Microfinance as a Platform for Strengthening the Commitment to Health Improvement and Protection of the Poor

2009 ECOSOC High-Level Segment Thematic Debate

Dialogue 1: "Social trends and emerging challenges and their impact on public health: Renewing our commitment to the vulnerable in a time of crisis"

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Every day, in all parts of the world, there are thousands of microfinance workers traveling out to poor communities to meet with groups of poor people, mostly women, traveling on foot, bicycle, motorcycle, and public transportation, even to communities effectively beyond the reach of all other service providers. This is a vast private-sector infrastructure of service delivery that is mostly self-financed by interest on loans. It offers an opportunity and a challenge to use this infrastructure to extend the outreach of public health education, products and services.

Given we have to use already established resources more efficiently and effectively, Freedom from Hunger has been working with microfinance organizations for the past 20 years to integrate health education and services with microfinance to protect and improve health and financial security of the very poor. Here's why.

Reach of Microfinance

Over 3500 microfinance institutions around the world (MFIs) are providing credit and other financial services to more than 155 million people[i] helping them to start and grow businesses, build productive assets, and better cope with financial shocks—at interest rates typically well below those charged by traditional moneylenders. Moreover, MFIs strive to serve those most in need. Estimates of the portion of MFI clients that are very poor, as defined by the MDGs, range from 22 to 69%[ii]. Even the most conservative estimates indicate that MFIs reach at least 34 million poor households, representing 170 million of the very poor, many of whom live in remote, rural areas in the world beyond the reach of public health agencies, both private and government.

Microfinance as a Platform for Health

Most microfinance providers recognize that while access to financial services is one essential and powerful poverty alleviation strategy, it is insufficient on its own to address the needs of the very poor to combat serious issues such as childhood malnutrition, maternal and child mortality, the spread of HIV/AIDS, and suffering due to other

preventable illness such as diarrhea and malaria. In Benin and Burkina Faso, poor MFI clients reported spending up to 30% of their income to combat malaria alone, and many others throughout India, the Philippines, and Bolivia described how just one serious illness could wipe-out a poor family's hard-earned gains pushing them back into the abyss of extreme poverty and food insecurity.[iii]. These health challenges force microfinance providers to recognize that their clients need both microfinance and health services, if only to enable their clients to be good clients, depositing savings and taking loans and repaying them on time. They are willing to try providing access to health education, products and services, but they need to be shown how to do this without damaging the MFI's financial sustainability.

At Freedom from Hunger we are currently working with 25 MFIs and many other organizations[iv] to reach 1.4 million women (or 8 million people altogether when we include the households of these women) to help them add non-financial services, such as education and health protection to leverage the power of microfinance to reduce poverty, empower women, and to improve the health of the chronically hungry poor. Our experiences, along with those of others such as BRAC, Grameen Bank, Pro Mujer, Jamii Bora, and many others are demonstrating the power and potential of microfinance for poverty alleviation, and protection of the most vulnerable from both financial and health related shocks.

Several key attributes of microcredit and savings programs combine to make them an important component of a comprehensive global strategy to maintain the commitment to the most vulnerable in the current crisis.

Microfinance Provides Established Access and Distribution Channels

Microfinance services are often provided in groups, bringing women together on a regular basis over months and years to repay loans and deposit savings. As I've said, every day, thousands of microfinance staff head out into poor communities, even to remote areas via motorcycle, bicycle, and foot to facilitate these credit and savings groups, providing an established and trusted intermediary with the outside world, a dependable delivery channel for health education, health financing tools (such as health loans, health savings, and health insurance products), and to provide linkages to other essential health products and services such as insecticide treated bed nets, screening exams, and more.

Sustainability

MFIs achieve financial self-sufficiency through interest paid on loans. In many cases sufficient income is generated to also support other, nonfinancial services, such as health. One of Freedom from Hunger's current initiatives, the Microfinance and Health Protection Initiative (MAHP), is working with five MFIs around the world to demonstrate that when MFIs add health services they not only advance their social missions (through improving

health to reduce poverty and hunger), they also strengthen their financial and competitive positions. To evaluate this, we are looking not only at improvements in client health and related practices, but also at their ability to repay loans, increase savings, client satisfaction and loyalty, and the impact on the MFI with respect to growth, cost recovery, profitability, and overall market position.

Opportunity to mobilize resources for health

Increased income and assets due to microfinance participation and the income generating activity it supports, enable women to put increased health knowledge to work by improving their ability to access primary care, medicines, essential health products, and health microinsurance. Even small amounts of cash from earnings and savings can enable MFI clients to purchase insecticide-treated bed nets, transportation to the clinic to receive prenatal care or childhood immunizations, or to make small weekly microinsurance premium payments.

Role of women

Microfinance works primarily with women[v], who in turn have considerable influence on others in the same household when it comes to fundamental behaviors that affect health and social welfare. Frequently, these women indicate that their ability to borrow, save, and meet regularly with other women in their credit groups to learn about health topics such as maternal and child health, HIV/AIDS, malaria, and more, enhance their roles as decision-makers within the family, and pave the way for important decisions such as spending on food, health and education, and to change key health behaviors such as child feeding practices, pre-natal care, and use of condoms.

Need for Further Scale and Demonstration

Freedom from Hunger and its MFI partners are on the forefront of a growing movement to leverage the power of the global microfinance platform for integrated service delivery. In the face of the current challenges that threaten progress towards the MDGs, these efforts must be expedited to accomplish much greater scale and to realize the full potential as effective and efficient strategies to reach the most vulnerable.

Achieving this scale will require global support for:

- Further demonstration of health innovations that can be feasibly and sustainably provided by MFIs, especially those who are reaching the poorest women and families
- Massive replication of the most successful and highest impact innovations
- Careful research to measure and document the impact on health, food security, and poverty reduction as further proof to the MFI, international health, and

development communities of the effectiveness of integrating microfinance and health, and

- Promotion of integrated approaches via leadership briefings, statements of national policy, and advocacy through individual country development offices to signal the importance of applying this approach more widely.

I look forward to your questions and further discussion. Thank you for the opportunity to participate in this dialogue.

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[i] Daley-Harris, Sam. "State of the Microcredit Summit Campaign Report 2009". As of December 31, 2007, 3,552 microcredit institutions reported reaching 154,825,825 clients.

[ii] The Microcredit Summit reported that as of December 31, 2007 that 68.8% of clients taking out their first loan were "among the poorest". USAID's Microenterprise Results Reporting Annual Report" to the US Congress providing results on 31 reporting institutions using new poverty measurement tools, reports that on average 21.6% of the MFI clients in the USAID supported programs are very poor as defined by a per capita income of $1.08 per day or less.

[iii] Market research study conducted by Freedom from Hunger in 2006 and described in unpublished monograph "Enhancing the Impact of Microfinance: Client Demand for Health Protection Services on Three Continents (Metcalfe and Reinsch)

[iv] See Freedom from Hunger's 2008 Annual Report at:
http://www.freedomfromhunger.org/pdfs/FFH_2008_AnnualReport.pdf

[v] Daley-Harris, Sam. Microfinance Summit report indicates 83% of MFI clients were women.