



**Pact's WORTH Model:
A Savings-led Approach to Economic Security and
Combating HIV/AIDS**

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MICROENTERPRISE SOLUTIONS FOR THE WORLD'S POOREST

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Abstract

Pact's award-winning WORTH initiative is an innovative, rapidly-scalable and low-cost program of women helping women through participant-owned village banking. Literacy and savings underpin the WORTH model, investing groups of rural women with the skills and resources required to establish a self-sustaining, self-managed village bank built on equity rather than debt. This approach has demonstrated impact, most notably in Nepal where 125,000 women formed over 6,000 WORTH groups in less than three years. In the process, participants tripled their literacy, doubled their savings, increased the number of women with micro enterprises four-fold and saw their business incomes rise eight times to more than \$10 million.

But participation in WORTH is not solely a financial proposition. In WORTH, Pact has crafted the village banking process into an explicit platform for women to acquire a medium through which they can take control of the issues facing their families and communities, including the greatest development challenge of our age – HIV/AIDS. The end result is a model which has the capacity to rapidly scale up financial services in areas where most MFIs can not or will not go – particularly rural areas – paired with a dynamic platform for empowering women to generate a dense network of community-based responses to HIV/AIDS and other issues ranging from domestic violence to cross-border girl trafficking, dowry and inheritance law and more.

This paper first relates the genesis of the WORTH model, continues by examining the innovations that underpin how WORTH works, and closes with a discussion of WORTH's evolving deployment against HIV/AIDS in a variety of hard-to-serve locales around the globe.



About the Authors

Dr. Marcia Odell is Director of Pact's Global *WORTH* Initiative for women's empowerment, and was Chief of Party for the 5-time award winning *Women's Empowerment Project (WEP)* in Nepal, and Project Manager for its predecessor, Pact's *Women Reading for Development (WORD)* project. Dr. Odell brings 25 years of experience to the fields of management, administration, and program development, with a special interest in working with women, community groups and organizations. She has developed and implemented both formal and non-formal education and training programs in Nepal, Botswana, Kenya, Jamaica, and Kuwait, working with a broad spectrum of organizations. She has an MBA from the Whittemore School of Business and Economics (UNH), an MS from Wheelock College, and a BA and PhD from Cornell University.

Mark Pickens is a Master's Degree candidate in Microfinance at Columbia University's School of International and Public Affairs (SIPA). He has worked in the microfinance sector since 1997, most recently completing consultancies that include adaptation of the USAID AIMS and MicroSave market research toolkits for Cambodia's second largest MFI and a study of high-performance savings-led microfinance programs for Pact Cambodia. Prior to beginning at Columbia University he coordinated strategic planning for a New York City microlender. He began his career with Development Alternatives, Inc. and also served three years with the U.S. Peace Corps in Madagascar. He is presently working on development of a business plan for a commercial bank entering the microfinance sector in Madagascar.

Erica Tubbs, program officer for the Women's Empowerment Program, has lived and worked in South Korea and Nepal in the areas of nonformal education, literacy and training. While living in Russia she was director of a medium-sized educational establishment and managed all program and business development activities. Through short-term assignments in Tanzania, Armenia, Guinea and Kenya Ms. Tubbs has continued to develop her knowledge of community development, women's empowerment, reproductive health and HIV/AIDS issues. Ms. Tubbs holds an MA in International Development from the Elliott School of International Affairs and an MPH in Global Health from the School of Health and Human Services, both located at George Washington University.

1. Introduction

Pact's WORTH initiative is an innovative, rapidly-scalable and low-cost program of women helping women through community-controlled village banks. The WORTH approach fosters economic security in some of the hardest-to-serve environments by building sustainable savings and credit mechanisms that serve the poor and very poor. This, in itself, is a much-needed innovation. But WORTH departs from where many microfinance and microenterprise initiatives leave off. It shapes the village banking process into an explicit platform for women to acquire resources and a medium through which they can take control of the issues facing their families and communities, including the greatest development challenge of our age – HIV/AIDS.

No region has suffered more greatly from HIV/AIDS than Sub-Saharan Africa, where the cumulative impact of infection and affectation has already erased much of the development gains of the past 30 years. Even worse, as we look into the future, the largely unexamined explosion of orphaned and vulnerable children (OVCs) left by HIV/AIDS threatens to bequeath Africa entire generations unprepared to establish economic security or make a contribution to community and national development. By some estimates, up to 30 percent of African children could be orphaned by 2010.

WORTH is an innovative response from the microfinance/microenterprise sector to this crisis. WORTH is a strikingly simple concept that:

- Fosters action-oriented literacy and numeracy learning, while women save together in groups of 15-20
- Enables women to build transparent savings and credit groups through simple, practical village banking, using their literacy skills
- Enables women to borrow from their savings to develop micro-enterprises
- Enables women to also generate income from group lending, with interest on loans remaining within the group to grow the loan fund and be distributed as dividends.
- Supports women to take charge of improving their lives, families and communities through group-oriented learning and community-based action on such issues as support for OVCs and their caregivers, HIV/AIDS stigma, as well as domestic violence, trafficking and girls education.

Literacy and savings underpin the WORTH model, investing groups with the skills and resources required to establish a self-sustaining, self-managed village bank built on equity rather than debt. The needs of the needs of children orphaned by HIV/AIDS, their caregivers and rural women in general are met through rising incomes and enhanced economic security. Community-based responses to illness and social disruption are crafted through the empowerment of women generated by WORTH. Overall, Pact is on target to have delivered WORTH to 195,000 households in nine countries in Africa and Asia by 2009. This paper first relates the genesis of the WORTH model, continues by examining the innovations that underpin how WORTH works, and closes with a



discussion of WORTH's evolving deployment against HIV/AIDS in a variety of hard-to-serve locales around the globe.

2. WORTH is High Impact, Easily Scalable and Low Cost

WORTH builds on Pact's Women's Empowerment Program in Nepal, initially funded by USAID from 1999 to 2001. In less than three years, Pact helped 125,000 women launch more than 6,000 WORTH groups, with some significant impact. As detailed in a program evaluation supported by the USAID AIMS project,¹ the 125,000 participants in Nepal tripled their literacy, doubled their savings, increased the number of women with micro enterprises four-fold and saw their business incomes rise eight times above former levels. Overall, participants:

- Increased their literacy from 36% of participants prior to the program to 85%
- Increased their savings by over \$1 million, from \$720,000 to \$1,800,000
- Increased the number of women in business from 19,000 to 86,000
- Increased the annual income from their businesses nearly eight-fold, from \$1.2 million to over \$10 million
- Created substantial access to capital for rural women, with virtually all group funds lent out to an average of 45,000 members at any one point in time
- Participated in over 40,000 grassroots campaigns on issues such as cross-border girl trafficking, domestic violence, and the dowry system.
- Increased their decision-making role concerning family planning, marriage of their children, the buying and selling of property, and sending their daughters to school.

At the end of the USAID-funded program in 2001, the Pact office transitioned to a locally managed and governed NGO, Samjhauta Nepal, which continued a scaled-back operation of the project for one year in selected districts. Since then, according to an independent external evaluation, village banks that no longer receive direct support continue to operate successfully.² Women's collective savings and earnings have doubled, now estimated at approximately \$4 million and \$20 million respectively for all 6,000 groups. Women are also forming new groups at a significantly faster rate than normal and expected post-project attrition is minimal. This lasting impact, after Pact scaled-back support for groups, highlights the robust nature of the WORTH model and underscores its innovative approach to building sustainable financial services for poor rural households.

At the same time these achievements were secured in Nepal, program costs fell towards \$1 per month per participant. This figure includes not only direct program costs but ancillary expenses, including overhead, curriculum and materials development, all external technical assistance, publishing and distribution. Overall, when implemented at

¹ A summary of the report, *Pact's Women's Empowerment Program in Nepal: A Savings and Literacy Led Alternative to Financial Institution Building*, can be obtained at http://www.pactworld.org/initiatives/worth/impact_evaluation.pdf. The complete text is available on the USAID AIMS website at <http://www.usaidmicro.org/pubs/aims/>.

² Bahns, Robert. *Women's Empowerment Program: Group Evaluation Study*. Kathmandu & London, forthcoming.

scale as in Nepal, WORTH has one of the lowest ratios of administrative costs to program impact of any in the world. This feature makes it particularly suited for application in many operating environments where traditional microfinance models can not or will not go because they are stymied by high transaction costs.

As Figure One shows, the Nepal program compares very favorably with the outreach performance of some of the world’s leading microfinance programs, as reported in the MicroBanking Bulletin.³ Though quite young by MFI standards, WORTH in Nepal outperforms the industry averages in scale, with 45,336 borrowers and over 120,000 total clients. A cohort of comparably aged MFIs averaged approximately 1/15th the number of borrowers. In fact, WORTH’s outreach performance in three years is only exceeded by the MBB field of mature programs which averaged 14 years in operation. WORTH also achieved an impressive measure of depth, with the average loan just 15.5 percent of per capita GNP. Finally, WORTH is in a different order altogether on the question of delivering savings services, with more than 120,000 participants. Despite taking an innovative and completely different approach, the WORTH program in Nepal compared very well with the field of “traditional MFIs” and, in multiple cases, outperformed the industry mean.

Figure 1. WORTH vs. MFIs in the MicroBanking Bulletin⁴		Age	Borrowers	Gross Loan Portfolio	Avg. Loan Balance	Avg. Loan as % GNP per capita	Savers	Total Savings
		(years)	(number)	(US \$)	(US \$)	(%)	(number)	(US \$)
WORTH Nepal		3	45,336	1,480,409	33	15.5	122,406	1,880,000
MBB by AGE (n=143)	New (n=33)	2	3,730	1,381,244	447	43.0	881	166,606
	Young (n=40)	5	10,276	4,326,009	654	57.2	1,025	203,391
	Mature (n=73)	14	78,761	14,575,926	632	67.8	6,691	3,321,915

Since Nepal, WORTH has been deployed in a wide array of the most challenging environments. This includes post-conflict countries such as the Democratic Republic of Congo, camps for Liberian refugees in Guinea, Cambodian families affected by cross-border girl trafficking, and large swathes of rural East Africa where banks and MFIs have not extended services. Pact is now turning WORTH to address the impact of HIV/AIDS, having been recently awarded a five year grant from USAID to launch new initiatives that will serve 48,000 households in Zambia and Ethiopia. Additional programs are in development or start-up phases for Mozambique, Sri Lanka, Tanzania and Uganda.

For its innovative approach, WORTH has twice received awards from the World Bank's Development Marketplace Innovation Competition, once in 2000 for “Building Sustainable Village Banking” and again in 2002 for “Combating HIV/AIDS”. WORTH

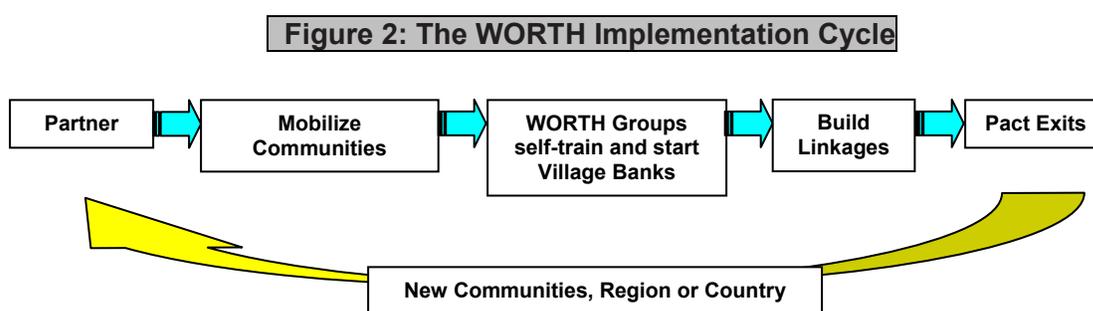
³ The MicroBanking Bulletin bills itself as “the premier benchmarking source for the microfinance industry.” It aggregates data from microfinance programs around the world and makes it publicly available in order to establish industry performance standards. Some of the best known programs in the world participate, including ASA, BancoSol, BASIX, BRI, CARD, Compartimos and K-REP, among others.

⁴ Comparables based on January 2001 WORTH figures. MFI age, borrower, portfolio and loan data from November 2002 MicroBanking Bulletin field composed of information gathered between Dec. 2000 and Dec. 2001. The MBB did not track savings services until the following year. Therefore, MFI savings data is drawn from the 2003 MBB, which itself is based on MFI information gathered between Dec. 2001 and Dec. 2002. All data available online at <http://www.mixmbb.org>.

has received the 2000 UN/Habitat/Dubai Best Practice Award and also been cited as one of the “ten most innovative development projects in the world” by the World Bank and Government of Japan via the Global Development Network. Most recently Pact received the prestigious Club of Budapest Change the World award.

3. How WORTH Works

WORTH relies on a series of innovations to achieve its results. The process is graphically presented in Figure Two, “The WORTH Implementation Cycle”. The five sections below provide a detailed description of each step in the diagram.



3.1 Step One – Pact Partners with Local NGOs

Leveraging partnerships with local NGOs and civil society institutions gives WORTH its rapidly scalable nature and low cost. While other microfinance/microenterprise development models require NGOs to learn how to operate as a bank or otherwise act as a financial intermediary, WORTH asks local partners to do what they know best: mobilize communities. Pact is partnering with a wide range of local institutions to fill this role. These include host country NGOs operating at the grassroots level in HIV/AIDS, gender and community development, federations of farmers associations, literacy programs, and even faith-based organizations such as churches and local affiliates of the Salvation Army.

WORTH turns these organizations’ knowledge of local communities into an asset that fuels rapid start-up and high-tempo scaling up. In Kenya, the Salvation Army launched an informal WORTH pilot project in 2001 with 64 groups involving women keen to increase their incomes to fight HIV/AIDS. The initiative spontaneously grew by the efforts of the original participants and now includes almost 200 groups and 5,000 women. The interesting footnote to this experiment lies in the fact that groups were trained in a three day informal session and received zero follow-up, curriculum input or advanced financial training. New funding will allow Pact to expand the program to reach 21,000 households. In Nepal the pace of scaling-up was even greater: working with 240 NGOs, Pact reached more than 125,000 women in less than three years. Compare this to the standard performance of most MFIs that take years to reach what’s generally considered a break-even point of just 10,000 clients.

Once identified, Pact enters into agreements with each local partner to codify their responsibilities. Partners receive a sub-grant, usually on a performance-based system. In Nepal, partners received a \$39 monthly fee for each 10 groups recruited, trained and supported. While not a NGO capacity-building program *per se*, WORTH does help local partners achieve greater organizational strength by facilitating the development of appropriate administrative and financial systems (using simplified systems specific to WORTH), as well as planning and implementing needs-based training, technical assistance and mentoring activities. In many of the hard-to-serve areas in which Pact operates, NGO partners benefit greatly from this assistance.

3.2 Step Two – WORTH Groups are Mobilized at the Community Level

In the second step of the WORTH cycle, women in local communities are encouraged to form into small groups of 15-25 members. An individual community may have one or many WORTH groups. Groups are responsible for setting their own meeting rules and electing their own officers. In addition, WORTH recommends that each woman pay a nominal program entrance fee and periodic book fees that can be used to increase the group's savings fund. Each group elects a management committee to receive additional training in bookkeeping and financial management procedures and coordinate group activities. Once mobilized, WORTH groups are ready to begin learning and saving together.

3.3 Step Three – Participants Self-train and Start Savings-led Village Banks

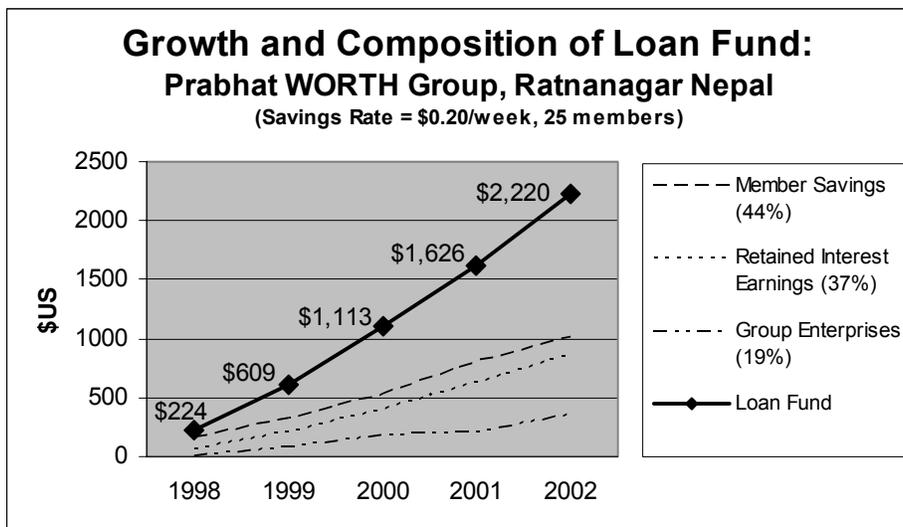
Literacy and savings underpin the WORTH model. At the core of the WORTH model is a two-part book series, *Women in Business*. The first book in the series, *Our Group* utilizes the key word method and teaches women basic sounds, letters and numbers, and principles for developing strong groups. Women work through this first book together with the help of local literacy volunteers, often already-literate group members. Through this process women develop the strong reading and technical skills needed to create savings-led village banks and micro-enterprises.

The second book, *Road to Wealth*, instructs women on how to set aside mandatory and voluntary savings and use simple math to track the growth of savings; learn responsible lending and borrowing; and study basic bookkeeping principles that enable the group to function as a self-sufficient village bank. Another key message in the second book is the idea of networking and linking with other groups in their area to share success stories, engage in community-oriented actions and encourage new groups. In supplementary materials entitled *Selling Made Simple*, women learn about good management of microenterprises.

When a group begins to save, the amount set by the group may be as small as three cents per woman per week. Most groups make their first loans within several months of formation. While small on an individual scale, the collected savings of group members quickly accumulate into a sizeable loan fund. Figure Three “Growth and Composition of Sample Loan Fund”, illustrates how twenty cents per week saved by the members of one

WORTH group in Nepal grew to become over \$2,200. This amounts to \$88 per woman in a rural area where the per capita income is approximately half the national per capital income of \$210. Overall in Nepal, 125,000 program participants in 6,200 WORTH groups mobilized a total of \$3.08 million in savings between June 1999 and June 2001.

Figure 3: Growth & Composition of Sample Loan Fund



Building small businesses is a key component of WORTH, and women are encouraged to build businesses on what they already know how to do, gearing their businesses to the local markets. Many women familiar with subsistence farming choose to grow market gardens, raise goats or keep chickens, while others near towns engage in petty trade. *WORTH* recommends multiple enterprises to spread risk and provide regular income that will enable loan repayment. While it takes time for women to develop this diversity, it increases the sustainability of income generation.

3.4 Step Four – WORTH Groups Build Linkages and Share Success

In the fourth step of the WORTH cycle, Pact works to build linkages and knowledge sharing between groups. This component begins almost immediately after groups begin to save. In order to provide extra technical support to each village bank, groups are organized into Empowerment Clusters of approximately ten groups based on geographic proximity. Each cluster is linked with one to two Empowerment Workers, employees of partner NGOs, who visit each group approximately twice a month to backstop the group’s efforts, troubleshoot issues as they arise, and mentor group members. In Kenya with the Salvation Army, Pact is currently experimenting with selecting Empowerment Workers from among the WORTH groups themselves as a way to encourage greater accountability to the groups. The salaries of the Empowerment Workers will then be paid by the groups that have “hired” them. In addition to regular bi-weekly visits to each group, Empowerment Workers hold monthly workshops where two representatives of



each group in the cluster receive extra training in village banking methodology and financial monitoring and evaluation. These workshops are called “mobile” because each group in a cluster takes a turn hosting the meeting. WORTH Coordinators on the Pact staff oversee the work of Empowerment Workers and help plan trainings and facilitate knowledge sharing among groups. Due to the involvement of local NGOs in the WORTH implementation process, when the project is over many NGOs continue to be involved with their groups and assist in organizing networking and training opportunities.

Workshops bring the Empowerment Workers and group leaders together, providing an important forum for problem solving, sharing, and interaction. The ties formed sustain the individual groups and create dynamic networks for social action. This is an explicit component of WORTH which is not always found in many microfinance programs, particularly those operated using financial sustainability as the sole or main signifier of success. In addition to the workshops, success stories about women’s businesses and social actions are also included in newsletters and disseminated through the WORTH networks.

These stories provide an ongoing source of energy that helps groups, NGOs, and WORTH staff overcome obstacles and turn problems into learning opportunities. Looking for success finds and creates more success. This process will be examined more closely through the lens of WORTH participants’ responses to HIV/AIDS, which is discussed in depth in Section Four.

3.5 Step Five – Pact Solidifies Linkages and Exits to a New Area

In the final element of the WORTH Cycle, WORTH groups graduate to full independence and Pact exits to launch the program anew in another locale. One of the strongest elements of the WORTH model is the rapid fashion by which it invests women with the capacity to start, manage and grow self-sustaining village banks. Using a savings-led approach taps into local sources to fuel the growth of each group’s loan fund, rather than depending on constant infusions of external capital. Literacy and training in bank management enables members to operate their village bank, rather than relying upon a cadre of outsiders to make decisions. Knowledge sharing between WORTH groups and the presence of Empowerment Workers provides a constant source of technical assistance, support and dissemination of best practices.

WORTH groups are able to begin saving almost immediately and operate independently within a 12 to 24 month timeframe. This rapid rise to maturity permits Pact to devote its resources to an intensive level of support over a limited time, establish a network of self-managed WORTH groups, and then move on to new communities or regions to start the WORTH cycle again.

4. Deploying WORTH in the Fight Against HIV/AIDS

Pact is undertaking a series of major initiatives to reach 69,000 new households in the next five years in order to mitigate the impact of HIV/AIDS in Africa. By virtue of its

low-cost structure, WORTH is well-suited to deployment in rural areas where the majority of HIV/AIDS infected and affected Africans live. By contrast, MFIs practicing traditional models with centralized operations, a capital intensive approach and expenses for external capital often struggle to lower their transaction costs to a sufficient degree where they can sustainably operate in most rural contexts.⁵

This section begins by placing the focus on one of the most under-examined but most damaging and long-lasting impacts of HIV/AIDS – the crisis of Orphaned and Vulnerable Children (OVCs). We then turn to describing how WORTH delivers a much-needed response, shoring up the economic security of OVCs and their caregivers while simultaneously generating a dense network of community-based actions ameliorating the impact of HIV/AIDS.

4.1 Orphaned and Vulnerable Children (OVCs) – Looking into Africa’s Future

Sub-Saharan Africa is the epicenter of the global HIV/AIDS pandemic. Approximately 60-70% of new HIV infections worldwide occur in this region, together with 75-80% of all AIDS-related deaths.⁶ Estimates of the economic impacts of HIV/AIDS show that it has reversed many of the development gains created over the last 30 years⁷. Poor families are among the most vulnerable, as they have few strategies to cope with the economic impacts of the disease. Families who climbed out of poverty are pushed backwards by HIV/AIDS as they lose productive adults, face crippling health expenditures, and expand household size to take in children left behind. Over 22 million Africans are now infected with HIV, most of whom fit the microfinance/microenterprise client profile to a frightening degree: individuals of productive age, most of whom are poor, and increasingly, women.⁸ Women and girls now make up nearly 60% of all people infected in sub-Saharan Africa. In fact, women now comprise the fastest growing population of newly infected persons in Africa.⁹

But if one thought the situation could hardly get worse, it does: estimates show that as many as 30% of African children will be orphaned by AIDS by 2010, many of whom are now withdrawing from school for lack of funds for school fees, to care for sick family members, or to become primary income-earners.¹⁰ Of the estimated 13 million orphans worldwide today who have lost one or both parents to AIDS, 11 million are in Sub-Saharan Africa, particularly in eastern and southern Africa.¹¹ Orphaned and vulnerable children (OVCs) struggle to access essential care and support, including food, clothing, shelter, medical care and education. They grow up into especially disadvantaged conditions and are often poorly positioned to establish economic security as adults or forge productive contributions to community and national development.

⁵ Parker, Joan, Ira Singh and Kelly Hattel. *The Role of Microfinance in the Fight Against HIV/AIDS: UNAIDS Background Paper*. Washington, DC: Development Alternatives, Inc., 2000.

⁶ UNAIDS. *Report on the Global HIV/AIDS Epidemic*. Geneva, 2002.

⁷ World Bank. *Strategic Plan to Confront HIV/AIDS*. Washington, DC, 2000.

⁸ Parker, Joan. “What will HIV/AIDS do to microfinance in Africa? It will demand our best.” Washington, DC: Development Alternatives, Inc., 2003.

⁹ UNAIDS website, 2004: <http://www.unaids.org>

¹⁰ Parker, Joan. 2003.

¹¹ USAID/UNAIDS/UNICEF. *Children on the Brink 2002*. July 2002.

The extended family members that take in OVCs also bear a heavy cost. UNAIDS data indicates that household incomes drop 30-60% in families affected by HIV/AIDS. On average, household expenditures on health quadruple, while school fees paid falls by half, and amount spent on food consumption drops by 41%.

The burden of caring for male family members and children infected with HIV/AIDS most often falls on women. In both Kenya and Tanzania, for example, the number of children living in female-headed households over the past decade has dramatically increased,¹² with over two thirds of such households in some districts of Tanzania living on less than \$1 a day.¹³ In rural Uganda, 26% of households are headed by women who have less land and fewer assets, resources, and productive members than households headed by men.¹⁴ In Zambia, which has the highest percentage of orphaned children in the world, along with Zimbabwe¹⁵, studies have shown that up to 75% of households in some areas are caring for children other than their own.¹⁶

With its impact upon the productivity of tomorrow's adults and today's burden lain upon family networks, the crisis of OVCs threatens to ensure that the disastrous impact of HIV/AIDS could continue for decades to come, if a response is not developed. Households caring for orphans and vulnerable children need increased access to resources, income, and marketable skills in addition to health care services, medical care, proper nutrition, and in some cases housing. Effective responses to the problems of HIV-affected communities must include programs to produce economic resilience among poor households.

Given the crippling effect of HIV/AIDS upon OVCs and African households, microfinance and microenterprise development programs should focus substantial attention on crafting new delivery models that are responsive. For many microfinance programs and their donors, innovation often implies added risk and cost. But in a situation where HIV/AIDS is fundamentally changing the economic fabric of communities, doing nothing also implies risk – in the near term through the potential for exponential growth of borrower default and client exit; over the long term by failing to respond to the needs of their clients and the population at large. The risks and costs of inaction on HIV/AIDS are outweighed by the benefits, both financial and philosophical, of innovating a response.

4.2 Putting WORTH to Work: Innovations Beyond the Traditional MFI Model

Pact is developing operations in five African countries to deliver a much-needed response to these impacts of HIV/AIDS. WORTH will reach an estimated 69,000 new women by 2009 in Ethiopia, Kenya, Tanzania, Uganda and Zambia. WORTH is designed to work

¹² UNICEF-MICS, Measure DHS, 1992-2000

¹³ Whitehouse, A. April 2002

¹⁴ Integrated Strategic Plan for USAID's Program in Uganda (2002-2007), vol. 1, June 2001, p.8.

¹⁵ Children on the Brink 2002. Total orphans as a percent of all children 0-14 years of age.

¹⁶ "Findings of the Orphans and Vulnerable Children Psychosocial Survey," USAID/Zambia, DCOF, SCOPE-OVC, Family Health International, January 2003.

on two simultaneous axes: (1) economic security for OVCs and their caregivers, and (2) fostering collective action to raise awareness about HIV/AIDS and forge community-based responses to its effects. Women are located at the center of both.

Women who are economically self-sufficient and secure are better able to manage the impact of HIV/AIDS, including the responsibility for OVCs taken into the household. A growing body of thought indicates that microfinance and microenterprise initiatives have a role to play in boosting the economic security of families affected by HIV/AIDS. However, many commentators remark upon the risk involved in doing so for MFIs, particularly in the area of high costs perceived to be associated with integrating financial services with other services (e.g. health education) for communities affected by HIV/AIDS. In addition to the added costs, some also warn about the “distraction” represented by drawing the attention of key MFI staff and managers from the “core” business of financial services.¹⁷

MFIs are counseled instead to prepare mitigation strategies for managing the risk associated with clients succumbing to HIV/AIDS, including loan insurance, portfolio diversification, planning for reduced savings rates and monitoring client dropout more closely. They can also forge linkages with other organizations with an explicit focus on health, in order to avoid “diluting” management focus on the MFI’s lending programs. These cautions, for traditionally-structured MFIs, are absolutely correct: the emphasis placed on financial sustainability for such MFIs demands it. Microfinance, as commonly practiced, relies on a relatively costly foundation of external capital, well-educated managers and closely-managed, bank-like structures. But make no mistake about it, this approach forces MFIs to balance the institution’s financial health against the costs of forging an effective response to the needs of their clients. Ultimately, this calculus limits the ability of many MFIs to serve hard-to-reach, “costly” communities and households, particularly those affected by HIV/AIDS.

WORTH’s savings-led, participant-owned model makes an important departure from the common approach to microfinance. In doing so it opens up a new realm of possibilities for supporting and improving the economic security of OVCs, their caregivers and families impacted by HIV/AIDS. In WORTH there is no external loan fund managed by a cadre of highly trained program managers; instead, WORTH participants pool individual savings into a fund that they manage. As described in this paper, this dramatically reduces costs and permits WORTH to operate in areas that MFIs view as too costly to serve.

Furthermore, whereas interest accrues to an outsider in the traditional microfinance model and borrowers accumulate debt to the institution, in WORTH participants retain

¹⁷ Consultative Group to Assist the Poor (CGAP). *Microfinance and HIV/AIDS*. CGAP Donor Brief No. 14. Washington, DC: World Bank, 2003. Barnes, Carolyn. *Microfinance and the Mitigation of the Impacts of HIV/AIDS*. Washington, DC: USAID Assessing the Impact of Microfinance Services (AIMS) Project, 2002. Joan Parker, *The MBP Reader on Microfinance and HIV/AIDS: First Steps in Speaking Out*. Washington, DC: USAID/MBP, 2000. Parker, Joan, Ira Singh and Kelly Hattel. *The Role of Microfinance in the Fight Against HIV/AIDS: UNAIDS Background Paper*. Washington, DC: Development Alternatives, Inc., 2000.

their interest and have an equity stake instead of debt. For the most vulnerable households, equity is eminently preferable to high levels of debt, which may exacerbate economic insecurity – this is particularly true for households carrying the extra burden of OVCs and/or the loss of one or more adult breadwinners. Rather than being transferred to an outside entity, in WORTH groups retain their paid interest which fuels continuous growth in the village bank loan fund.

Much ink has been spilled in recent years over the importance of making microfinance and microenterprise services responsive to client demand, and rightly so.¹⁸ WORTH's participant-owned approach opens the playing field to making financial services flexible and responsive to client needs. WORTH groups choose their own savings and interest rates based on a balance of the economic conditions of members and their financial goals to membership (e.g. how much people can feasibly save vs. how fast they want to grow the loan fund). Similarly, groups have flexibility to decide upon adjustable loan amounts.

One particular innovation in WORTH is the introduction of dual income streams from membership. Retained interest goes to increase the loan fund, permitting larger loans to more members which, in turn, helps them generate income from microenterprises. This is one income stream. WORTH groups also periodically distribute dividends from the group fund. Pact has learned from many participants how welcome this alternate source of income is. These dividends constitute a significant income stream themselves and serve as another way to diversify the economic portfolio of poor households, helping shield them from shocks in other economic activities. The economic security effect from dividends is greater the poorer the member is. This has obvious benefits for families on the lower end of the income scale, which characterizes the many African households caring for OVCs.

4.3 Added Value: Empowerment and Community Action Against HIV/AIDS

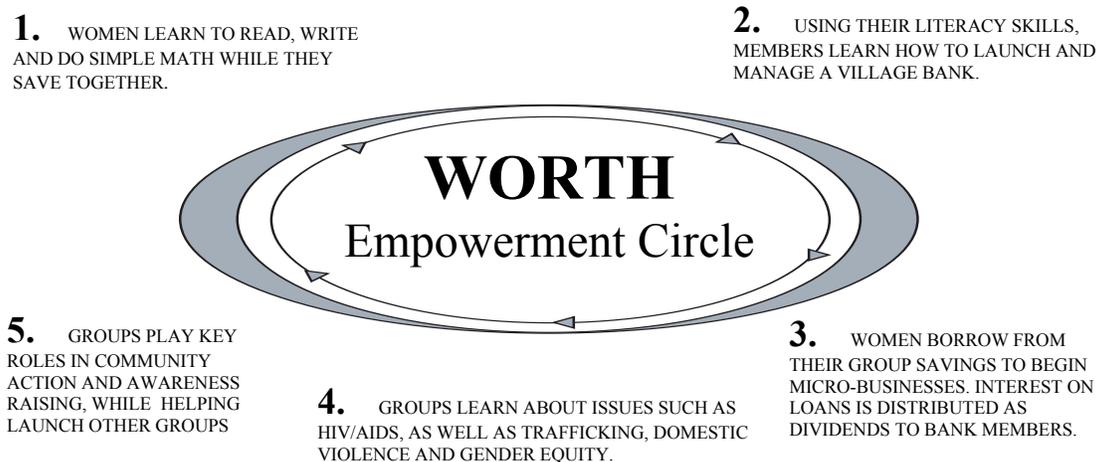
Participation in WORTH is not solely a financial proposition. WORTH has demonstrated impact upon women's empowerment and fostering community-based action against the complex challenges facing women, their families and their communities. Figure Four below illustrates the WORTH "Empowerment Circle".

Through WORTH, women learn about HIV/AIDS in the initial stages of the program. But the project goes far beyond mere information dissemination. Using an appreciative, rather than a problem-oriented approach to the HIV/AIDS challenge, women, working within the safety of their groups, will discover their own strengths, resources, and those of their communities to cope with the pandemic. Pact uses an Appreciative Planning and Action (APA) approach that challenges the traditional problem-led development paradigm, encouraging participants to focus on the resources they have, to take pride in who they are, and to work together to achieve their dreams. It facilitates cooperation and learning, while capitalizing upon the energy that comes when women realize and appreciate their own power and energy to change their world. Through APA WORTH

¹⁸ See for example: CGAP. *Those Who Leave and Those Who Don't Join: Insights from East African Microfinance Institutions*. CGAP Focus Note No. 16.

promotes women’s ownership and control of the AIDS challenge, developing and carrying out strategies to meet the HIV/AIDS challenge in their localities, including developing community-based support structures.

Figure 4: WORTH Empowerment Circle



As women read together and practice their literacy in WORTH, they learn about different development issues. The materials not only teach women about the issue but also encourage them to be proactive in their communities, engaged in educating others and organizing programs to mobilize women to take constructive actions. WORTH fosters networking among women and local groups that empowers and ignites communities to take control of HIV/AIDS-related challenges and find solutions. Monthly training workshops provide an important forum for problem-solving, sharing, and interaction. These ties sustain the individual groups and create dynamic networks for social action, including caring for OVCs, learning about available HIV/AIDS resources, identifying methods and resources to care for the most vulnerable in their communities, and acting to reduce stigma attached to HIV/AIDS.

WORTH groups in Kenya have turned individual and bank revenues to launching group income generating projects that provide economic support to families caring for OVCs, including group funds to help pay the school fees of OVCs. Other groups have launched community awareness campaigns against the stigma attached to HIV/AIDS. Still more groups have taken the simple but crucial step to educate their communities about the basic facts of HIV/AIDS: that it is real, how it is acquired, the health effects of being infected, and how people can change their behavior to protect themselves from becoming infected. WORTH members in various countries have also taken action on a number of other issues, including domestic violence, cross-border girl trafficking, the dowry system (in Nepal), and prejudicial inheritance laws and customs that leave women and children orphaned after the death of male members. WORTH participants also focus on increasing

their decision-making role concerning family planning and sending their daughters to school.

Section 5. Conclusion

At a time when governments are scaling back social spending around the world, WORTH offers a system of empowerment for rural women to take the initiative and craft their own responses to the development challenges they face. Microfinance and microenterprise development sectors have both evolved considerably over the past three decades, adding new dimensions and extending their promise year-by-year. However, few would argue that substantial innovations aren't still necessary. Approximately one billion people live on less than \$1 per day; many if not most of them could benefit greatly from access to financial services. But only a small fraction has been reached, and the most rural and impoverished are particularly poorly served. Meanwhile, HIV/AIDS threatens to undo most of the modest development gains made in the past 30 years by many countries in the developing world. Many of the hardest hit households are also those which microfinance has struggled to reach. We need to examine new means of rapidly scaling up services to reach those who have thus far been left out. We can start by examining the possibilities at hand for innovation.

Over the past decade, microfinance has evolved rapidly in the direction of ever larger and better managed institutions with an eye on the prize of reaching scale, covering costs and becoming commercial financial institutions. WORTH has also achieved substantial scale and delivered proven impact, but by taking precisely the opposite approach: complete local control. WORTH, and a few sister programs like it, are breaking the mold. Where other models see rural areas as too costly to serve, WORTH has handed over management to women themselves and partnered with local institutions, gaining considerable cost efficiencies. Where other institutions keep a narrow focus on their "core business" of making loans, WORTH is adding an explicit focus on women's empowerment and targeting HIV/AIDS.

In many ways, WORTH's achievements go against the grain of prevailing thought in the sector. WORTH's success should prod practitioners and donors to expand their thinking on how we can best serve the poor. In the end, the poor may best be served not by a single paradigm of microfinance or microenterprise "best practice", but by the flowering of many approaches which continually generate new innovations that drive the sector closer to its goal of alleviating poverty.

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