” Since CARE started this program in 1991, it has reached 1.6 million people in 21 countries in Africa alone, and CARE recently announced a new program called Access Africa, with the ambitious goal of bringing

Thursday, April 9, 2010

9:00 AM – 10:30 AM

Tsavo Ballroom

Panel:

*Chair: Dr. Helene D. Gayle,  
President and CEO,  
CARE*

*Moderator: Sam Daley-  
Harris, Director of  
Microcredit Summit  
Campaign*

*Mr. Alex Counts, President,  
Grameen Foundation,  
USA*

*Mr. Christopher Dunford,  
President, Freedom  
from Hunger, USA*

*Ms. Lufuno Muvhango,  
Project Manager,  
Intervention with  
Microfinance for AIDS  
and Gender Equity  
(IMAGE) Program,  
Small Enterprise  
Foundation (SEF),  
South Africa*

[VSLAs] to 30 million people in 39 Sub-Saharan African countries over the next 10 years. CARE expects that 70% of people reached by the Access Africa program will be women.

As Chair of the panel, Dr. Gayle posed specific questions tailored to each of the three featured panelists. She addressed her first question to **Christopher Dunford**, President of Freedom from Hunger in the USA: “What do you think the level of interest among microfinance institutions is in being platforms or vehicles for non-financial services, and if they’re interested, why, and if they’re not, what are some of the obstacles drawing on your experience?”

Mr. Dunford responded, “The intellectual leaders of the commercial microfinance movement have long maintained, even insisted, that other institutions specializing in providing ... non-financial services should take care of these other needs, and clearly, that is the ideal scenario. But the farther MFIs go into rural areas and into poorer urban slums, the more their managers are acutely aware that other institutions are ... [simply] not there. Even if they have no broader social objectives than to bank the unbanked, these managers and their staff know that these non-financial needs, if unmet, in some minimal way threaten the viability of their MFI. ... For example, in eastern and southern Africa, HIV/AIDS has had such impact on both clients and staff of MFIs that preventative and even curative interventions now make good business sense.”

Mr. Dunford continued to make the business case for the integration of microfinance with non-financial services as a unique value-add for clients. He noted that growing competition among MFIs in many parts of the world has forced them to seek ways to gain a competitive advantage, and a primary method for doing that is to add value to microfinance. This can be addressed by improving credit or savings products that exist already to better match the needs and constraints of an MFI’s typical clients, but another value-add can be new financial products that address some critical needs such as healthcare financing, health savings accounts, emergency health loans, and linkages or access to insurance if it’s locally available. But MFIs can even take a step further, and compete more effectively by offering non-financial services like health education, linkages to good quality healthcare providers and access to affordable medicines.

“The strongest evidence of a competitive advantage [I have seen],” Mr. Dunford continued, “comes from the 1999 ‘debtors’ revolt,’ as it was called in Bolivia, when the only MFIs that escaped major default problems were the only two that offered health and business education along with the loans and savings opportunities, that was CRECER and Pro Mujer.” When we asked, ‘Why?’ the clients reported that they remained loyal because the ‘staff care about us,’ which is thanks to the more trusting relationship that’s developed when staff are educators as well as loan collectors.

Some MFIs say it’s too much trouble and too expensive to add these services to their programs themselves — and that is understandable — but they should be willing to consider collaborating with non-financial sectors like health or business development. “Integration is a two-way street,” Mr. Dunford concluded, “and the street has to be built so that the different sectors can communicate and travel back and forth between each other. The street has to be built before this nascent movement

can benefit from the same kind of market momentum that launched microfinance as we know it today, as a worldwide movement.”

Dr. Gayle posed her second question to **Alex Counts**, President of Grameen Foundation USA. She asked, “Can you give us some insight about how microfinance can be a platform for bringing technological innovations to other fields, and in the same way that Chris did, what are some of the challenges that are inherent in that, in particular when thinking how to reach the very poor?”

Mr. Counts replied, “I think what we’ve found, and what many of us have found is that there is no lack of capital in the world for addressing poverty. There’s also no lack of useful actionable information and life enhancing products that could help the poor. But what we lack are the delivery channels to bring the capital, the information, and the products to the poor. Now, microfinance has come a long way in trying to figure this out, [and we have] made some modest progress in many countries in delivering capital to the doorsteps of the poor. ... We feel we need to think about microfinance — not fundamentally about transactions — but about transformations, and we continually look for MFIs who share this vision.”

“We think technology can be a key activator for breaking the logjam and bringing these information and products to the poor,” Mr. Counts continued. ... “In Uganda, where we had the biggest network of village phone operators, [we partnered] with Google and MTN, also with local content providers who were sitting on mounds and mounds of information about health and agriculture and commerce, useful to the poor—but not reaching the poor.” Grameen developed a SMS-based information exchange that, without internet connectivity, allowed people to ask freeform questions in two of the major languages in Uganda on their phones about health issues, agriculture, and commerce and to get answers within seconds for the cost of pennies. “We didn’t know what the demand would be,” Mr. Counts explained, “but within the first sixth months there were six million queries ... from 500,000 unique users of this service.” Now, with support from the Gates Foundation, Grameen is expanding the outreach of this service further to farmers, healthcare workers and community knowledge workers in Uganda as well.

Dr. Gayle’s third question addressed the program led by **Lufuno Muvhango**, Project Manager of IMAGE in South Africa, which provides support to communities where HIV is prevalent. She asked, “Say a little bit about your work and some of the practical aspects have been about the ability to integrate; [and] how economic empowerment has actually helped to reduce HIV vulnerability in the work that you’re doing.”

Ms. Muvhango shared that “one in every four women [in South Africa] have been involved in abusive relationships, and the main cause for this, we realized, is the gender inequalities in distribution of power and resources between men and women. This inhibits women’s ability to negotiate the circumstances where safer sex should happen. ... [So] we decided to come up with an intervention to try and resolve this problem by providing microfinance for women to economically empower ... [them], as well as provide training on gender [norms] and HIV.... We looked for a microfinance organization that operates in rural areas and that works with women ... [where] there’s high prevalence of HIV. In this case, we found the Small Enterprise

Foundation which is based in Limpopo province, South Africa. It had over 60,000 active clients and had 18 years of experience.

The program, called “Sisters for Life,” embedded 10 one-hour gender and HIV training sessions into the client’s fortnightly loan repayment meetings. The focus of the trainings was gender norms, domestic violence, sexuality, and HIV. The clients also learned communication and conflict resolution skills. Ms. Muvhango was proud to report that, “After two years of the intervention... and a rigorous evaluation by two universities ... the results were that, it [was] found to reduce intimate partner violence by 55%, and ... intimate partner violence is the risk factor for HIV infection because where there’s violence, there is very little opportunity to negotiate safer sex; and there was also an increase in HIV testing and condom use. The intervention also had an impact on poverty for instance, many clients being able to afford basic needs and improving their households as well as another very interesting finding, [which] was that it also improved the quality of microfinance services, up to 99% of success in loan repayment, so that was a great achievement.

“Beyond the impact on poverty and HIV,” Ms. Muvhango continued, “the program also had an impact on women empowerment in the sense that they had more self-confidence and they were more autonomous in decision making.” They were more confident when leaving abusive relationships without being afraid about “where am I going to get food?” because maybe they were dependent on their husband. For those that remained in relationships, they had better communication skills. “I think another ... [key] fact,” Ms. Muvhango observed, “[is that] from their center meetings, they were able to take collective action in mobilizing larger communities against issues of HIV and gender-based violence. To an extent, they held public marches against rape and domestic violence, they raised HIV awareness, they ran men’s workshops and school campaigns, and they even held government stakeholders responsible or accountable for service delivery like access to clean water, housing, as well as electricity.

“From our point of view,” Ms. Muvhango concluded, “microfinance ... proved to be an effective platform for integrating HIV interventions, and it proved to even have broader benefits for the clients. We learned that adding a gender and HIV intervention to microfinance didn’t necessarily threaten the microfinance operations. Actually, if the MFI is operating well, also the gender and HIV [program] will go well, so the trick is in planning how to go about it.”

Further into the conversation, Dr. Gayle asked Mr. Dunford, “Instead of focusing on micro-insurance, could funds from microfinance be used to strengthen the health infrastructure?”

Mr. Dunford took this opportunity to describe a unique program that CARD MRI (Center for Agriculture and Rural Development Mutually Reinforcing Institutions), the leading microfinance institution in the Philippines, has been experimenting with in some of the rural communities it is serving. With support from the Gates Foundation, CARD has developed a preferred provider network approach in which they actually use their own staff and their own money to encourage and recruit healthcare providers, actual doctors, to set up clinics in the rural communities their branches are serving, bringing valuable health care services to these remote communities. They provide the doctors with a guaranteed client population, referring

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their local microfinance clients to the doctors in these communities where their branch and the clinic are set up. This preferred provider arrangement has been quite successful. The doctors would not have come out to these rural areas if it had not been for CARD taking the initiative and providing this preferred access program to their clients. In the meantime, the doctors essentially have a guaranteed income upon arrival into the rural area. Based on the success of this program, they are now looking at doing the same thing with pharmacies. It's quite nascent and very context specific, so it remains to be seen whether this can be done elsewhere.

In conclusion for this plenary, Mr. Dunford stated, "Microfinance has a role to play, and it's not simply in isolation, dealing with providing working capital loans to support businesses. It can play a much broader and diverse role than it is playing right now but at the same time there have to be other actors involved and there needs to be an integration, a harmonization, and a collaboration between sectors to really help that bottom billion help themselves."

Ms. Muvhango wisely advised, "To anyone who would like to consider this model ... before you engage in partnership with your non-microfinance or financial services [program], make sure that you are self-sustainable. You don't want to add any component into a weak system. You need to be fast, well established, matured, self-sustainable, and then you can add a component."



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