

Building Better Lives

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

by Christopher Dunford

Abstract: This paper provides diverse examples of microfinance institutions that have responded successfully to the challenge of integrating microfinance with nonfinancial services, without compromising the impacts or sustainability of their microfinance and overall operations. Special attention is given to the integration of microfinance with health education for very poor women, including the promotion of family planning and HIV/AIDS prevention management. The credit and education components reinforce each other by addressing the informational as well as the economic obstacles to health and nutrition. There is good potential for large-scale, self-financing delivery of microfinance and education together in one efficient and effective service package. The key element is delivery of both services by one field staff. This requires management to make an extra commitment to staff recruitment, training, and supervision. Where operating grants are available to support nonfinancial services, management may prefer to employ two specialized field staffs to deliver the two types of service in parallel to the same clients.

Introduction

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 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 solely 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

Christopher Dunford is President of Freedom from Hunger, 1644 DaVinci Court, Davis, CA 95616, U.S.A.; telephone 1-530-758-6200; fax 1-530-758-6241; e-mail cdunford@freefromhunger.org.

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.

This paper provides 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 the 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 also critical need for innovative integration of microfinance with promotion of family planning and HIV/AIDS prevention. Pioneering examples in Bolivia and Uganda are described.

Integration Scenarios

In this paper, service "integration" refers to the coordinated delivery of different-sector services to the same people. There are three common scenarios for integrating microfinance with other services: *linked*, *parallel*, and *unified* delivery of different-sector services.

Linked: different organizations, different service delivery staff, same end users

Financial services are offered by a specialist microfinance institution at the same time as nonfinancial services (possibly for health and other sectors) are offered by one or more independent specialist or generalist organizations to the same people in need. When there are several development service providers in a target area (as in many urban and peri-urban areas), an organization reasonably may choose to specialize as a microfinance

business. Ideally, different organizations offering different services would coordinate their marketing, including delivery at common points of service and mutual referrals, as clients' needs for other services arise. Many specialist microfinance institutions could embrace this scenario, but few reach for the "ideal" of coordinated marketing with nonfinancial service providers.

One long-standing example is the close coordination of BRAC's Rural Development Program (RDP, a microfinance provider, described in more detail below) with Government of Bangladesh (and World Food Program) food distribution to the "hardcore" poor. The relationship is mediated by the Income Generation for Vulnerable Groups Development (IGVGD) program, jointly administered by BRAC and the Government of Bangladesh (CGAP, 2001). IGVGD links government food distribution to the very poor with a special BRAC effort to prepare destitute people for normal participation in the Rural Development Program. Otherwise, these people would not have even the minimal skills, resources, or opportunities required for participation.

Parallel: same organization, different service delivery staff, same end users

A generalist or multipurpose organization (often a grant-mobilizing local, national, or international private development organization) offers microfinance services through a specialist microfinance program staff at the same time as offering other sector services through different program staff of the same organization to the same people in need. If there are few available services in an area and an organization can afford a long-term commitment to provide two or more services with different specialist staff, then it makes sense to deliver a variety of complementary services in parallel.

BRAC again provides a good example. The RDP—the "normal" version to which IGVGD beneficiaries can graduate—serves 3.64 million members (97% women, mostly illiterate) with both financial and nonfinancial services to their village

organizations (VOs, composed of 7–8 solidarity groups of five members each). The financial services include four types of solidarity group loans: *general* (for whatever the borrower chooses and her solidarity group approves), *program* (to support particular activities promoted by other BRAC programs, such as poultry, silk culture, and social forestry), *housing* (to help VO members build homes), and *rural enterprise* (to set up nonfarm businesses in rural areas, such as small restaurants, grocery stores, laundries and tailoring shops). The VO meets weekly with the program organizer (PO) responsible for credit-to collect savings (minimum of US\$0.90 per week, earning 6% per annum, withdrawn only upon departure from VO membership), to decide who should get loans, and to make loan repayments. When a woman joins a VO, she must pay US\$0.19 every year for a life insurance policy (the beneficiary of the policy receives US\$93 in the event of the VO member's death).

Nonfinancial services are provided by different POs, who also travel by bicycle to meet with the VOs and to see individual members. The social development POs provide general education at the monthly *Gram Sobha* (village meeting). This provides a forum where women can learn and gain information informally through discussion and consultation with other members and BRAC workers. Various socioeconomic, legal, health, and political issues are discussed (e.g., the need to prevent early marriages; how to stop domestic violence; how to prevent illegal divorces or bigamy; and where to access various types of services, such as immunization days). The social development PO is also responsible for offering new VO members "Human Rights and Legal Education." This is a 30-day course conducted by a volunteer called the *Shebika*, a longstanding VO member given special legal training at one of the BRAC Training and Resource Centers and receiving US\$0.37 per learner (half from the group member, the other half from BRAC).

A third PO for health provides the “Essential Health Care” component of the RDP. This PO facilitates a monthly education forum in the community, for both VO and other community members, covering various health issues (e.g., local food sources of vitamin A, good nutrition during pregnancy and lactation, protection against six killer diseases through immunization, the use of slab-ring latrines, and the use of delivery kits for safe childbirth). Each meeting covers a new topic, has roughly 20 to 25 participants, and lasts for an average of 45 minutes to an hour. The health PO encourages learner discussion and participation with the help of community health volunteers (*Shasthya Shebikas*). Through the *Shasthya Shebikas* and the health POs, the RDP also provides prenatal and postnatal care at the community level and has established referral linkages with the basic and comprehensive Emergency Obstetric Care unit of the government.

The three types of PO report to different staff at the BRAC area offices, as well as at the head office. Within RDP, there are separate management sections for Microcredit, Health, and Social Development. Initially, all BRAC staff undergo a common training program for introduction to BRAC and its various programs, core values, and method of work. Subsequently, staff receive more specialized training which is directly relevant to their specific program work. Staff periodically get new training for new skills or to keep up with new developments within their field or within the organization.

The cost of BRAC’s credit program is calculated separately from the education and health programs. The total cost of delivering financial services includes all financial costs of capital lent to clients as well as all costs of external technical assistance. Based on financial performance in 2000, BRAC’s RDP credit program is projected to become completely financially self-sustainable in 2001. During year 2000, the credit program was actively expanding from 3.2 million to 3.64 million members, which lowered that year’s financial self-sufficiency ratio below 100%.

From the surpluses generated through the credit program and some of BRAC's sector programs (such as poultry, silk culture, and social forestry) outside the RDP, BRAC is able to fund some of its educational programs. Still, at present, all the educational components of RDP are funded predominantly by external grants. To the extent possible, BRAC has started collecting service charges from its members for certain forms of education (e.g., the "Human Rights and Legal Education" course); however, all of the educational and training components are expected to rely partially for the foreseeable future on external funding.

Unified: same organization, same service delivery staff, same end users

The same staff of the same organization offers both microcredit and other sector services to the same people in need. When the people in need have access to few, if any, other development services, as in many rural communities, and the organization cannot afford a long-term commitment to provide two or more services with different specialist staff, it reasonably may choose to field only one set of staff tasked to provide microfinance with another service. The organization even may seek to hold its costs to a level it can sustain solely with revenue generated by the unified service itself.

Credit with Education providers are good examples.¹ Credit with Education builds education onto a village banking platform. It comprises elements of the Grameen Bank, FINCA village banking, USAID-sponsored child survival programming, and principles of nonformal adult education. A more complete description of the model is provided by Vor der Bruegge Plas, Dunford, and Stack (1995).

FUCEC-Togo offers a specific example of Credit with Education in the institutional context of credit unions. This credit union federation and its member credit unions offer Credit with Education (Service Crédit-Epargne avec Education-CE/E) as one of several financial service products. Credit with Education gives the FUCEC-Togo credit unions

the opportunity for outreach to serve people that otherwise could not join a credit union, specifically poorer women in more remote rural communities.

Regular credit union members join as individuals by buying a share in the credit union and saving for a period of time before becoming eligible to receive loans in amounts geared to their savings on deposit. The membership as a whole has to be a “net saver” for this system to work without outside capital infusion. Excess liquidity in the credit unions is invested in the credit union federation’s central liquidity fund, from which member credit unions may borrow to manage cash flow.

FUCEC-Togo invests part of this central liquidity fund as loans to groups of women who cannot or will not join as individuals, because of the high cost of membership (shares are too expensive, they cannot save sufficient amounts to get needed loans, the nearest credit union is too far away, or credit unions are perceived to be for men). These groups are called Groupements d’Interêt Economique et Social (GIES) and are composed of 18–30 (average 24) women, subdivided into solidarity groups of 4 to 7 women. These groups deposit savings in the credit unions in group accounts, but they are “net borrowers.” They join the credit union as a group and do not have the same rights as regular members to “one person, one vote” participation in the governance of their credit union, nor access to any financial services other than those delivered to the GIES.

A GIES meets in its own community with a FUCEC *promotrice* (field agent) for one to two hours each meeting—weekly for the first few loan cycles (16 weeks each), then biweekly as the group demonstrates its reliability. One *promotrice* meets with the group for the joint purposes of providing savings, credit, and educational services at the same meeting. The GIES are generally located in rural areas served by public transportation once in a week. Therefore, the *promotrices* travel to their meetings on motorcycles provided by the Service CE/E.

The *promotrice* helps the GIES register itself to receive the Service CE/E and provides orientation training in five two-hour weekly sessions. During the first few loan cycles, the *promotrice* tends to lead the meetings while encouraging members to participate. This leadership role becomes progressively a facilitating role for the more mature groups (advanced loan cycles), allowing the GIES management committee to take on their group leadership responsibilities. A successful field agent must ensure this transfer of responsibilities within three-to-six loan cycles.

FUCEC, the federation, hires, trains, and supervises the *promotrices*. Each is assigned to form and manage the GIES of two or more participating credit unions, which are too small in staff and service area to employ and supervise a full-time *promotrice*. Before assignment to a program area, the *promotrice* is provided two weeks of professional orientation to be well equipped to investigate villages to determine potential for the Service CE/E, to promote the program to rural women, and to form groups of women who want to join. The *promotrice* is trained in adult education and training techniques. The program trainer conducts most of the trainings, but for some specific trainings, the FUCEC program benefits from external assistance from Freedom from Hunger or PLAN International Togo.

The Service CE/E made its first loans in April 1996. The value of loans outstanding at December 31, 2000, was US\$1,470,000 to 13,540 active borrowers (average loan size was US\$109) in 550 GIES served by 21 *promotrices*. The credit union makes a loan to the GIES as a group. The GIES then lends to its members for any activity approved by their fellow members. The members are not required to borrow but 98% had loans at the end of 2000.

To receive education from the Service CE/E, women must be GIES members, attend the weekly or biweekly meetings, and be current savers. Topics covered deal with health and nutrition (diarrhea prevention and management, breastfeeding, infant and child feeding, and immunization and family planning),

better business development (“Increasing Your Sales” and “Knowing Your Real Profit”) and GIES management.

Almost every GIES meeting (except when loans are disbursed by the *promotrice* or repaid in full by the group) includes a learning session. Each learning session takes about half an hour. Each topic, like family planning, requires several learning sessions spread over several meetings, generally concentrated in one “loan cycle” of a 16 week duration. Learning sessions are led by the *promotrice* with the assistance of the women in the groups. She uses short “dramas” and sometimes visual images to introduce the subject and various discussion facilitation methods to encourage everyone’s contribution to develop and convey the key message. The sources of education materials and technical information, including updates and upgrades, have been Freedom from Hunger and the Togolese Ministry of Health.

The Service CE/E accounts for the costs of delivering financial and educational services together, because the two services are so unified in the work of program staff and their supervisors and trainers. As of the end of December 2000, income from credit operations covered 97% of the unified costs of the Service CE/E. Grant funding for start-ups in new areas has been provided by both PLAN International and Freedom from Hunger. Technical assistance funded externally (e.g., training by Freedom from Hunger) is not included as revenue or expense in the tracking of program costs. However, all these costs were included in a cost accounting analysis of the first three years of the program (Vor der Bruegge, Dickey, & Dunford, 1999). The three-year average percentage of total costs that could be attributed to the “extra education” (that which would not be provided by a standard village banking program) was 8%. While there is no comparable cost analysis for the year 2000, note that the costs of “extra education” are included in the calculation of the 97% operational self-sufficiency for the end of 2000.

Its experience with the Service CE/E has convinced FUCEC that education added to small loans and savings is essential for changing the lives of poor people in rural communities. Despite difficult economic conditions that limit the potential of their microenterprises, poor women have stayed with the program, according to FUCEC, because they enjoy fellowship with others and the information they receive during learning sessions. This has helped the financial self-sufficiency of the program as well as the women. In addition, FUCEC has become convinced that the financial and educational services can be efficiently and effectively delivered together by the same *promotrices*, who were serving an astounding average of 26 GIES each!

A Hybrid Scenario of Unified Management and Parallel Delivery

The example given for *linked* integration of services was actually a hybrid with the *parallel* scenario, because BRAC delivers financial and educational services in parallel and links both to food distribution provided by the Government of Bangladesh. PRO MUJER is a village banking provider in Bolivia that blends *unified* service delivery supervision with *parallel* delivery of financial and educational (and other) services by different field-level staff.

PRO MUJER delivers financial and nonfinancial services to peri-urban communal associations (CAs), which average 23 members (range 15 to 40), 98% of whom are women. Meetings are held every 7, 14, or 28 days, depending on the seniority of the group and the credit terms under which they operate. Each meeting lasts two hours, during which, according to the established agenda, there is an organizational stage, a payment session, and a training session (administration, business development, or health), in addition to a session for addressing various matters related to the activities of the group.

Members of a CA organize themselves into solidarity groups and elect a management committee and a credit committee to

facilitate administration, implementation, and control of resources and services provided by the communal association. Business and health managers are appointed to maintain the connections between the CA and services offered by PRO MUJER.

CA meetings are held in PRO MUJER focus centers; each CA has an assigned room. The health consultant and the office of Business Development are located in the same focus center, and clients have direct access to these services on their CA meeting days. Services are delivered by operating teams, each led by a credit officer/educator, who supervises all staff assistants providing services at a focus center. Credit assistants advise CAs on the evaluation, granting, and tracking of loans. Business assistants provide training and technical assistance for business development. Health Assistants provide preventive health training and primary health-care services. In addition, there is a business technician and a physician who give technical help to the personnel of these services and coordinate with the credit officer/educators, whose supervision is operational, not technical.

Business Development has two components. First, there is training given at the CA meetings, totaling 3-6 hours per loan term. These are motivational and informative sessions on business improvement and the development of business skills among participants. Second, there is technical assistance, consisting of individualized client consultations, beginning with a diagnostic of the business and establishment of a program of improvements to be gradually implemented. Finally, there are follow-up visits to adjust the recommended program.

The health service also has two components, both of which inform and guide clients regarding contraceptive methods, pregnancy and childbirth, and sexual transmitted diseases (STDs), including HIV/AIDS. First, there is both group training and individual counseling. The participatory group training sessions last for 30 minutes, with one topic per session. During each loan term, there are 3-6 hours of preventive

health training per CA. Individual counseling is provided by health service staff to women clients or couples.

The second component is primary health-care services, for which the health service provides consulting rooms and trained medical personnel. The health service organizes frequent screening campaigns for the early detection of breast and cervical cancer and STDs, so the patients can receive the appropriate treatment and follow-up. The health service coordinates its activities with other community health service organizations. Demand for information and services relating to HIV/AIDS is increasing. For contraceptive methods, the health service offers couples the opportunity to decide on a method and receive it in the same consultation. Couples deciding on a natural method receive orientation in its use and individualized follow-up to ensure correct use of the method.

As indicated above, staff assistants who work directly with clients are specialized in the service they deliver. Technical support is also specialized. On the other hand, the work of supervisory and middle-management personnel unifies all services at the focus center level and higher. With this model, each credit officer/educator can supervise 90 CAs (about 2,250 members) with three credit assistants and two nonfinancial service assistants (health and business development).

Fiscal years 1999 and 2000 were a period of rapid program service expansion—in 2000 alone, there was a net increase of 7,152 clients (to nearly 30,000 total), in both old and new service areas. Operational self-sufficiency, calculated only for the financial services cost center, correspondingly fell from 121% in 1998 to 95% in 1999 and 94% in 2000.

Nonfinancial services represent 30% of costs during fiscal year 2000. Only 20% of costs for nonfinancial services were covered by income directly generated by these services. In the future it is planned that financial income and income from nonfinancial services will cover the costs of nonfinancial services. But, until this is achieved, PRO MUJER has sustainability plans based on contributions from the community, its own funds, and new

external financing. The sustainability of nonfinancial services is an institutional priority, because it “fully favors clients” and because it qualitatively strengthens and improves the performance of the credit service.

Integration with Family Planning and HIV/AIDS Programming

Integration with village banking, and similar forms of group-based lending, enhances the power of adult education in two ways. The regular group meetings are a good forum for adult education: they provide opportunities for regular face-to-face contact; the close-knit structure and joint guarantee mechanism foster a supportive atmosphere of collective self-interest; and women’s successful management of loans tends to build confidence and readiness to adopt new behaviors. Also, with interest income from credit operations, group-based lending can potentially fund the education activities at the regular group meetings, especially in the unified integration scenario. A financially sustainable, integrated delivery system can reach large numbers of the people, families, households, and communities most vulnerable to the problems addressed by the education.

Integrated service delivery strategies can and already do serve a wide variety of educational agendas. However, while there is growing interest, there is little documented experience in harnessing the potential of self-financing, integrated service delivery to address two of the greatest public health challenges of our time: family planning and HIV/AIDS prevention.

Multiple, closely spaced pregnancies and HIV infection pose widespread and serious challenges to individuals, families, and society, especially in developing countries. Not only are the health and economy of the poor affected, often disastrously, these problems pose threats to the not-so-poor, who are highly vulnerable to financial setbacks due to broken health and death in the family. Too-frequent child-bearing and -caring by poorly nourished women often result in high levels

of morbidity and mortality among mothers as well as infants and children. As HIV spreads relentlessly, adults in the prime of their productive and reproductive years grow ill and die due to HIV/AIDS or are dragged down by the unusual financial and time demands of illness and death in their extended families and their communities.

Microcredit institutions increasingly recognize their dependence on the health of their clients and their clients' families. Many acknowledge the challenging circumstances for clients playing the triple roles of wife, mother, and businesswoman. Local public health officials confirm that much of the risk to clients and microcredit institutions alike could be greatly reduced with the use of effective family planning methods. In some countries, the HIV/AIDS epidemic is so severe that it threatens microcredit institutions through reduced loan portfolio growth, decreased client retention, increased portfolio delinquency, and increased drawdown from savings deposits, as well as the death of experienced staff or the burdens on them of caring for dying relatives. In such environments, many microcredit institutions are asking how they can better serve their clients. It is within the managerial and financial capability of many microcredit institutions to provide an education service that builds on the enhanced self-confidence of borrowers in order to promote the use of family planning methods, especially those that prevent the transmission of HIV, and other relevant, healthful values and practices.

In all the scenarios above, the microfinance institutions are offering education and even services relevant to reproductive health, including family planning and sexually-transmitted diseases like HIV/AIDS. PRO MUJER shows the greatest current commitment with its provision of both reproductive health education and clinical screening and counseling services. FUCEC-Togo joins most other Credit with Education providers in offering creative education and support for family planning.

BRAC's Rural Development Program has decided to replicate a successful pilot project to make men and women in the communities aware of certain reproductive health issues. The project trained *Shasthya Shebikas*, traditional birth attendants, and traditional healers to provide, and discuss at people's doorsteps, information related to sexually transmitted diseases, including HIV/AIDS, reproductive tract infection, sexual hygiene, and domestic violence. BRAC provided all these health workers with visual aids that were developed with great sensitivity to the fact that quite personal and sensitive issues were being addressed in a Muslim social environment. Prior advocacy work was done in the communities to explain the need and relevance of such discussion in the community, and the materials were shown to community leaders to ensure they did not object to any of the content. The project also trained the health workers to provide initial assistance and, as needed, to refer people to the appropriate care providers or government health facilities.

Unified integration of microfinance with nonfinancial services faces greater constraints than the linked and parallel scenarios. While interest income from group-based lending operations can potentially fund a number of extra activities at the regular group meetings, revenues from this high-volume, low-margin business can support only a very few activities. Only activities that can be managed by the regular field agent can be financially sustained solely by the financial margin from credit operations. In practice this means that only education, not services, can be provided and only in a limited number of education topics. This narrower range of possibilities is the price paid for greater potential for full operational self-sufficiency of the integrated package and therefore greater potential for large-scale outreach. Yet two Credit with Education providers are pushing the constraints of unified delivery to innovate in addressing needs for family planning and HIV/AIDS prevention and treatment: CRECER in Bolivia and FOCCAS Uganda.

Family Planning Education with Contraceptive Distribution in Bolivia

CRECER (Crédito con Educación Rural) is one of three poverty-lending microfinance institutions profiled by Gibbons and Meehan (2000). CRECER's efficiency and sustainability ratios were comparable to, some better than, the other two institutions, which offered very little or no education in addition to financial services. At the end of 2000, CRECER's operating self-sufficiency ratio (including interest on debt and loan-loss reserve) was 106%.

Like other Credit with Education providers, CRECER has restricted its nonfinancial services to group-based education, in order to minimize expenses beyond the costs of the village banking service. Providing additional services that require specialized staff and supplies can drive total program cost up sharply. However, with due regard for this caution, CRECER is now experimenting with a system for community-based distribution of contraceptives, because access to contraceptives is very limited for CRECER's mostly rural clients.

One member is identified in the village bank to receive additional training about the use of certain contraceptives. Once trained, this woman is authorized as a community-based distributor (CBD) to sell approved contraceptives to appropriate customers in her community. Her stock of contraceptives is provided at cost by CRECER (which buys them at subsidized prices from local providers) and replenished by the field agent as the CBD sells her stock. Government health regulations limit the items in the CBD's stock to condoms and vaginal spermicide. However, the CBD is given additional training that prepares her to offer counseling in the use of and contraindications for a broader range of methods that couples might want to consider. She is also linked to a local family planning service provider through a referral system. This referral system expands the range of methods the CBD can "offer" to clients.

Of 329 CBDs trained by September 2000, 260 remained active as CBDs in about one-third of the communities served by CRECER. A recent assessment of this CBD experiment found that CRECER trainers do conduct in-service workshops for the CBDs, that the CBDs do talk effectively and accurately about the methods they know, and that the CBDs do refer cases to the formal health system. The participatory education by CBDs appears to be desensitizing the topic of family planning and thereby creating a breakthrough in women's willingness to talk about reproductive health issues. The assessment also found that CBDs are the leading sellers of contraceptives in the rural areas they serve. Even so, the volume of sales is very low, in part because the two types of contraceptives the CBDs can sell are in low demand (the spermicide tablets are preferred over condoms), despite the education provided. Nonetheless, the credibility of the CBDs as family planning educators seems to be enhanced by their ability to sell contraceptives and to counsel and refer people to good quality reproductive health services.

CRECER's objective was to make the CBD system a self-financing service. The marginal costs of supporting CBDs amount to less than 0.5% of CRECER's total operating expenses, but the low volume of sales and a government ceiling on contraceptive prices make it unlikely the CBD service can become financially self-sustaining. Nonetheless, motivated by its members' response to the CBD service, CRECER is committed to bear the costs that cannot be covered through sales of contraceptives. Primarily external grants for this purpose, rather than the interest paid by all borrowers, is likely to be CRECER's strategy to cover costs for the service that can directly benefit only a subset of CRECER members.

Education for Prevention and Management of HIV Infection in Uganda

FOCCAS Uganda (Foundation for Credit and Community Assistance) currently offers village banking together with health, nutrition, family planning, and better business education

to 13,048 women living (as of December 31, 2000) in rural and peri-urban areas of four districts of eastern Uganda.

Like CRECER, FOCCAS is providing family planning education to its women members and linking them to services provided by others. When the FOCCAS field agent has nearly completed the education module on family planning, field staff from Marie Stopes (a U.K.-based family planning support organization) attend the next regular group meeting. They again review the various family planning methods and answer any questions, with particular emphasis on the more technical aspects with which the FOCCAS field agents may be less conversant. They then provide access (on the spot) to any of the contraceptive methods that the women may have decided upon (including tubal ligation!). This is still a pilot effort, but it seems to go well, and Marie Stopes has committed to providing this service to any FOCCAS village bank that completes the FOCCAS family planning education module. This arrangement helps those women who are ready to take the next step, and it reinforces the messages that FOCCAS staff have been delivering.

Given the high prevalence of HIV/AIDS in Uganda, the need for FOCCAS to address the epidemic is a high priority. Both prevention and mitigation services are necessary, but FOCCAS could not realistically offer health care and other mitigation services while aiming to depend solely on revenues from its credit operations. Rather, FOCCAS chooses to focus on HIV/AIDS prevention by providing FOCCAS members with the best available information and practical wisdom for reducing their risk of HIV exposure. The field agent also helps members think about HIV/AIDS in the context of the community, to better support those individuals dying of the disease and to encourage others to change their behavior to prevent new infection.

Having access to information does not ensure its use. The field agent must be prepared to address the reasons why women have not adopted or may not adopt beneficial new

practices. It is a real challenge to identify and respond to the major obstacles to behavior change in relation to HIV/AIDS. For example, how can a woman act upon her new understanding when she is often not given a choice regarding sexual intercourse? What should a woman do when she wants to have children but her husband indulges in high-risk behavior or is known to be HIV positive? The field agent facilitates a process of problem solving, decision making, and motivation to action that often involves a kind of psychological journey with a number of steps needed before making the decision to change ideas or practices and form new habits. Teaching and maintaining good group facilitation skills among field agents is central to successful behavior-change education. Fortunately, the training for group facilitation serves the microfinance component as well as the education component.

The proper selection of field staff and their training in facilitation skills and HIV/AIDS content is only the beginning. Also required are systems for (1) the supervision of education, (2) assessment and feedback on the quality of delivery, (3) monitoring the education impact, and (4) feedback from clients on the education content and quality. Such systems are available and complementary to the systems currently used by most microfinance institutions, but effort is required up front to adapt the systems, put them in place, and provide the necessary staff skills.

Although FOCCAS restricts its nonfinancial services to education, it recognizes that education alone is insufficient to properly address the HIV/AIDS crisis in eastern Uganda. In the near future, FOCCAS intends to facilitate member access to complementary HIV/AIDS services such as testing and counseling. This will require FOCCAS to identify appropriate local service providers, introduce members to these services, and maintain relationships with these providers.

Detailed examples of the educational methods and materials used by CRECER and FOCCAS are provided in annexes

to the full version of this paper (available on the Microcredit Summit Website).

Parallel/Linked vs. Unified Service Delivery

In each of the cases described, the organization is committed to full financial self-sufficiency of the microfinance operations, but satisfying the broader needs of the clients is as important, it seems, as financial self-sufficiency of the overall institution. Where these organizations differ is in their deployment of managers and field staff. Only the Credit with Education providers—FUCEC-Togo, CRECER, and FOCCAS Uganda—are using the same managers and field agents to deliver both microfinance and nonfinancial services, and only they are coming close to full recovery (from the clients) of all costs for the full range of services. But BRAC and PRO MUJER, being willing to rely, in large part, on external funding, offer a broader range of services to their clients.

The advantages and disadvantage of the parallel (and linked) scenarios are:

- *Advantage*: wider potential range of services and therefore impacts for clients and society
- *Advantage*: staff can specialize by service sector and therefore be more expert in their work; greater effectiveness
- *Disadvantage*: financing of nonfinancial services depends on external grants; two or more staffs are required to provide services in two or more development sectors
- *Disadvantage*: coordination of staff (or organizations) representing different service sectors poses a significant challenge to management

The advantages and disadvantages of the unified scenario are:

- *Advantage*: potential for full cost recovery with income from credit operations; one staff can provide services in two or more development sectors
- *Disadvantage*: narrower potential range of services, mostly or entirely education

- *Disadvantage:* recruitment, training, and supervision of multitasked field staff and supervisors demand extra commitment from management

In summary, the major challenge to the parallel scenario (where the same organization is responsible for parallel delivery of different services) is the sustainable financing of the non-financial service; whereas, the major challenge to the unified scenario is the management of field staff tasked to deliver different-sector services. It might appear that the linked scenario escapes both of these problems, and in theory it does. In practice, the linked scenario is very hard to maintain over time and over large service areas. Totally independent organizations have different missions, strategic plans, managers, and revenue sources. Those differences are likely to limit overlap in target populations and service areas and also to pull the organizations apart over time, ending the linkage agreement. The linked scenario in practice is the one least likely to reach major scale and be sustainable (but it works for BRAC and the Government of Bangladesh).

A microfinance institution considering delivery of additional services in nonfinancial service sectors should ask itself the following questions:

- What additional services are required by the institution's own development objectives?
- What additional services are required to satisfy the needs and wants of the intended clientele?
- What are the feasible options for providing additional services that meet both institutional objectives and client objectives? Links to other, nonfinancial service providers? Creation of a separate institution to provide nonfinancial services? Creation of a separate nonfinancial service unit within the institution itself? Unification of the nonfinancial services with the existing financial service delivery system?

The unified delivery option is the most demanding, but it also may be the only option or the one most likely to be

sustainable in the long term. Even then, **unified delivery is advisable only when the institution wants to add one or more forms of education to microfinance services for relatively large borrower groups that meet regularly with field agents of the institution.**

The education should adhere to principles of effective adult learning, but the content can be varied or singular and drawn from structured curricula or facilitated exchanges of knowledge among the clients themselves. A mix of approaches (as in Credit with Education) can be used. But the education program, whatever it is, must be manageable by the same people, clients, and staff who are involved in the management of the financial services.

Smith and Jain (1999) have put forward the reasonable idea that the quality of either microcredit or education must be compromised for the sake of unified delivery. In other words, the efficiency and effectiveness of services is diminished (and impact is compromised) when delivered by multitasked generalists rather than by focused specialists.

In contrast, Freedom from Hunger has done considerable research, especially the studies conducted in Ghana and Bolivia (MkNelly and Dunford, 1998, 1999), to verify that Credit with Education is having the intended impacts in three areas: improved economic capacity of women, empowerment of women, and adoption of key child survival health and nutrition practices that lead to measurable change in food security and nutritional status. Other impact studies (including those by or for BRAC, FUCEC-Togo, and PRO MUJER) yield similar findings. Impact studies for microfinance-only programs have shown results similar to those found in studies for Credit with Education programs. The addition of health and nutrition education does not appear to keep village banking from producing the significant economic and empowerment impacts sought in microfinance programming. Likewise, impact studies for stand-alone health and nutrition education programs show results similar to those found in the impact studies for Credit

with Education programs. Therefore, it seems the education in Credit with Education can be as effective in stimulating health and nutrition behavior change.

Is the unified, self-financing scenario possible? Is it feasible? Is it effective? The answers appear to be “yes” to all three questions when applied to certain types of microfinance and certain types of education delivered together. Integration is only for those whose objectives call for providing multisectoral services to address multiple needs/wants of the very poor. *Unified* integration is only for those with the need and the *will* to lead and manage staff toward long-term independence from operating grants. As an organization considers the unified option, it should understand why this option is more demanding and be realistic in assessing its commitment.

Notes

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1. Each Credit with Education practitioner develops its own operational system for self-financing, unified delivery of microfinance and education to poor women. Credit with Education was first developed by Freedom from Hunger in 1989-90 for the purpose of improving household food security and child nutrition. As of June 30, 2001, Freedom from Hunger had assisted NGOs and community-based financial institutions in 15 countries to start their own Credit with Education programs. In aggregate, these implementing organizations were reaching 189,540 women, of whom 153,733 were taking current loans averaging \$73 each. The total amount of outstanding loans was US\$11.2 million, and the total amount of savings was US\$2.6 million. The weighted average for operating self-sufficiency, of the implementing organizations reporting complete revenue and expenditure data for the previous six months, was 92%. Overall portfolio at risk was 3.86%. Other versions of Credit with Education have been developed by other organizations in the past decade without Freedom from Hunger assistance, notably by World Relief Corporation and Project HOPE.

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