



Institute of  
Development Studies

# Combining microfinance and training on gender and HIV – a proven approach to reduce poverty and halve violence against women

Findings from the IMAGE programme (Intervention with  
Microfinance for AIDS and Gender Equity)

Anton Simanowitz, April 2008

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## **List of acronyms**

IMAGE	Intervention with Microfinance for AIDS and Gender Equity
IPV	Intimate partner violence
MFI	Microfinance institution
RADAR	Rural AIDS and Development Action Research Programme
SEF	Small Enterprise Foundation
SfL	Sisters for Life

# 1. Introduction

Microfinance is coming of age. The award of the 2006 Nobel Peace Prize to one of its pioneers, Muhammad Yunus, highlights the wide-ranging economic and social benefits that microfinance can bring. At the same time, private and commercial money is increasingly being attracted to microfinance, with the successful (in financial terms) share flotation of Compartamos in Mexico, the leveraging of multi-million dollar deals in India and other countries linking commercial banks to microfinance organisations, and a booming public interest reflected by the success of online lender Kiva ([www.kiva.org](http://www.kiva.org)), as well as a new microfinance funding company set up by eBay. The dream of a financially self-sustaining (or even profitable) mechanism to bring financial services to billions of poor people around the world is finally becoming a reality.

We're also gaining more knowledge about the benefits microfinance can bring to poor and excluded people, and the most effective mechanisms to achieve these benefits. Robust scientific data (such as that presented in this paper) demonstrate positive economic impacts. But microfinance has so much more potential to change the structural dimensions of poor people's lives. Experience shows that the way in which microfinance is delivered matters as much as whether people have access to financial services or not.

This paper is a tale of two parts. The first part of the story tells the experience of the Small Enterprise Foundation (SEF) in South Africa. SEF is a solidarity group microfinance institution (MFI) that successfully reaches some of the poorest and most vulnerable women – a target clientele that most MFIs consistently fail to reach. SEF has tailored its methodology to meet the needs of this target group, and has made an impressive impact on poverty and economic well-being after only two years. Evidence of this impact is not just anecdotal, but is provided in one of the most rigorous experimental assessments ever conducted in microfinance and published in *The Lancet* in 2006. By challenging conventional orthodoxy, SEF has combined strong poverty outreach and impact with excellent financial performance and scale.

The second part of the story tells how a well-run microfinance programme can provide a platform for addressing a range of broader developmental issues – in this case, gender-based violence and HIV and AIDS. The Intervention with Microfinance for AIDS and Gender Equity (IMAGE), combines participatory training and community mobilisation with microfinance. IMAGE is a carefully planned alliance between SEF and the Rural AIDS and Development Action Research (RADAR) Programme, based at the School of Public Health at the University of the Witwatersrand. IMAGE has achieved far more than either organisation could have achieved alone. Since 2001 SEF and RADAR, in partnership with the London School of Hygiene and Tropical Medicine, have been implementing the IMAGE project in South Africa's Limpopo province. Benefits include significant impact on the livelihoods of clients and their families, as well as impressive changes in terms of women's self-confidence and engagement in their communities (empowerment and social capital). Most remarkable though is a 50 per cent decrease in violence experienced by women within the family (referred to as intimate partner violence or IPV), and a significant decrease in risky sexual behaviour that might lead to HIV infection.

This paper presents findings and lessons learned from the successful IMAGE partnership. It explains how the collaborative effort creates synergies, reducing client vulnerability,

strengthening group solidarity and support, and enabling more effective intervention in tackling the broader, structural causes of poverty. The synergies may also bring benefits to microfinance, by increasing client loyalty, improving problem solving, and generally leading to wider and more effective use of financial services.

## **2. Microfinance: an effective tool for poverty reduction**

SEF is noted for its success in balancing excellent social and financial performance, reaching large numbers of very poor women through a sustainable microfinance operation, and achieving significant impact on their lives. Here are some of its achievements:

- By December 2005, SEF was serving more than 45,000 women, with 250 staff.
- In the IMAGE pilot, penetration rates of around 20 per cent of eligible women were achieved.
- A number of studies have demonstrated that SEF is effective in reaching the poorest women in its operating areas – those living below US\$1 a day or in the bottom 50 per cent of people living below the poverty line. In the IMAGE study, around two-thirds of clients were identified as ‘very poor’.
- SEF achieves significant impact on poverty and multiple dimensions of economic well-being.

### ***2.1 Outreach to very poor women***

The IMAGE project suggests that a microfinance-based intervention targeting the poorest households can be effectively implemented in rural South Africa. The villages where IMAGE operated showed a high degree of poverty; more than 70 per cent of surveyed women reported that they had to beg for food or money during the past year.

SEF achieves good depth of outreach through a managed process. The first step is the use of participatory wealth ranking to identify the poorest women in a community. This is followed by personal contact and active motivation of the poorest women to join the organisation. SEF's rules require that the first two groups in any village are made up of the poorest women as defined by the wealth ranking. SEF also sets operational targets for penetration rates to ensure that a relatively large percentage of very poor women are reached in each community.

### ***2.2 Meeting the needs of its target clients***

SEF's programme is based on the Grameen Bank solidarity group methodology. Credit is provided through solidarity groups of five women for the purpose of developing income-generating projects. Members of a group act as guarantors for each other's loans. Eight groups of five women comprise a centre. SEF also promotes savings (through the post office) and facilitates information exchange and learning between clients. Centres meet fortnightly to repay loans, deposit savings, discuss experience and provide mutual support, and apply for new loans. SEF has also added a number of features to strengthen its ability to reach very poor women:

***Client retention as a key performance area:*** SEF's internal research has shown that clients who leave in early loan cycles receive little benefit from participation, and that most clients who leave do so because of financial problems. Client exit is therefore used as a key performance indicator at all levels of the organisation, and included in performance targets and staff incentives.

**Business focus:** As SEF provides loans to some of the poorest women in South Africa, it cannot be assumed that clients have existing sources of income they can use to repay loans. Therefore SEF emphasises that the loan should be an investment, used to set up a business.

**Client progress:** Field staff monitor and actively facilitate client progress. Particular focus is given to more vulnerable clients, using the monitoring of savings and attendance as warning indicators.

**Client control and responsibility:** Group and centre meetings are run by members, with support from the development facilitator. A great deal of emphasis is placed on the solidarity function of the groups and centres, and the group liability principle is strictly enforced. Attendance at fortnightly meetings is compulsory.

**Emphasis on field staff relations with clients:** SEF balances its social and financial objectives through the key interface of its field staff. They are both banker and development worker, and are encouraged to understand and support their clients: *“These clients can realise that we are the ones who are more interested in them. Like if they have funerals we do attend the funerals, we are there in the time of need, we are not only interested in them coming to us. If they have problems we visit them, we do home visits...”*

### ***2.3 Robust evidence for economic impacts of microfinance***

Findings on economic well-being demonstrate that SEF is achieving significant impact on poverty. A study of the IMAGE project published in *The Lancet* (see Box 1 below) in 2006 presents some of the most rigorously researched findings ever produced on the impact of microfinance. The results provide encouraging evidence that after just two years of clients participating in the programme, it has led to positive effects on numerous dimensions of their economic well-being and livelihood security. Significant improvements for SEF clients compared to the control group in the study include:

- increased assets
- increased income
- greater perceived economic well-being
- increased membership and savings through informal savings groups (*stokvels*) and burial societies – both important forms of social insurance in the area
- access to basic goods such as fuel, clothing and other household items
- improved housing – 1.7 times more likely than control group to have made improvements in the homestead
- increased likelihood of participants having sufficient resources to pay for health services in the event of illness, or for school uniforms and fees.

An important contextual factor to note is the introduction of child support grants and better access to pensions in the area during the study period. This probably explains why the IMAGE project had a lesser impact on food security (there were dramatic improvements in food security in both the intervention and control villages).

### **Box 1. Methodology for IMAGE impact assessment**

The IMAGE study\* used a cluster randomised design to examine the effect of the microfinance intervention on multiple dimensions of economic well-being, livelihood security, women's empowerment and intimate partner violence. In this assessment, villages with similar baseline characteristics and no prior exposure to the intervention are selected at random to participate in the project, with effects monitored among intervention and matched comparison groups over two years of exposure. Such experimental evaluations have a long history in the health sector in providing unbiased evidence to guide policy and practice. However, these approaches are relatively new for assessing the effect of development interventions, and have been virtually absent from the microfinance sector.

Eight villages were paired on the basis of size and accessibility. One village from each pair was randomly allocated to receive the intervention at the outset or at the end of the study period. Using participatory wealth ranking, an intervention group of 430 women and a control group with the same number of age- and poverty-matched women were selected and tracked over two years. They ranged in age from 18–91 (mean age: 42 years).

The IMAGE trial sought to generate unbiased estimates of the strength of the project's impact on health-related and relevant pathway outcomes. Data collection was completed in late 2004 and primary outcome analysis was published in 2006.

\* PM Pronyk, JR Hargreaves, JC Kim, LA Morison, G Phetla, C Watts, J Busza, JDH Porter, 'Effect of a structural intervention for the prevention of intimate-partner violence and HIV in rural South Africa: a cluster randomised trial', *The Lancet*, 368: 1973–1983, 2006

## **3. Microfinance: a platform for social change**

### ***3.1 The HIV epidemic in South Africa***

South Africa has one of the fastest growing HIV infection rates in the world. HIV prevalence among sexually active adults has increased from less than 1 per cent in 1991 to more than 30 per cent in 2005. Today there are more than 5.5 million people living with HIV in South Africa – more than in any other country in the world.

The speed and severity of the epidemic is linked to a number of factors, including poverty, migration and gender-based violence. Land expropriation and the forced introduction of a migrant labour system under apartheid eroded the fabric of rural communities, undermined the stability of household and community life, and exacerbated gender inequalities. Thirty-four per cent of the economically active population were unemployed at the last census (rising to 46 per cent in the Limpopo province, where IMAGE works). Consequently, households in rural South Africa rely on remittances from migrant labour and temporary low-paid jobs such as farm work. Many are also dependent on state benefits such as pensions and child welfare grants. In Limpopo province, 75 per cent of the population live in households with income below the subsistence-level poverty line.

Poverty and migration exacerbate power imbalances in gender relations, leading to high levels of violence against women, and driving many women, either formally or informally, to

exchange sex for resources as a means of survival. This contributes to striking gender disparities: females in younger age groups are four times more likely to be infected with HIV than males. Gender-based violence is increasingly being recognised as a key factor undermining women's capacity to protect themselves from sexually transmitted infections such as HIV. More specifically, physical, sexual and psychological violence are important factors associated with HIV transmission for women of all ages and backgrounds.

**Box 2. HIV and AIDS and intimate partner violence in South Africa**

- South Africa is dealing with the world's worst HIV epidemic – nearly a third of sexually active adults are infected.
- It also has one of the highest rates of physical and sexual abuse in the world. Nearly 25 per cent of women report having been in an abusive relationship, and there were 55,000 reported rapes in 2006 alone (although this is likely to be a significant underestimate due to under-reporting). Even at this level, it equates to one reported rape for every 500 women each year.

### ***3.2 Why combine microfinance with tackling HIV and AIDS?***

There is substantial evidence from diverse settings that microfinance has the potential to play an important role in reducing poverty and vulnerability by enhancing poor people's capacity to meet basic needs such as food and shelter. Microfinance improves people's access to the financial means to manage both anticipated and unplanned expenditures, and allows for investments in economic opportunities such as micro-businesses. Accumulation of assets and savings, smoothing income and consumption, and strengthening social relationships all serve a protective function by reducing vulnerability to risk, and help poor people cope with the inevitable crises, emergencies and lifecycle events they face.

There is also evidence to suggest that the benefits of microfinance go beyond economic returns. In particular, microfinance has the potential to enhance autonomy and resilience among women clients. Experience shows that their newly acquired economic and business skills translate into improved self-esteem, development of larger or stronger social networks, and increased control over household decision-making. Participation in microfinance programmes has been associated with tangible health outcomes, improvements in the nutritional status of children, and improved reproductive health. Importantly, changes in health practices may 'diffuse' into non-participating households, achieving more widespread impact on public health.

Microfinance is more than the provision of financial services. Its strength lies in bundling financial services with social intermediation (targeting women, facilitating group functioning) and delivery mechanisms that promote social interaction, solidarity, development of financial skills and a range of other values and skills. This creates an enabling environment or 'virtuous spiral' of strategic changes in clients' lives. Targeting women, in particular, is both economically and socially empowering. Giving women direct control of resources also has the potential to improve their status within the household. Delivering microfinance through group-based mechanisms has the potential to strengthen social relationships, spread information and be empowering to all group members. Similarly, a focus on reaching very poor people presents an opportunity to target benefits to those most in need.

Microfinance can combine with other developmental services to broaden and deepen its impact. As an intervention that touches on many aspects of individual and family livelihoods,

there is great potential to link to non-financial services such as training, health interventions, etc.

It is this multidimensional nature of microfinance – impacting at an individual, household and community level – plus the potential it creates to link with other services that has led to interest in microfinance as a tool for combating HIV and AIDS. However, microfinance alone is unlikely to maximise these benefits, and the challenge is to recognise where linkages and synergies with interventions such as training on gender and HIV and AIDS can strengthen existing impacts and develop new ones.

### ***3.3 Combating HIV and AIDS and intimate partner violence in South Africa***

The IMAGE project seeks to build on the opportunities created by microfinance by utilising group-based structures, strengthening information exchange, and facilitating increased learning and personal action. Research on HIV prevention suggests that group-based interventions can foster critical analysis, collaborative learning, communication skills, problem solving and peer support. Solidarity groups that form as part of the microfinance programme, through a process of discussion and mutual support, can both encourage and reinforce these processes – in many ways providing both the means (income and empowerment) and the knowledge to improve household well-being and reduce the risk of HIV infection.

IMAGE seeks to create an enabling environment for behaviour change that acknowledges poverty and gender-based inequality as key structural factors driving the HIV epidemic. The conceptual framework highlights how poverty and underdevelopment, gender inequalities and mobility and migration are interlinked, influencing sexual behaviour that can lead to HIV.

The project was conceptualised as an ‘add-on’ to the existing microfinance services provided by SEF. SEF was chosen based on its proven track record as a successful and internationally recognised MFI, operating in the Limpopo province for 14 years, as well as its focus on the poorest women in South Africa.

The IMAGE project was initially developed as a scientific experiment, using a rigorous cluster randomised trial methodology to compare the experiences of 430 women from four villages who enrolled in the intervention with a similar number of women from matched control villages. Following completion of the pilot phase (2001–2004), a scale-up phase (2005–2007) expanded the intervention to 79 more villages in two new sites, reaching more than 4,500 clients by mid-2007. Funding is now being sought to reach a further 15,600 households. The project design has been modified over time, as has the managerial relationship with SEF. This is discussed in Section 5.

The training component, Sisters for Life (SfL), runs over two phases. In phase one, 10 one-hour training sessions are delivered by RADAR staff at the beginning of fortnightly centre meetings. Sessions use an adult learning approach and are structured to give participants an opportunity to strengthen confidence and skills relating to communication, critical thinking and leadership. Moreover, they are designed to complement microfinance values and principles such as mutual respect, personal responsibility and group solidarity.

### **Box 3. Sisters for Life training topics**

- Gender roles, gender inequality and culture
- The body, sexuality and gender-based violence
- Communication and relationships
- HIV transmission and prevention

Because group-based learning can foster solidarity and collective action, phase two encourages wider community mobilisation to engage both youths and men in the intervention communities. Women deemed ‘natural leaders’ by their peers are elected by each centre to undertake a further week of training. They are then supported by SfL trainers to mobilise centres and wider communities to respond to common priority issues – including HIV and gender-based violence – in locally appropriate ways.

### ***3.4 Impact on women’s empowerment and social capital***

The IMAGE project achieved impressive impact on women's empowerment and social capital at a personal, household and community level. There was a consistent pattern of improvement in all nine indicators of empowerment: self-confidence; financial confidence; challenging gender norms; autonomy in decision-making; perceived contribution to the household; communication within the household; relationship with partner; social group membership; and participation in collective action.

### ***3.5 Significant impact on intimate partner violence and risky sexual behaviour***

The IMAGE project also achieved impressive results in two key areas that affect HIV transmission:

**Intimate partner violence (IPV):** The most remarkable result was a 55 per cent reduction in the risk of IPV in the past year (down from 10 per cent to 4.5 per cent). IPV is the most common form of gender-based violence, and in addition to causing direct injury or loss of life it has been shown to increase vulnerability to unsafe sex and HIV infection. Reductions in violence resulted from a range of responses, enabling women to:

- challenge the acceptability of violence
- expect to receive better treatment from partners
- leave abusive relationships
- raise public awareness about intimate partner violence.

**High-risk sexual behaviour:** Analysis shows significant changes in sexual behaviour among a sub-sample of younger clients. These include:

- a 60 per cent increase in the proportion of people accessing voluntary counselling and testing for HIV. This is an important indicator, since knowledge of HIV status is acknowledged as an important first step linked to changes in sexual behaviour
- greater acceptance of intra-household communication about previously sensitive matters relating to HIV and sexuality
- a 24 per cent reduction in levels of unprotected sex among intervention participants, related to increased confidence in negotiating safer sex.

### ***3.6 Household- and community-level impacts***

The IMAGE project was certainly appreciated by its clients. For many women, the impacts went beyond the economic and affected many aspects of their lives. One notable impact was a broadening of horizons and connections with the wider community. Many members commented that through IMAGE, they have gained the opportunity to "*see outside worlds*" and "*meet different people*" and have remarked that this "*makes one wiser*". Many had never left their home village in the rural area, and in the context of buying stock and associated business activities were exposed to a host of new experiences.

*"It is important because we see things we did not know, places we did not know. We learn more in seeing different places, like Durban. We now know what the sea looks like... Places that we never knew we would reach."*

*"Some people did not know what makgoeng [white men's place - urban areas] look like, and seeing things like di roboto [traffic lights]. Mme LL is right because without SEF we would have died without seeing all these beautiful things. We have made a lot of friends in the form of customers."*

Microfinance participants were generally older women, outside the high-risk age group for HIV infection; therefore the trial hypothesised that the project would have an *indirect* impact within the households and communities of microfinance clients. In particular, it was hoped that there would be communication between clients and their children. There was evidence of some modest improvements in household communication:

*"As parents we were not taught to talk about sexual matters with our children. But the scourge of the virus is challenging every parent to open up and talk. It is difficult but it is something we have to face head-on. As women and mothers and grandmothers we have the responsibility to protect our children against the virus."* (IMAGE client)

Intervention participants engaged in a broad range of mobilisation activities, including organising more than 40 village workshops, 16 meetings with local stakeholders (community leaders, representatives from the police, the health sector, and NGOs) and forming two new village committees. Moreover, the focus of such activities often went beyond raising awareness about HIV. While some women focused on HIV education and condom promotion activities, others chose to mobilise around a range of issues they felt were closely related to HIV risk, or were important priorities in their own right. These included collective action to address domestic violence and rape; action to restrict the opening hours of local drinking establishments and the sale of alcohol to youth; and protesting against barriers to accessing health services and nurses' negative attitudes towards patients with HIV and AIDS.

However, despite these positive results the overall awareness of the IMAGE project among community residents was low, and no changes in sexual behaviour or HIV incidence were observed at community level. Only 4.4 per cent of young people identified SEF, RADAR or Sisters for Life as an important source of information about HIV and AIDS. This may be related to the relatively low levels of the project's penetration (about 20 per cent of households), which is probably insufficient to stimulate wider effects. In addition, wider impact at community level may require a longer time period to take effect than the relatively short two- to three-year duration of the study.

## **4. Synergies – what is the value of a combined intervention?**

The key to the IMAGE project is the combination of microfinance with training, so it is important to understand whether these components act independently, or if there are benefits and synergies in combining them in a single project. To aid this analysis, a separate study was conducted to compare the impacts of microfinance alone to the impacts of the combined activities (microfinance and training). The study looked at a further group of villages that received microfinance alone, selected at random and similar to the villages participating in the IMAGE project.

While this second study confirmed the positive impact of microfinance in terms of economic well-being, the extent to which the addition of the Sisters for Life training sessions resulted in improved social and health outcomes was striking.

Three key synergies are discussed below.

### ***4.1 Microfinance as a platform for development interventions***

Microfinance provides an important platform for addressing other interventions that may cover a range of development issues. The IMAGE experience compared to stand-alone health interventions shows that it gained access to a particularly vulnerable target group and maintained a degree of contact for more than a year. Thus microfinance provides an important way of accessing and maintaining close contact with vulnerable people.

### ***4.2 Impact on women's empowerment and household relations***

The focus of microfinance on economic empowerment of poor women addresses a critical barrier, and is a necessary starting point for wider interventions. The relationship between microfinance and women's empowerment is complex, and its benefits are not automatic. The IMAGE project demonstrates the synergies created by combining economic empowerment (through microfinance) with group-based interaction and support processes, as well as external support and training.

The study found that economic empowerment led to greater autonomy and choice for the women involved in the IMAGE project.

*“My experience has taught me that where there is no money, women are likely to throw themselves to all sorts of men for money. Women run after money but we do not realise that it is the very same money that kills us because we have to surrender our bodies to men.”*

Directing resources towards women does have the potential to create conflict within the household, but in this case the project led to a significant reduction in domestic violence. In part, this was because of the newly acquired financial contribution that women were able to make to their household:

*“Because we have money, the stress level has gone down and high blood pressure is gone because we are able to help partners with taking care of the family.”*

Women's economic contribution to the household seems to have created space for negotiation around other issues, and increased their bargaining power. The Sfl training also provided them with the awareness, self-confidence and support necessary to challenge violent behaviour within the household.

*“Now that we have money we are able to say how we feel without fearing that your husband will stop supporting you... We now know how to talk to our husbands about sexual matters, but before they would beat you when talking about those things.”*

### **4.3 Impact on social networks**

Social networks in rural South Africa are an important form of social insurance. The solidarity, trust and in some cases economic benefits of participation in these groups (particularly for *stokvels* and burial societies) provide security for poor households to weather crises such as illness, disability, loss of income or death.

There is strong evidence that the IMAGE project created new social groupings. This sense of identity and common purpose was repeatedly highlighted in the qualitative evaluation, with participants likening SEF to family or other significant sources of support. “*SEF is my husband*”, “*We are children of the same household*”, “*SEF is our protector and teacher*”, “*SEF is our church*” – these comments all highlight the perceived importance of the new social networks and bonds that have formed as part of the IMAGE project.

Furthermore, the study highlights the sharing of resources, information and friendship that took place within groups; the role-modelling and mentorship perceived between members; and the strong sense of identity and common purpose that evolved over time. While there are undoubtedly examples to the contrary, the weight of evidence presented above broadly supports the emergence of new forms of ‘bonding’ social capital during the project.

For many women, increased participation in social networks was felt to be a consequence of the financial benefits of IMAGE, as participation in *stokvels* and burial societies generally requires the payment of monthly fees. For example, an interview with a key informant noted that she had joined at least three new *stokvels* since being part of the IMAGE project. Others formed new burial societies that began as offshoots from loan centre involvement.

In part, these impacts were a consequence of the enhanced economic security created by the microfinance element of the project. But there is also evidence to suggest that the gradual shifts in self-confidence and self-esteem played an equally important role, and resulted from the combination of microfinance with the Sisters for Life training.

*“We do mokgodishwano and stokvels (social groups) more than before. I think it is because I see my life differently. I am now more active than before SEF.”*

### **4.4 Impact on group solidarity and centre cohesion**

Group-based microfinance relies on group and centre solidarity as a key mechanism for its success. In part, this relates to the role of clients in screening out those people more likely to default or be problematic in guaranteeing each other's loans. But perhaps more importantly it relates to the ‘behind-the-scenes’ activity that takes place to provide support, advice and

sanctions. This activity helps the smooth operation of the microfinance programme, ensuring high repayment rates and solving problems without the need for staff intervention.

The smooth functioning of groups was important for both the microfinance and SfL training components of the IMAGE project, and the benefits were reciprocal. Establishing groups of women with similar levels of poverty and vulnerability, and that develop strong trust and good communication is critical to the success of microfinance. Similarly, the SfL training is based on trust and good communication between the women involved. By strengthening solidarity among IMAGE clients, SfL created an opportunity for more effective functioning of the microfinance element of the project.

A common theme throughout the IMAGE study was the fundamental role of solidarity and trust in shaping the project's success. *"I am happy because to work as a group has been a good idea. They say unity is strength and I tend to agree with it. I do not think we would have made it working as individuals."* Nearly all groups cited support in the form of financial and business advice (instrumental and appraisal support) as fundamental to group membership. Many noted that financial help was available, not only for business and loan repayment shortfalls, but also to help with food, school fees or other family events. When asked who they would turn to for financial support, most participants said they would rather go to their loan group than to their immediate family.

Alongside this exchange of resources and advice, emotional support was commonly identified as important in helping to deal with pressing family matters such as illness, problems with children or abusive partners. One participant noted: *"If one member has a problem, the sun will never go down without us knowing it."*

## 5. Lessons learned

IMAGE is a successful combination of microfinance and education about gender and HIV and AIDS. The project has evolved from an experimental pilot to successful scale-up in two areas, with plans for future large-scale implementation. Combining two very different interventions in one project has been challenging. This section examines the lessons of the process for the microfinance community.

### 5.1 Impact on the performance of microfinance

#### Financial performance

A number of key performance indicators were monitored for the microfinance component of the IMAGE project. These include average loan size, repayment rate, portfolio at risk, portfolio growth for individual field staff, client exit rate, and a unique indicator – ‘centre vulnerability’ – that monitors clients' savings and attendance against an organisational benchmark, and provides an early warning of financial problems among clients.

Overall, the microfinance component of IMAGE performed as well as other SEF operations, if not better. During the pilot phase, performance was significantly better:

- exit rates were consistently 50 per cent lower than the average for SEF
- portfolio growth rates were above average
- portfolio at risk was low and meeting attendance high
- SEF development facilitators were highly motivated and performed well.

*“Every year we do award the best DFs [development facilitators]. It is a very competitive award and all the three DFs from Burgersfort came first. I think it was unbelievable and actually remarkable. I think the fact that they came first was related to the fact that they were part of the IMAGE project.”* (SEF manager)

In the scale-up branches performance was more modest, and was not notably better or worse than organisational averages. A significant structural change was made to SEF’s operational methodology, moving from repayments at centre meetings to a pre-payment scheme in which clients deposited money in the bank before the meetings. In addition, management of the new branches was not strong, and problems were experienced with centre attendance (perhaps due to the change in methodology). These operational challenges mean that it is not possible to judge the overall impact of the IMAGE project on microfinance operations, other than to say that it certainly did not have a negative impact.

#### Management time and focus

The key constraint for most MFIs is management capacity. MFIs grow rapidly, which creates enormous strain on management. Any additional task for the organisation is likely to put greater pressure on this extremely stretched resource. Thus it is critical to examine the additional workload that IMAGE involved for senior management of SEF.

Management of the project presented a number of challenges. In the pilot project, interventions were managed separately, and there were regular meetings between SEF and RADAR staff to coordinate their joint activities and address issues as they arose. But parallel management systems can make it difficult to respond to challenges; it is therefore important

to clearly define partnership responsibilities from the outset and to assign senior specialised management to each component. In this context it was really important to have an effective product 'champion' within SEF, someone who was senior and respected in the organisation, and committed to the IMAGE project.

In the scale-up phase there was an attempt to bring the combined activities under SEF's operations manager. This arrangement proved to be very challenging, and eventually it was decided to revert to separate management of the two components (see discussion of integration models in Section 5.4

Many of the management issues faced were contextual, such as staff illness. But any project of this nature undoubtedly is going to create operational challenges that will demand active and responsive management. This is likely to be a challenge for any such partnership.

## ***5.2 Combining two specialised interventions***

The IMAGE project brought together two specialist organisations with very different skills and ways of working, but each with their own strengths and expertise. A number of elements were identified as contributing to the success of the intervention, detailed below.

### **Respect and good relations**

Staff at all levels of both organisations respect and value the core strengths of the other, and recognise the appropriateness of different ways of working.

*"There was openness and respect for each other. We knew that [RADAR] were coming up with the experts in research and HIV and AIDS. They were sensitive to not bring changes into SEF that will eventually tamper with SEF operations. We treated each other with respect, which was the important thing."* (SEF manager)

### **Champions within SEF**

SEF senior managers were highly supportive of the intervention and were crucial in building wider ownership of the IMAGE project within SEF.

### **Separate SEF and Sisters for Life (SfL) staff but integrated at field level**

Although the SfL trainers are technically employees of RADAR, in order to promote the concept of a unified package they are presented to clients as SEF staff (albeit with different roles). This is reinforced by practical actions such as wearing microfinance staff T-shirts and reciting the staff pledge. The SfL structure mirrors that of SEF, with each SfL facilitator attending the same meetings as one of the SEF development facilitators.

*"It was very important that SfL staff were seen to be part of SEF, and that the staff work closely together."* (SEF staff member)

### **Integration of SfL into centre meetings**

The SfL training was integrated into SEF fortnightly centre meetings. To avoid clients leaving early to attend to other business, the training component was made compulsory and held at the start of the centre meeting. In this way, pre-existing codes of conduct for punctuality and microfinance participation were transferred to participation in the training programme (see Section 5.3 below for discussion of client response to this).

### Length and timing of meetings

Each of the 10 Sfl sessions lasted for one hour; this is a longer period than most organisations that integrate training or education components (15 to 30 minutes is standard). However, after the pilot phase this was felt to be both the minimum time necessary to meaningfully engage challenging subject matter and the maximum allowable extension of regular centre meetings, which often last for an hour or more – particularly if there are repayment problems (due to the enforcement of group liability).

### Need to ensure effective microfinance

The efficiency and consistency of SEF systems provided an ideal platform for the partnership with Sfl. Experience demonstrates the importance of having a well-functioning microfinance programme on which to build additional activities, and the microfinance component greatly impacted on the success of the Sfl training. Attendance for the training sessions was high (over 70 per cent of sessions were attended), and was made a compulsory condition for eligibility for a loan, which was a key factor. The centres with well-functioning microfinance components tended to have higher rates of Sfl participation. Likewise, the centres that struggled with loan repayment often had difficulty with women's participation in the Sfl sessions. In interview, trainers noted that women who were having difficulties with repaying loans would be preoccupied and less interested or able to participate in the Sfl sessions.

### Combining two organisational systems and cultures

One of the most striking aspects of IMAGE is the bringing together of two very different organisations with different cultures and ways of working (see Table 1).

**Table 1: Comparison of organisational cultures**

SEF	RADAR
<ul style="list-style-type: none"><li>• Sustainable/cost-recovery focused</li><li>• Staff travel a prerequisite</li><li>• Staff located in villages</li><li>• High client numbers</li><li>• Monthly quantitative staff appraisals</li><li>• Productivity targets/results-based</li><li>• Remote hierarchical management</li><li>• Focus on credit discipline</li><li>• Less skilled field staff</li><li>• Standardised product</li></ul>	<ul style="list-style-type: none"><li>• Donor funded</li><li>• Staff travel uncommon</li><li>• Centralised staff</li><li>• Fewer clients</li><li>• Periodic qualitative assessments</li><li>• Quality targets</li><li>• Hands-on management and support</li><li>• Focus on empowerment</li><li>• Highly skilled field staff</li><li>• Flexible product delivery</li></ul>

There were two key areas where differences had to be resolved:

**1) Management style and mentoring:** SEF has a very strong performance management culture, with field staff being managed according to strict targets and performance criteria, and a substantial amount of their remuneration coming through a cash incentive. RADAR has a much more collective approach, with high levels of staff engagement, reflection and mentoring, and less emphasis on performance management. These very different cultures presented a challenge in the pilot phase, and led to a move to establish clearer productivity goals for Sfl trainers.

**2) Different working conditions:** During the pilot phase, there were quite different working policies for SEF and RADAR staff. For example, SEF field staff used public transport to travel to and from centre meetings, whereas RADAR staff had their own vehicles. There were

also differences in salary scales. This created tensions among SEF staff, and a feeling of being less valued than their RADAR colleagues.

*“For me, one of the things is that we have got to see if we can get the productivity of the training up. If we are going to have the integration thing then the organisational cultures have got to be close, and I worry that they are not.”* (SEF staff member)

In the scale-up phase, working conditions were changed so that SfL trainers had the same working conditions as SEF staff. For example, RADAR staff were required to use public transport to attend centre meetings, and staff performance targets and appraisals were introduced. In addition, there was a significant reduction in the amount of RADAR senior management time allocated to the project to ensure greater productivity.

### ***5.3 Client response to the SfL component***

An important concern for SEF in implementing the IMAGE project was whether the SfL training component would prove unpopular with clients, creating an additional time burden and dealing with sensitive issues that women were reluctant to discuss. Specifically, would it affect client recruitment and retention and therefore the productivity of the microfinance component?

There was generally a lot of initial resistance to the SfL training. Discussions with clients and observations at centre meetings revealed initial discomfort and reluctance to discuss topics that might be perceived as irrelevant or inappropriate, particularly with young trainers facilitating discussions among women of diverse ages. Many clients thought that attending the SfL sessions should not be compulsory. As one participant noted: *“We did not like [the sessions]... We did not feel comfortable talking about such issues. In our culture it is not done that way.”*

Over time, however, this resistance dissipated as the participants began to see the relevance of the training to their own lives. Crucially, exit interviews did not reveal any link between the SfL component of the project and clients' reasons for leaving.

*“We began to make that connection between conditions in our homes and the topics and we wanted to listen. [RADAR staff] were also patient in making us aware and giving a chance to make this connection between health education and our lives.”* (IMAGE client)

### ***5.4 Models for partnership***

Three models for integrating non-financial services with microfinance are generally promoted (see Figure 1). Several organisations successfully implement a ‘unified’ approach – the same staff delivering both microfinance and education components. This is the most cost-effective approach, and allows sustainable organisations to offer both services. However, the need to integrate services is challenging in terms of the demands on staff skills, and necessitates compromises in terms of the extent to which additional services can be provided (eg, contact time is quite limited).

Figure 1:

## Best Partnership Model?

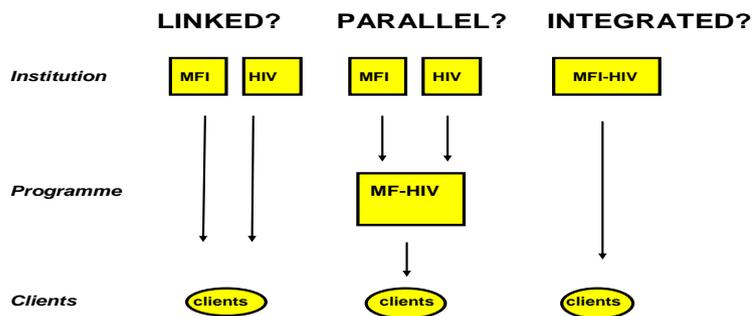


IMAGE did not investigate an integrated, unified approach, but experimented with both the linked and parallel approaches.

**Pilot – a linked approach:** Initially, SEF and IMAGE operated independently, collaborating in the field to deliver services to the same clients. This approach was designed to minimise the disruption to SEF and its successful microfinance delivery, and recognise the specialist skills and different approaches of the two organisations.

**Scale-up – a parallel approach:** The pilot phase highlighted a number of challenges, and it was felt that the model would work better if both groups of staff were managed by SEF. However, both RADAR and SEF (including SEF's board of directors) remained cautious about SEF assuming total responsibility for managing RADAR staff too quickly, as the training programme lay outside its core focus and expertise. A complex management structure emerged where SEF was to be responsible for SfL implementation, staff management and performance appraisal, while RADAR was to manage staff recruitment, training and mentoring, and monitor the quality of SfL training and its costs. A number of operational changes were made, including aligning working policies such as the use of public transport and setting productivity goals.

Despite many managerial challenges, the training team worked well and was successful in meeting implementation targets during the scale-up phase. The training also continued to be perceived to be of a high quality by clients.

**Future – back to an integrated approach:** After trying out the management structure created after the pilot, SEF concluded that attempting to integrate SfL within its systems and operations was not feasible, although managers in both organisations remain enthusiastic about the continuing partnership. Future expansion will return to the model used in the pilot – one of independent organisations working side by side.

*“Well, the integration definitely did not work. It is not a question... We would like to carry on in very much the same way we were doing in the trial where RADAR was a separate body who were asked to bring in trainers and then coordination happened at the fieldworker level.”* (SEF manager)

This was a pragmatic choice, allowing for work to continue with minimal disruption; clearly, there are potential benefits that would have come through integrating some of the core strengths and values of RADAR into SEF.

### ***5.5 Costs of IMAGE***

Relative to other health promotion interventions, IMAGE is seen to be potentially cost effective, with an average cost of US\$30–40 per client. Of this figure, only 18 per cent represents operational costs; the rest were on capacity development of the training team and developing the training programme itself. Ongoing costs once staff have been trained are around US\$5 per client. A cost-effectiveness study assessed the overall costs in relation to the results achieved. Looking just at intimate partner violence, the study estimates a cost of around US\$600 per case averted.

## **6. Conclusions and implications of the IMAGE project**

### ***6.1 Proven impact on poverty, empowerment, violence and sexual behaviour***

IMAGE confirms the potential of microfinance to address multiple economic, social and possibly health issues. In a context of ongoing debate and some scepticism about the benefits microfinance can bring, the IMAGE study provides robust evidence for impact. In particular, it shows that an MFI can successfully work with some of the poorest and most vulnerable women in rural areas of South Africa and achieve impressive impact on poverty and multiple dimensions of well-being.

The IMAGE project also confirms the effectiveness of a combined microfinance and health training intervention in achieving significant impact on women's empowerment, intimate partner violence and risky sexual behaviour.

### ***6.2 Designing microfinance to achieve impact***

IMAGE confirms microfinance as a powerful and wide-ranging development intervention where it is designed towards these ends.

MFI's have considerable influence over the success of their clients. An important starting point is to be clear about who they seek to serve. The limited outreach of most MFI's to micro-entrepreneurs living just above or below the poverty line constrains the potential impact of microfinance. SEF has an effective strategy to target and recruit the poorest women from its operational areas. However, its rigid methodology may not respond as effectively as it might to the vulnerability of the women it works with. Poverty, by definition, means that families have few resources to deal with unexpected problems such as illness, accidents, floods or other natural disasters, or to prepare for anticipated stresses such as annual school fees, dowry payments, funeral expenses, etc.

SEF's methodology puts great pressure on clients to maintain credit discipline – regular repayments and savings, investment in the business, etc. Clients often see this as a positive feature, in that it encourages them to focus on income-generating activity. But it also leaves very little flexibility when problems do occur. The IMAGE evaluation reports that 37 per cent of client exit (clients who complete one loan and do not apply for another) resulted from difficulties in keeping up with repayments.

*“Because of poverty I used the loan meant for business to buy food, pay school fees and uniforms for the children and ended up with no money to buy stock. [She had to borrow money to repay the last two fortnights of her loan.]” (IMAGE client)*

The addition of the SfL training component enabled women to strengthen existing social networks and form new ones – an important source of support in terms of crisis, thereby reducing women's vulnerability.

### ***6.3 Microfinance as a platform for other development interventions***

The IMAGE experience demonstrates the huge potential of linking microfinance to other development interventions. With more than 100 million clients worldwide, operating in settings where poverty, gender inequalities and HIV converge, microfinance could be a natural entry point for similar interventions.

Microfinance needs to be seen in relation to the broader context in which it operates. Other factors, such as vulnerability, may constrain the effective use of financial services to improve poor people's livelihoods. Similarly, while economic empowerment may lead to changes in self-esteem and make women more valued within the family, it is clear from the IMAGE study that the structural issues of poverty, underdevelopment and gender inequalities that lead to violence against women and high rates of HIV infection cannot be addressed by microfinance alone.

IMAGE is a powerful example of the synergies that can result from partnership with other development interventions.

*“The Lancet study shows that integrated microfinance programs can change family dynamics in fundamental ways, and along dimensions associated with HIV transmission.”*

Given the social goals of most MFIs, the IMAGE experience challenges them to do more. But this could be problematic, given the prevailing view that they should focus on what they do well, and not get involved in areas where they lack specialist skills and expertise. MFIs need to make a strategic choice to integrate additional services, form partnerships with other organisations or remain focused on financial services. This choice will be determined by the capacity of the organisation, the environment in which it operates, and the degree to which its ability to achieve positive change in clients' lives is constrained by other structural factors.

### ***6.4 IMAGE can be delivered at scale and at a reasonable cost***

IMAGE provides a viable model to combine group-based microfinance and training in a package that can be delivered at scale. An important finding is that the quality of the SFL training was maintained during the scale-up. But there is one caveat: the model does rely on separate and additional funding for the training component.

Despite the challenges outlined in this paper, IMAGE did not have a negative impact on the financial performance of SEF. While not corroborated by the scale-up, the significantly improved financial performance of the pilot branches compared to other SEF branches is both compelling and logical. At the core of successful group-based microfinance is the relationships of clients within groups and centres; therefore an intervention such as Sisters for Life that puts considerable energy into strengthening relations is likely to improve solidarity, and in turn, the functioning of microfinance. This was reflected in the pilot phase in higher repayment rates and much stronger client retention and satisfaction.

The performance of IMAGE branches relative to the rest of SEF remains something to be monitored over time as the intervention continues, and will continue to provide important lessons for the microfinance industry.

## ***6.5 Replicability of the IMAGE model***

In thinking about replication, it is important to note the context the IMAGE project was operating in, in terms of South Africa and of SEF.

First, SEF is a very strong organisation, succeeding in a high cost and low skills environment where there have been a large number of MFI failures. Despite its capacity SEF faced a number of challenges in terms of management that arose from the IMAGE project. Therefore, capacity issues need to be considered by any MFI intending to replicate the IMAGE project.

*“If you talk about linking with microfinance institutions in South Africa, it’s impossible, because the sector is so weak. They’re struggling so much, that they almost can’t even think of doing it [an IMAGE-like programme]. And you wouldn’t hear them speaking in kind of a mission-driven way either.”*

Second, SEF is strongly poverty focused, and fits well with the conceptual framework of IMAGE. Most other MFIs will be reaching quite a difference group of clients, and this may have important implications.

Finally, the group-based model of SEF provided an ideal platform for the Sisters for Life training. Key elements included the following:

- Group meetings were compulsory, with a strong emphasis on credit discipline. This provided a good foundation for well-attended and focused meetings. Other MFIs operate with larger groups, without group meetings, with individuals, or smaller or more irregular meetings. All of these approaches may present challenges for integrating the Sfl training sessions into the microfinance component.
- SEF, in common with Grameen, emphasises homogeneous groups. Most other methodologies do not have this emphasis, and tend to have a much greater diversity of people within their groups and centres/village banks/cooperatives, etc. This difference is likely to lead to a different dynamic within the Sfl sessions, and may mean that there is a greater reluctance to talk openly. This is an issue that would probably need to be tested, and may require some modifications in the methodology.

## ***6.6 Further reading and resources***

This paper is based on a wealth of published material on the IMAGE project, most of which can be downloaded from the project website: [www.wits.ac.za/radar](http://www.wits.ac.za/radar)

The IMAGE project is described in two monographs:

- Monograph 1:
- Monograph 2: IMAGE Study Intervention Monograph No. 2.

The main research findings with respect to well-being and IPV impacts are presented in the *Lancet* paper:

Pronyk PM, Hargreaves JR, Kim JC, Morison LA., Phetla G, Watts C, Busza J, Porter JDH (2006) 'Effect of a structural intervention for the prevention of intimate partner violence and HIV in rural South Africa: a cluster randomised trial', *The Lancet*, 368, 1973–1983

The impacts of microfinance and an assessment of the potential for microfinance programmes to influence health outcomes are discussed in:

Pronyk PM, Hargreaves JR, Morduch J (2007) 'Microfinance programs and better health: prospects for sub-Saharan Africa', *Journal of the American Medical Association*, 298 (16): 1925-1927

Further analysis of the economic impacts of the programme are presented in:

Pronyk PM, Abramsky T, Hargreaves JR, Kim JC, Phetla G, Watts C, Morison LA, Porter JDH, Morduch J, *The effect of microfinance on poverty and livelihoods: results from a randomized trial in rural South Africa*, in press

For further analysis of the impact on women's empowerment and gender violence, see:

Kim JC, Watts C, Hargreaves JR, Ndhlovu LX, Phetla G, Morison LA, Busza J, Porter JDH, Pronyk PM (2007) 'Understanding the impact of a microfinance-based intervention on women's empowerment and the reduction of intimate partner violence in South Africa', *American Journal of Public Health*, 97(10), 1794–1802

Impacts on risky sexual behaviour are discussed in:

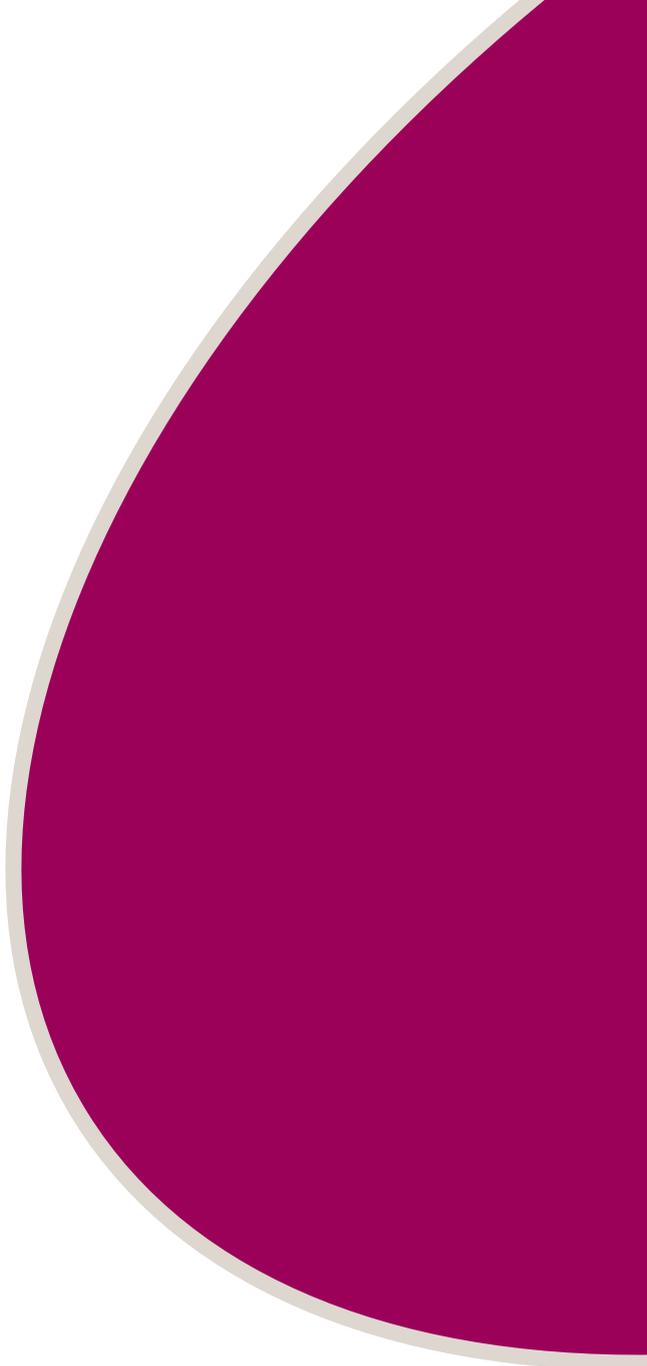
Pronyk *et al*, *A microfinance-based structural intervention can reduce HIV risk behaviour among programme participants*, in press

Discussion on operational issues for linking microfinance to HIV/AIDS issues is presented in:

Pronyk PM, Kim JC, Hargreaves JR, Morison L, Makhubele MB, Watts C, Porter JDH (2005) 'Integrating Microfinance and HIV prevention – perspectives and emerging lessons from rural South Africa', *Small Enterprise Development*, September, 16(3): 26–38

Discussion on models of integrating microfinance and education/training interventions is presented in:

Dunford C (2001) *Building better lives: sustainable integration of microfinance with education in health, family planning and HIV/AIDS prevention for the poorest entrepreneurs*, Freedom from Hunger



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