MICROFINANCE BRIEF

Tap and Reposition Youth (TRY) Program

Providing Social Support, Savings, and Microcredit Opportunities to Adolescent Girls at Risk for HIV/AIDS in Kenya

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with the assistance of
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Population Council

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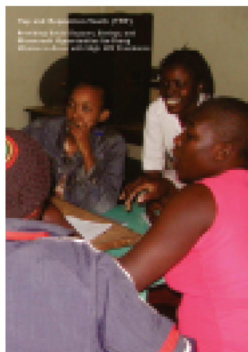
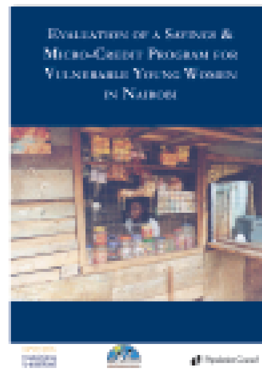
This microfinance brief is based on the following Population Council publications:



TAP and Reposition Youth (TRY): Providing Social Support, Savings, and Microcredit Opportunities for Young Women in Areas with High HIV Prevalence. Population Council, SEEDS publication series, No. 23, 2006. Annabel Erulkar, Judith Bruce, Aleke Dondo, Jennefer Sebstad, James Matheka, Arjmand Banu Khan, and Ann Gathuku.

www.popcouncil.org/pdfs/seeds/SEEDS23.pdf



Evaluation of a Savings and Micro-Credit Program for Vulnerable Young Women in Nairobi. Population Council and K-Rep Development Agency, 2005. Annabel S. Erulkar and Erica Chong.

www.popcouncil.org/pdfs/TRY_evaluation.pdf

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Cover photo by James Matheka.

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EXECUTIVE SUMMARY

Background

This brief was commissioned by the Population Council to complement its two previous comprehensive publications concerning the TRY project: *Tap and Reposition Youth (TRY): Providing Social Support, Savings, and Microcredit Opportunities for Young Women in Areas with High HIV Prevalence* (*SEEDS* Pamphlet No. 23, 2006) and *Evaluation of a Savings and Micro-Credit Program for Vulnerable Young Women in Nairobi* (2005).[1] These two publications contain a wealth of data and information essential for understanding the project and its results, although they do not analyze the microfinance component in depth. In contrast, this brief was written by microfinance practitioners for a microfinance audience.

In 1998, two organizations with considerable expertise in their fields came together to develop a microfinance approach that would address livelihood-strategy constraints for adolescent girls at risk for HIV/AIDS in an urban slum in Kenya. The first, the Population Council, is an international, nonprofit, nongovernmental organization (NGO) that seeks to improve the well-being and reproductive health of current and future generations around the world and to help achieve a humane, equitable, and sustainable balance between people and resources. The second organization, K-Rep, is a well-known Kenyan microfinance institution (MFI).

The initiative was named the Tap and Reposition Youth (TRY) program. The objective of the program was to reduce adolescent girls' vulnerabilities to adverse social and reproductive health outcomes by improving their livelihoods options. Adolescent girls are a particularly challenging population, usually ignored by development agencies. The adolescents in this project were out-of-school girls and young women aged 16–22 residing in low-income and slum areas of Nairobi. TRY used a group-based microfinance model to provide credit, savings, business support, and mentoring to program participants. The project has gone through three phases since its inception in 1999.

Results

The social, health, and financial results of the TRY program are described in detail in various publications available on the Population Council website. This brief is a focused analysis of the microfinance components of the project and provides some illuminating results. The authors hope that the broader microfinance community will build upon the lessons learned from the TRY program in order to meet the financial needs of vulnerable populations such as these urban adolescent girls.

Lessons learned

The project demonstrated clearly that adolescent girls can save and that they want continuous access to their savings. In this project, savings were held by the MFI as collateral for the loans. If a girl wanted to use her savings, she had to withdraw from the program, which many girls did. Girls had their own rotating savings and credit associations (RoSCAs), formed either before or after they entered the program. In the first two phases of TRY, these RoSCAs were independent of the TRY program. In the third phase, the importance of these groups to the girls was acknowledged, and the TRY program began to encourage their formation. The great majority of girls became RoSCA members.

The girls disliked the pressure to take out and repay loans. To stay in the groups, the girls had to continue borrowing even when they could not manage the repayments. The constant pressure to make loan repayments contributed to a high dropout rate.

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[1] Both are available on the Council's website: www.popcouncil.org/pdfs/seeds/SEEDS23.pdf www.popcouncil.org/pdfs/TRY_evaluation.pdf.

The adolescent girls in the program had weak social networks. Theirs was a mobile population. Girls often lived with people other than their parents, and many had migrated from other areas to Nairobi. This mobility meant that credit groups were formed of girls who had not known each other before they joined the program. Consequently, the group-guarantee mechanism did not function as well as it does in adult models, and instead of guaranteeing repayment, it increased dropout. Dropping out carried a social cost: girls who had gained friends and social support from group co-members sometimes lost these friends and networks if they started having repayment problems as a result of the social pressure created by the solidarity guarantee.

The credit component suffered from delays in disbursements, for a variety of reasons. One reason for this delay was the requirement that disbursement could not occur unless previously disbursed loans were up to date. Management issues also caused delays in disbursement. Adolescent girls dislike delays in loan disbursements just as adults do. The girls became impatient at these delays and dropped out.

The business plan requirement exacerbated discontent and dropout. Girls found it intimidating, complicated, and illogical. Loan sizes and terms often did not match the requirements of their business plans. Many of the plans, therefore, were never implemented.

The project was designed to benefit the group "adolescent girls." The results, however, showed that this category does not necessarily consist of one market segment. With TRY, older girls had greater success with their businesses and with their loans, whereas the younger girls had more difficulties and dropped out with greater frequency.

This brief offers recommendations, based on the lessons learned, to MFIs who wish to provide financial services to adolescent girls and to social development organizations studying girls' livelihood possibilities. One suggestion is to start with savings and training in money management as an entry point for working with younger adolescent girls. Tailoring products and services specifically for this entry-level group of clients will make them more successful. Microfinance practitioners are encouraged to take the lessons from this innovative project and build upon them in order to meet the needs of vulnerable girls and other marginalized, at-risk populations. Research and new product development should be part of every institution's mandate. In this way, MFIs can create new markets, build client loyalty, establish market niches, and, most important, carry out their social missions.

BACKGROUND

In 1998, two organizations with considerable expertise in their different fields collaborated to develop a microfinance approach to addressing livelihood-strategy constraints for adolescent girls at risk for HIV/AIDS in an urban slum in Kenya. The first, the Population Council, is an international, nonprofit, nongovernmental organization (NGO) that seeks to improve the well-being and reproductive health of current and future generations around the world and to help achieve a humane, equitable, and sustainable balance between people and resources. Established in 1952, the Council is governed by an international board of trustees. It conducts biomedical, social science, and public health research and helps build research capacities in developing countries. Its New York headquarters supports a global network of regional and country offices. The Council's work on adolescents has highlighted the internal diversity of the adolescent population and the importance of addressing the different vulnerabilities and opportunities that arise from age, gender, living arrange-

ments, sexual activity, childbearing, and marital and schooling status. Since the mid-1990s, much of the Council's research and policy activity has explored how best to define and meet the needs of vulnerable adolescent girls, including their livelihood options and capacities.

The second organization, K-Rep, is a well-known microfinance institution (MFI) in Kenya. K-Rep was established in 1984 as a project of World Education Incorporated with the primary objective of channeling financial assistance together with training and technical assistance to Kenyan non-governmental organizations involved in the promotion of micro- and small enterprises. In 1994, K-Rep began the process of forming a microfinance bank, K-Rep Bank, which was licensed in March 1999; it opened its doors to the public in December 1999. K-Rep has three wings: K-Rep Holding Company, K-Rep Bank, and K-Rep Development Agency (KDA, an NGO). KDA is the organization's research and development arm. Its function is to carry out all program microfinance research and innovation activities, including identifying and testing new systems, products, mechanisms, and instruments. The joint initiative of the two organizations was implemented by KDA.

This brief is written for microfinance practitioners. Although other publications are available concerning the TRY program, and discuss it in greater depth, this document specifically describes the project from a financial services perspective.[2] This brief is intended to disseminate the lessons learned during the program and encourage MFIs to adapt and apply those lessons to their own activities with regard to the most vulnerable populations.

The executive summary of this brief is followed by a discussion of Phase One of the TRY initiative; subsequent sections describe Phases Two and Three. The final sections present recommendations and a conclusion. The author, Joan Hall, is a microfinance consultant experienced with microfinance designed for young people. Aleke Dondo, Chief Executive Officer of K-Rep Bank, and Jennefer Sebstad, Consulting Associate to the Population Council for adolescent livelihoods, provided additional expertise. Both Mr. Dondo and Ms. Sebstad were closely involved with the TRY project. This brief is based on a review of the extensive documentation of the TRY project.

THE PHASES OF THE PROJECT

The initiative was named the Tap and Reposition Youth (TRY) program. The overall aim of the program was to reduce adolescent girls' vulnerabilities to adverse social and reproductive health outcomes by improving their livelihoods options. The project targeted out-of-school adolescent girls and young women aged 16–22 living in low-income and slum areas of Nairobi. A rural program was initiated at the same time. TRY used a group-based microfinance model to provide girls with access to credit, savings, business support, and mentoring.

The first phase of the project began in 1999 and ended in 2001. This was a minimalist phase, using a modification of K-Rep's adult methodology. The second phase, begun in mid-2001 and ending in early 2004, added a component on strengthening social structures for the girls in the program. Phase Three emphasized savings and safe

[2] Interested readers should refer to the *SEEDS* issue describing the TRY project and the TRY Project Evaluation, available on the Population Council website: www.popcouncil.org/pdfs/seeds/SEEDS23.pdf and www.popcouncil.org/pdfs/TRY_evaluation.pdf.

spaces for the girls. Each phase was designed in response to the findings of the previous phases.

Phase One

Phase One, the pilot, was designed by the Population Council and KDA specifically for low-income slum-dwelling adolescent girls of Nairobi, Kenya. As noted above, the methodology was based on the adult model used by K-Rep, which in turn was based on the Grameen Bank microfinance model. The principal product offered to girls was credit, and compulsory savings formed the collateral backing the loans. A loan officer delivered these services in weekly meetings.

Groups called *watanos* were formed of five girls and were joined together to create a larger group of 25 to 30 girls called a *kiwa*. The watanos were responsible for ensuring the compliance of their members with the requirements of the program. A solidarity guarantee was used. One hundred girls participated in the pilot, and the program reached its peak membership of 535 in 2004.

Some changes were made to the adult methodology for the TRY pilot. The interest rate was lowered from 18 percent to 15 percent. Group members were not self-chosen, but rather were recruited by KDA. Because the girls came from a mobile population and had few friends, creating a group of girls who were known to each other was difficult. Unlike the adult model, the TRY pilot required the girls to develop a business plan before receiving a loan, because many had no prior business experience. Most had no household assets, so there was no requirement to pledge assets as collateral, as in the adult model. Girls were required to save 4 percent of the loan amount before receiving a loan, rather than the 10 percent required of adult borrowers. In the adult model, members of a group could "rest," that is, stay in the group and keep saving without receiving a loan. This option was not provided to girls involved in the TRY program. They received business, gender, and life-skills training, which the adults did not.

Naturally, the profile of the TRY group members was different from that of the adults in the K-Rep program, and this difference influenced the results of the project. In the K-Rep program, the majority of members were married women with children. They were geographically stable and had business experience. The members had community support structures (that is, friends and family) and tended to be in their 30s and 40s.

The adolescent girls in the TRY project, on the other hand, were younger than 24. Two-thirds were unmarried and half had children. This population was mobile; many had come to Nairobi to find work, and consequently they had few support structures. Most (two-thirds) had no business experience. Some had worked, but the majority were unemployed when they entered the program.

There was also an institutional difference. For adults, the implementing agency was K-Rep Bank. For the TRY project, because it was experimental, the implementing agency was the research and development arm, KDA. The performance criteria for the credit officers in the TRY project were different from those for the K-Rep Bank credit officers. For instance, the TRY officers had a lower client load in the pilot phase (130 as opposed to 350 clients per loan officer).

Repayment started out well in the first six months of the TRY pilot but then began to decline. As repayments declined, girls began dropping out. Those who dropped out were mostly younger girls. Older girls were more successful during the pilot phase. Midway through the pilot (December 2000), only one-fourth of the original borrowers had received a second loan.[3]

[3] At this time, 106 girls had received first loans and 26 had received second loans.

Phase Two

Based on the results of the pilot, Phase Two was formulated, with some changes in design. Recognizing the importance of social networks created during the group formation, KDA and the Population Council decided to add a social component by creating the part-time position of mentor, someone who would befriend and counsel the girls. The position was envisioned as complementary to the credit officer's role. Mentors were trained to counsel the girls in a variety of areas including HIV/AIDS transmission prevention, relationships, entrepreneurship, and reproductive health. Mentors specialized in different areas, and all girls in the TRY program had access to all of the mentors. The team of mentors developed activities for the girls' groups and presented educational seminars.

The program also required girls to have a cosigner for their loans in order to improve the rate of repayments. Additional credit officers were recruited, and outreach intensified.

The girls greatly appreciated having access to mentors, according to the evaluation. Attendance increased and group cohesion seemed to improve, although repayment continued to decline and girls continued to drop out. Savings remained flat.

Phase Three

In response to these results, Phase Three began with a review of the issue of savings, refocusing on safe and accessible savings: "safe" because girls had reported that they did not want to tell family (husbands or parents) about their savings, and "accessible" because they wanted to be able to use their savings whenever they needed them.

During this phase, the girls were encouraged to form Young Savers Clubs, groups that mimicked traditional rotating savings and credit associations (RoSCAs) and that were independent from the credit and savings groups. Savings were held in an account managed by K-Rep. Often the mentors led the savings groups. Each girl kept a passbook in which her savings contributions were recorded, and she could withdraw money from her account at any time by filling out a withdrawal slip. The girls themselves determined the amounts that they saved voluntarily. Young Savers Clubs met weekly and also engaged in recreational activities. In this phase, KDA also instituted a requirement for physical assets for collateral.

Nearly all the TRY girls joined a Young Savers Club. The amount of savings increased considerably. Younger girls continued to drop out.

FINDINGS

The majority of the dropouts during the pilot phase and subsequent phases of the project occurred for four reasons: (1) girls' lack of access to their savings; (2) pressure to take out and repay loans; (3) delays in loan disbursement; and (4) the business plan requirement.

Lack of access to savings

In the evaluation, one of the girls' most frequently voiced complaints was that they were not able to access their savings, even for emergencies. In this microfinance model, the savings serve as collateral for the loans, and the only way that a girl could use her savings in an emergency was to withdraw from the program. The evaluation showed that many girls were members of RoSCAs before they entered the TRY program or had started RoSCAs after joining it. This finding highlighted the importance to the girls of savings, which they used for emergencies and for purchases. The savings-as-collateral requirement was either not clearly explained to the girls

or they did not understand the explanation, which caused mistrust and increased the dropout rate.

Pressure to take out and repay loans

The girls disliked the pressure they were under to take out and repay loans. To stay in the groups, the girls had to continue borrowing even when they could not manage the repayments. As mentioned above, there was no option for "resting," that is, for remaining in the group without taking a loan (a feature of the adult model). The constant pressure to make loan repayments contributed to their dropping out. Dropping out carried a social cost as well: Girls who had gained friends and social support from group co-members sometimes lost these friends and networks if they started having repayment problems as a result of the social pressure created by the solidarity guarantee (see below).

Delays in loan disbursement

An additional problem that the girls mentioned was that obtaining a loan took too long (on average, six months and sometimes as long as 30 months). First, an eight-week precredit training was required, and some girls became impatient and dropped out before receiving their loans. Second, delays in loan disbursement occurred because of the group-based credit methodology that required the girls in a watano who had already received their loans to be up to date in their repayments before other members of their watano could receive loans. Despite this delay, those members who were awaiting their loans were required to keep saving. When repayments began to drop, disbursement was delayed for other members who needed loans.

Finally, there were delays due to management issues and bureaucracy. The program was small and new, and it suffered a number of management changes. It was understaffed as well. Some K-Rep staff felt that adolescent girls were not an appropriate market. The pilot was implemented outside of the normal microfinance activities of the institution by the research and development arm. A consequence of these management issues was that the TRY pilot did not receive the careful attention that it needed, and this lack of attention caused implementation problems.

The business plan requirement

The mid-term evaluation found that some girls had dropped out because of the business plan requirement. They found it intimidating, complicated, and illogical. Loan sizes and terms often did not match the requirements of their business plans. Many of the plans, therefore, were never implemented.

THE BEST PRACTICE FINANCIAL SERVICES PERSPECTIVE

The results of the TRY initiative are compared below to a best practice financial services perspective, that is, to widely disseminated standards that have been developed over a number of years by the microfinance community, including donors, investors, and practitioners.[4]

Lack of access to savings

Best practice microfinance stipulates that savings should be voluntary and accessible, and the results of this pilot illustrate why. The TRY program helped members accumulate savings, but locked up the savings so that they were unavailable for the girls' needs. The only way that girls could access their savings was to drop out, and so they did. This problem had been mitigated in the adult model by means of creating an emergency fund, but the girls' model had no such

[4] See, for example, the website www.microfinancegateway.org.

fund. Most girls were already saving in RoSCAs, through which savings are multiplied by contributions from other RoSCA members. The collected savings are given to a different member at each meeting. This lump sum is accessible for emergencies or purchases. In other words, the girls were already implementing best practice microfinance via their RoSCAs. Because the girls had no previous exposure to formal lending institutions, they did not understand the concept of savings as collateral and did not comprehend why their savings in the TRY program should be inaccessible. As a result, they dropped out.

Pressure to take out and repay loans

The social pressure created by the group methodology apparently had the negative effect of worsening dropout rather than the positive effect of ensuring repayment. In the adult program, group members were part of social networks that existed prior to group formation. In contrast, in the TRY program, the girls started without such support and formed these social networks as the program progressed. Because of the newness and fragility of the girls' social structures in the groups, the pressure from their group members to make loan repayments led to the breakdown of group cohesiveness and caused an increase in dropouts.

In best practice microfinance, social pressure is used instead of physical collateral to ensure repayment, because the poor often have no physical assets. The model stipulates that the group members are known to each other, thus ensuring that each person is responsive to pressure from other members. In the TRY program, the girls did not know each other before joining. Consequently, the result was the opposite of what was intended: the breakdown of the group rather than the successful repayment of loans.

Delays in loan disbursement

Years of microfinance history as well as numerous client-satisfaction studies have shown that speed of disbursement is extremely important to borrowers. Because disbursement in this program was slow, girls dropped out. This finding is consistent with results from adult credit programs. The average time for loan disbursement in the adult K-Rep program was two months, but much longer in the TRY program. Faced with such delays, girls reacted as adults do, by dropping out. The added benefits of being in a group apparently could not counteract the effect of the delays.

The business plan requirement

The business plan requirement was probably unnecessary. Business plans are costly to produce both from the client's and the MFI's perspective because of the time they take. Most microcredit programs do not use them for group lending, even for new businesses. Too much pressure may have been placed on the girls to produce a business plan, which contributed to their dropping out of the program. Business training, introduced in a later phase of the TRY program, was a more appropriate response to the girls' lack of business skills.[5]

RECOMMENDATIONS

A combination of actions, rather than any one action by K-Rep, was recommended by evaluators to help reduce the number of dropouts.

Make savings flexible

The evaluators recommended that the savings component be made more flexible. Some microfinance programs allow clients to withdraw their savings, within limits, during

[5] Phase Four is planned to address members' financial literacy.

the loan term. Some allow clients to use their savings at the end of the term to pay off their loan balances. Because the members of the TRY project who belonged to RoSCAs were already accustomed to having access to accumulated savings at certain times, that sort of model would have been useful. At the very least, the girls should have had access to some part of their savings at the end of each loan term. An emergency fund would have been another option for making money available to girls when they need it. This option, however, involves a financial cost for the girls that the withdrawal of savings does not: the interest rate that is charged. It also has a management cost, because someone, whether the group or the loan officer, must monitor the emergency fund.

Reduce social pressure

The problems with the group methodology for adolescent and vulnerable girls related to: (1) the mechanism used for disbursements ("staggering") and (2) the mechanism used to ensure repayments (the solidarity guarantee). There are two reasons why MFIs use a group methodology. The first is to reduce costs. By grouping people and then disbursing and recovering loans in the group, the costs to the MFI are lower than if the MFI disbursed to individuals. The second reason is that the formation of a group creates social pressure on members to repay. This pressure works as an alternative form of collateral.

Two components of the TRY group methodology produced social pressure for repayment. The first was the disbursement mechanism: the staggering of loan disbursements. In the Grameen methodology, upon which the K-Rep adult model and the TRY pilot were based, members receive their loans in a staggered fashion, two by two, with the fifth person following last. In other words, no one in the watano received a loan unless all of the loans that have already been disbursed are paid up. This system puts pressure on borrowers to repay their loans on time.

The second component is the solidarity guarantee. According to this requirement, if some members default, that is, if any unpaid balance remains at the end of the loan term, the other members of the watano and then the kiwa (if necessary) have to pay the balance from their savings or from other sources. This requirement also puts pressure on the borrowers to make their repayments on time.

In the TRY program, the two mechanisms of social pressure did not work as planned. The staggering of disbursements meant that very few members received loans, and when they began having problems repaying, all other loan disbursements were delayed, causing frustration and producing a high dropout rate. The staggering of disbursements created a ripple effect: more girls dropped out so that they would not have to pay the debts of those who had defaulted.

The solidarity guarantee did not work partly because the girls were not part of established social networks before the program began. Once they felt the social pressure, they found it easier to drop out than to repay their loans.

The recommendation resulting from these findings is to eliminate or modify the methodological components that create the social pressure, and then re-evaluate their impact. Because the evaluation stated that the girls dropped out because of delays in disbursement due to the waiting requirement, one option is to eliminate the waiting requirement. Instead, an MFI could disburse loans to all clients at the same time. Ideally, the methodological components that create this social pressure should be modified. No proof has been found that staggering disbursements increases repayment; many MFIs do not use this system. With the alternative disbursement system, all members could have received at least one loan to work with;

this method also would provide richer data concerning the effect of credit and savings on girls' livelihoods.[6] Variations of this method include granting individual loans or forming smaller solidarity groups with stronger and/or pre-existing social ties. Either of these options would have the added benefit of speeding up disbursements.

The second recommendation for reducing social pressure, then, is to eliminate the solidarity guarantee and search for other mechanisms for ensuring repayment.[7] One option would be to link access to loans to the nonfinancial services offered through the pilot, which were in demand. In other words, if a girl missed a payment, she could not come to the next meeting unless she brought the payment. This option potentially could have adverse effects, so it should be tested first on a small scale. Another option might be to accept partial payments of the weekly loan amount, in effect treating the loan like a line of credit, where any amount of repayment is acceptable.

A third recommendation would be to allow girls to "rest" between cycles, so that they can continue to be part of the group, participate in group activities, and save without taking a loan. This method reduces pressure on members and allows them to continue to receive the benefits of belonging to the group.

Eliminate the business plan requirement

The purpose of the business plan requirement was to lower the risk to the MFI of lending to new businesses, a risk that MFIs prefer to avoid. In this case, the requirement did not have the desired effect, but rather intimidated the clients and slowed down disbursements. It was discarded, as it should have been, in the second phase, and was replaced with business training. Eliminating the business plan requirement reduced the cost to the institution in terms of the credit officer's time.

Lower loan amounts and shorten terms

The girls received standardized loans based on the adult methodology rather than on the business needs and experience of the borrowers. The loan terms were long, designed to reduce the size of monthly payments. Reducing the size of a loan and the length of the repayment term is a better solution. Young people may benefit from immediate positive reinforcement and may be better served by smaller and shorter-term loans that they can pay back more easily.

This recommendation may have several positive effects: (1) it reduces the pressure of repayment; (2) it increases the speed of disbursements to the group; (3) it reduces the losses to the MFI due to default; and (4) it reduces the dropout rate. In this way, some of the girls would have been able to pay off their loans with less difficulty. As a result, they would have had a positive learning experience and been allowed another, potentially larger loan, according to this system. Additionally, if loan terms had been shorter and the members had had access to their savings at the end of the loan term, the dropout rate might have been reduced.

Nonmethodological issues

The most important institutional issue that came out of the TRY program was the tradeoff in using the research and development arm of the MFI, KDA, to implement the program, rather than K-Rep itself. One advantage of using KDA was that K-Rep was not distracted from its core mission, nor was its attention diverted from its core

[6] These loans would also need to be for smaller amounts and shorter terms, to reduce the risk to the MFI. See the section on "Lower loan amounts and shorten terms."

[7] Many MFIs do not use the guarantee for their group lending for the reason that it penalizes the best clients. The solidarity guarantee also becomes more complicated as an MFI ages and the loan amounts within a group begin to differ greatly.

clientele. Another advantage was that it allowed for flexibility and experimentation at the initial stage of the pilot that would not have been possible within the context of K-Rep's formal banking environment. The disadvantage was that the justification for the project became social rather than profitable or financial. Although the program's designers recognized the importance of addressing both social and financial needs of adolescent girls and young women, monitoring suffered and best practices were not respected.

Institutional buy-in is a phrase heard repeatedly in discussions of new products and new target groups for MFIs. If sufficient support or interest among MFI staff does not exist, or if the rationale behind the innovations is not well explained or justified, problems will result. One reason that the TRY program suffered from insufficient staffing and delays in disbursements was that K-Rep Bank staff were not completely supportive of the new market focus. Many felt that young, vulnerable girls would not be appropriate clients, and that the effort to serve them would be too risky. Others recognized the role of the project in preparing young women to become good K-Rep Bank clients, and indeed several TRY participants are now clients of K-Rep Bank. "Incubators" such as the TRY program, which serve to prepare and position vulnerable adolescents to take advantage of future livelihood opportunities, is one strategy for creating new markets for MFIs as well as for meeting social objectives. It is imperative that management convince staff of the need for controlled experimentation.

The TRY evaluators pointed out that management's lack of monitoring caused delays in disbursements, which, in turn, caused dropout. In the pilot phase, only one credit officer was assigned to the program, which proved to be insufficient. More credit officers were added in later phases. MFIs that are attempting to roll out pilot programs must provide adequate staff and sufficient support for the effort. Otherwise, the results will be questionable no matter how good the product may be.

In the second phase, mentors were introduced, solving part of the problem of social support for the girls. However, this change created tension between the mentors, who supported the girls when they had repayment problems, and the credit officers, who were responsible for maintaining high repayment levels. The two positions had conflicting performance goals. Providing mentoring outside of the financial services program might have worked better.

The pilot program was expensive, as pilots normally are. However, excellent findings were produced from the pilot, including the fact that vulnerable girls can and do save. MFIs can build on the lessons from the TRY pilot in developing more cost-effective ways to test new markets.

RECOMMENDATIONS FOR MICROFINANCE PRACTITIONERS WORKING WITH AT-RISK GIRLS

This brief should not be viewed as a substitute for reading the TRY program documents mentioned above, which are much more detailed. Microfinance practitioners who are interested in working with vulnerable young people, especially adolescent girls, should read these documents before attempting to design a program for reaching such populations.

The TRY program proved definitively that vulnerable girls can and will save. This finding is arguably the most important result of the initiative, and one that all MFIs should note. Girls need to save, and they will

form their own groups for doing so if there are no alternatives. MFIs should, therefore, develop savings products that mimic or improve upon girls' RoSCAs.

Savings and credit products for girls should be flexible, adaptable, optional, and simple. There is no point in forcing girls to take out loans that they are not ready for, or to save a fixed amount on a rigid schedule, or to lock up their savings. These requirements do not serve this clientele well. Knowing girls' needs and listening to their opinions are key elements of designing suitable products. This study reinforced other microfinance studies that show that listening to clients is crucial to offering a well-designed product. It is also crucial to understand the differences among clients, what is known in the microfinance world as "market segmentation." The TRY program showed that the group "vulnerable adolescent girls" was, in fact, two groups: younger girls who did not want the pressure of taking out a loan and older girls with some business experience who were able to handle loan repayments. Members of this latter group, in both the urban slum and the rural pilots, were more successful at conducting their businesses and at repaying their loans.

Girls need training in financial and business skills to help them become successful. Many have no business experience, and most have no credit experience. Ideally, they need to be taught these skills without the pressure of repaying a loan. Microfinance institutions might consider linking with organizations that are already providing social support networks in health education, vocational training, life-skills training, and other areas.

MFIs need to continue to look for alternatives for collateral. This program went backward in terms of collateral, becoming stricter instead of more flexible. First the savings were withheld, then cosigners were required, then physical assets were required. The net result was an increased dropout rate. MFIs must find other ways to reduce risk.

The interest rate subsidy of 15 percent rather than the 18 percent required of adults appeared to have neither negative nor positive impact. Rather than making generalized assumptions about what rate vulnerable populations can afford, MFIs should use market interest rates unless compelling evidence is found that a benefit accrues from subsidizing them.

Microfinance practitioners who work in post-conflict situations will appreciate the safety issue involved in dealing with groups that handle cash. This issue is particularly important when clients are female, young, and living in a slum. This combination of characteristics and demographics makes them far more vulnerable than adults in other circumstances and greatly increases the responsibility of program designers to take safety into account.

Finally, designers of programs for young people should recognize that girls have transaction costs. They are involved in many livelihood strategies for survival, and new activities to reach them should fit into their existing strategies rather than forcing them to make choices between strategies.

Microfinance practitioners are encouraged to take the lessons learned from this innovative program and to build upon them in order to meet the needs of vulnerable girls and other marginalized, at-risk populations. Market research, client segmentation, and new product development should be part of every institution's mandate. In this way, MFIs can create new markets, build client loyalty, establish market niches, and, most important, meet their social missions.