



With Support from ChildFund International USA, Africa Region

CASE STUDY:
Weaving the Safety Net Program
Kenya

**Improving Access to Formal Microfinance Institutions
for HIV- & AIDS-Affected Vulnerable Households**

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The SEEP Network, 1875 Connecticut Avenue, NW, Suite 414
Washington, DC 20009.
(tel) 202.534.1400 (fax) 202.534.1433
Email: seep@seepnetwork.org Web: www.seepnetwork.org

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“Weaving the Safety Net” Program, Kenya: Improving Access to Formal Microfinance Institutions for HIV- & AIDS-Affected Vulnerable Households

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Weaving the Safety Net Program, Kenya

Improving Access to Formal Microfinance Institutions
for HIV- & AIDS-Affected Vulnerable Households

Contributors

Lloyd McCormick
Daniel Kinoti
Rose Kerubo

Reviewers

Kristen Eckert, Carrie Miller, Jared Penner, and Valeska Daley



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I. SOCIAL ECONOMIC OVERVIEW

The current HIV & AIDS prevalence in Kenya is 7.4%, an increase from 6.7% in 2003. Among youth aged 15–24, women are four times more likely to be infected than men (6.1% compared to 1.5%)¹ of the same age category. The impact has had diverse effects in all sectors of development due to loss of productive adults resulting in declined productivity, higher expenditures for households and public resources, greater burden on health care delivery systems/services (compromising quality), and higher numbers of orphans and vulnerable children. The number of orphaned and vulnerable children continues to grow. It is estimated that there are 1.78 million orphans in Kenya. By 2010, 15.4 % of all children under age 15 will have lost one or both parents². The loss of parents removes the primary social protection structures for children, resulting in increased vulnerability to disease, hunger, exploitation and abuse. The loss of parents consequently makes them engage in risky behaviors that expose them to HIV & AIDS infections, hence the need to strengthen young people’s survival and life skills as well as secure safety nets for vulnerable children.

II. PROJECT OVERVIEW

Weaving the Safety Net Project

In an effort to address both the physical and psychosocial well-being of children affected by an HIV & AIDS pandemic, CCF is implementing a project for Orphans and Vulnerable Children (OVC) referred to as “Weaving the Safety Net” (WSN). The project is supported by the US President’s Emergency Plan for Aids Relief (PEPFAR) through USAID for a period of five years (2005-2010) in Thika and Kiambu Districts of Central Province of Kenya. The Project aims to reduce the impact of HIV & AIDS on 63,325 orphans and other vulnerable children and adolescents by 2010. The fundamental components of OVC resilience include:

- a healthy and supportive environment where they can develop meaningful relationships with caring adults to whom they can look for positive coping strategies;
- opportunities for formal and non-formal education, vocational skills development, recreational opportunities;
- access to healthcare, food and nutrition education;
- economic support and protection from all forms of abuse.

To meet this goal, CCF, through WSN, supports the provision of sustainable, high-quality essential services by: strengthening the capacity of families to cope with their problems; mobilizing and strengthening community-based responses; increasing the capacity of children and young people to meet their own needs;

¹Report on the Global AIDS Epidemic, UNAIDS 2008

²Hunter, S Williamson J. Children on the Brink. Washington, USAID, 2002

CHALLENGE PAPER FOR DISCUSSION

raising awareness within societies to create an environment that enables support for children affected by HIV & AIDS; and developing, evaluating, disseminating, and applying best practices and state-of-the-art knowledge in the area of quality OVC programming.

The specific program objectives include the following:

1. Mobilize and strengthen family and community- based responses to provide care and support with an emphasis on psychosocial care to HIV & AIDS affected and other vulnerable children and adolescents.
2. Increase the capacity of HIV & AIDS affected and other vulnerable children and adolescents to meet their own needs, through active participation in program and policy development and access to formal and non-formal education.

Key Interventions:

- Training children, youth and caregivers in Psychosocial Support (PSS), Rights of the Child, protection and paralegal issues, memory books, succession planning to protect the property and inheritance rights of the children.
- Support to school age OVC with scholastic materials, training youth peer tutors to provide tutoring to OVC with academic difficulties, vocational training for out-of- school youth in entrepreneurship skills that match a job/business of interest and provision of start-up kits (in-kind – tools, initial inventory items, small equipment, etc.).
- Health and Nutrition activities include; comprehensive Home-Based Care (HBC) to OVC/caregivers, providing under 5 years of age OVCs with Insecticide Treated Nets (ITN), conducting medical examination (de-worming, vitamin A supplementation, treatment of minor ailments) and referrals.
- Short-term emergency food support to vulnerable households.
- Economic strengthening activities through business training and microfinance support to OVC caregivers and individuals living with HIV & AIDS.

CCF-K-REP Partnership

The economic strengthening activities of the project are premised on the rationale that poor households have been the worst hit by the impact of HIV & AIDS as they have few strategies for coping with the economic impact of the disease. Families that had earlier climbed out of poverty through microfinance are being pushed backwards by HIV & AIDS as they lose productive adults, face crippling health expenditures, and expanded household size to take in orphaned and vulnerable children. The ability of the household to cope with the impact of HIV & AIDS depends on the level of the household's economic resources before, during and after the disease affects them.

The role of K-Rep Development Agency (KDA) in the partnership is to build/improve the livelihood options for the affected families through provision of affordable financial services and training the clients in basic business management skills to create economic opportunities that increase and stabilize their household incomes. This project is building on K-Rep’s experience in providing savings and credit services to HIV & AIDS infected and affected households.

K-Rep Development Agency – The Organization

K-Rep Development Agency (KDA) is a specialized, local microfinance research and product development subsidiary company of the K-Rep Group. Its main focus is on expanding the access of financial services to those who have been traditionally ignored by formal financial institutions. KDA is registered as a Non Governmental Organization (NGO) under the NGO Coordination Act of 1990. Its mission is to “build the field of microfinance through the development of appropriate microfinance products and services to create economic opportunities for low-income people and contribute to eliminating poverty”.

KDA identifies, develops and pilot tests new microfinance products. Once the products are successful, they are institutionalized. Currently KDA is pilot testing a number of products, namely financial services associations, asset financing, savings and credit program for HIV & AIDS sufferers and affected people (also known as FAHIDA) and housing and young savers clubs. These activities are spread across over 30 districts in Kenya, with a clientele of over 150,000.

Approach / Methodology

The WSN project is implemented through local implementing partners on the ground such as community-based organizations and faith-based organizations. These partners are responsible for identifying OVCs in their communities and serve as their caregivers. KDA recruits potential clients from these caregivers for the microfinance activities of the project.

KDA uses group-based lending methodology in accessing financial services (savings and credit) to its clients. The groups consist of 15 – 30 members subdivided into small sub-groups of five people within the bigger group. The group members co-guarantee each other’s loans. The groups are self-selecting, and membership is voluntary. The groups elect their own office bearers and write their own constitutions that guide the governance of group activities. Each participant that joins a group is asked to save. Those receiving loans are required to have at least 10% of the initial loan amount in their savings account for the duration of the loan cycle. Each savings account holder receives a market based rate of return on their savings and loan interest rates are market-based as well following K-Rep policies and procedures.

In addition to the savings and credit activity used to start or expand business, the microfinance intervention also includes training in group leadership and business management skills.

Target clients

Individuals living with HIV & AIDS: Those who have declared their HIV status but are still in stable health condition, capable of engaging in an income generating activity. They are parents or caregivers of orphaned children. For people at an advanced stage of AIDS, priority is given to the next of kin or caregiver of the person living with AIDS to act as proxy borrowers.

The caregivers: These are individuals who bear the socio-economic burden of nursing one or more AIDS patients and orphaned children. They include grandmothers, mature orphans that head households, single parents, and relatives who have taken in children orphaned as a result of HIV & AIDS.

Selection of Target group

The selection of the target groups is done in two main phases. In the first phase, CCF as the lead partner in the program has the responsibility of identifying various community based organizations (CBO) and faith based organizations (FBO) that have demonstrated the capacity to implement OVC programs to be involved in the WSN program. The CBOs and FBOs are selected using pre-determined criteria that look into all the critical areas of governance, the number of OVC being served by the CBO/FBO, and their capacity to manage project activities. The successful ones are short-listed and their names forwarded to the other implementing partners for collaboration.

Through the identified CBOs and FBOs, KDA invites all the caregivers of respective CBOs and FBOs to an information meeting where it explains to them the details of the financial services it offers. The caregivers that demonstrate interest in joining the program are asked to form themselves into small groups of five for the purpose of co-guaranteeing loans. Four to five subgroups are federated to form a group which is the legal entity through which loans are advanced to members.

Training

> Pre-credit training

Once a group is formed, it goes through an eight-week pre-credit training that focuses on the policies and procedures of the credit program, group guarantee, importance of savings and how to manage savings, how to conduct loan appraisal and management, group leadership, roles and responsibilities of the group leaders and its members, record keeping and delinquency management. A total of 947 clients were trained against a target of 1,100.

> Training in basic business management skills

All the caregivers who join the program are taken through a basic business management skills training using an in-house developed curriculum. The main objective of the training is to equip the participants with basic business management skills so that they are able to identify and develop viable businesses that are profitable. It is tailored for people who are beginners in business and are unsure of what to do. Approximately 80% of the participants had very limited business experience.

The training covers topics like how to start a small business, feasibility study, business planning, marketing, record keeping, costing, pricing, how to source for business finance considering the advantages and disadvantages of each source of finance. A total of 783 clients were trained against a target of 1,090.

Loans

A caregiver is said to qualify for a loan once they have deposited ten percent of the collateral savings into the trust account. Credit is advanced to qualified caregivers through individual checks are done on a rotating basis. The loans sizes average \$150 for first loans and are repaid within six to twelve months.

Most clients have invested the loan money in starting or expanding their businesses. These businesses include general trade such as selling juice, retail shops, selling food, groceries, charcoal, firewood, and second hand clothes and shoes. Agribusinesses include dairy farming, poultry farming, horticultural farming, small scale farming, animal feeds, and farm implements among others.

A total of 1,177 loans amounting to \$309,214.3 were disbursed during the period against a target of 1,704 loans of \$287,714.

Collateral Savings

Each group member contributes a minimum of USD 0.71 each week as collateral savings (also known as loan security fund). This collateral savings is held in a trust account by KDA. The group member cannot access the collateral savings unless they are exiting from the program. At the end of September 2008, the clients had mobilized a total of Kenya shillings 7,617,040 (\$108,815) into the loan security fund account. The average savings per client is \$95.40

Dropout Rate

The project endeavors to minimize client dropout rate. The project target is to have a dropout rate of less or equal to ten percent, but the project registered a 17.8 percent dropout rate. This was occasioned in part by post-election violence that saw a number of the clients displaced from their homes and partly due to the major change in from the initial lending policy, which then required that clients deposit the collateral savings with KDA as opposed to keeping it with the group.

III. PROJECT ACHIEVEMENTS

The table below provides a summary of the project's achievements with the microcredit activities at mid-term. Data was gathered during the mid-term project evaluation (September 2008) which was conducted by an independent consulting firm.

INDICATORS	TARGET	ACTUAL
	APRIL 05 - SEPT 08	APRIL 05 - SEPT 08
Number of groups recruited	37	29
Number of caregivers recruited	1,065	1,141
Number of drop outs	107	204
Number of loans disbursed	1,704	1,177
Amount of loans disbursed	\$ 287,714	\$ 309,214
Amount of savings mobilized	\$ 83,328	\$ 108,814
Number of caregivers trained in business management	1,090	783
Number of caregivers trained in group management & leadership	1,100	947

Source: CCF mid-term project evaluation (September 2008)

PORTFOLIO REPORT	SEPT 08
Principal Outstanding	\$ 94,152
Number of Loans Outstanding	466
Average Loan Size	\$ 447
Portfolio at Risk > 30 days	6%
Default Rate	0%
Percent of Women Clients	67%

Source: CCF mid-term project evaluation (September 2008)

“WEAVING THE SAFETY NET” PROGRAM, KENYA

Survey Findings from Households 2008 (statistical sample of project beneficiaries’ households - Kiambu):

		BASELINE	Mid-Term Evaluation
Able to provide enough food for the family	Never or Rarely	22%	7.1%
	Some of the time	66%	78.6%
	Most/all of the time	12%	14.3%
Able to provide enough medicine and healthcare for all the children in the household	Never or Rarely	19.4%	5.3%
	Some of the time	67.5%	52.6%
	Most/all of the time	13.1%	42.1%
Able to send all school aged children to school		40.8%	65%
<i>Source: CCF Survey Findings from Households 2008</i>			

IV. CHALLENGES AND LESSON LEARNED

The initial challenge faced by KDA during implementation was the conflict of interest between partners as each tried to push their own agenda. The caregivers also initially felt that KDA was lending them money that was supposed to be given to them as donations.

Some of the clients that had been targeted by this project could not meet the credit requirements due to competing needs for the limited family resources. The irregularity of their incomes coupled by fear of credit made a number of potential clients shy away from participating from the project. To overcome this challenge the project adjusted some of its policies such as the minimum collateral savings one was required to deposit with the project and increased the loan repayment period.

Most of the potential clients lacked basic household assets that are used to secure the loans (e.g. household furniture, and animals). This made the groups' guarantors very apprehensive about including them in their groups. A number of clients dropped out when their colleagues refused to guarantee their loans. To overcome this challenge, the project encouraged the potential clients who lacked collateral to borrow smaller amounts in the beginning and build confidence among the group members as well as increase their collateral savings over time.

Most of the caregivers live in the rural areas of Kenya where there is no basic infrastructure that supports microfinance. For example, some clients have to travel long distances to bank the money since there are no banks in the rural areas. This is time consuming and very expensive on the part of the client. Accessibility to some of these rural areas is a big challenge since there is no public transport and KDA staff has to travel long distances on foot. Poor infrastructure has made the cost of delivering the services to the rural areas very expensive and out of reach for a number of low income rural caregivers.

Another major challenge faced by the project was the displacement of clients after the post election violence that erupted early in 2008. A number of clients were displaced from their homes, their businesses were looted, and those who survived could not access their suppliers and markets due to violence. A number of clients lost some of their assets and ability to repay their loans on time. This led to lower repayment rates in the months after the election and slowed disbursements and lowered savings mobilizations for a time.

V. BENEFITS REALIZED THROUGH THE PARTNERSHIP

Increased access to financial services: This partnership has made it possible for CCF– WSN/ KDA to deepen their outreach in the rural areas. Most of the caregivers who accessed loans from the project were first time borrowers. They had never been involved in a credit program prior to this one.

Increased household incomes: A number of the funded caregivers used the money to either start a business or set up an income generating activity. The area rich in agriculture saw many caregivers buy dairy cows, or do poultry farming. Such activities had multiple benefits for the caregivers since they had regular income from the sale of milk, eggs or chicken. They were also able to feed their family on healthier food.

Improved self-esteem: The caregivers’ self-esteem is raised since they are now able to fend for their families, borrow money and pay it back, and they are involved in income generating activities. They no longer have to depend on donations from others for survival. As a result, they are able to relate with others well and learn better. Some even have their own bank accounts in commercial banks – something they had never imagined before.

Increased household assets: Most of the caregivers have been able to purchase additional productive assets for the family such as dairy cows or dairy goats that help to secure their future. The collateral savings with KDA is also an asset for the family. Most of the caregivers did not have any form of savings prior to joining the project. They believed that they had no money to put aside. Now that they have accumulated savings their esteem, they “feel secure”.

Expanded social networks with improved social insurance: The group collaboration has helped the caregiver meet and make new friends, thereby widening their social networks. This is critically important for the group members because through these credit groups, they have developed some form of social insurance where the members help each other in times of crisis, such as sickness and death, and also in good times, such as birth of a child, marriage and initiation. The group members contribute some money, which they put aside for such emergencies. The group members also lend money amongst themselves to sort out short-term crisis.

Improved financial literacy: Through the trainings given to caregivers on business management and group leadership, they have significantly improved their financial literacy. Their recordkeeping capabilities have greatly improved as evidenced by the individual passbook records, group records, and business records. Some of the caregivers entered a banking hall for the very first time when they joined the project. They can now do banking, and some are even considering investing in the stock exchange.

VI. EXISTING GAPS

High demand for loans: The resources that were available for the project could not cope with the growing demand for loans. The project is working with only two microfinance officers whose effective caseload is about 450 caregivers. This has limited the number of caregivers that could be recruited for the specific project.

New products for the caregivers: The project offers only working capital loans to the caregivers. These loans are usually small in size and have short repayment periods. While they are initially suitable for the caregivers, the need for bigger and more diversified loans grows as the business grows. The existing clients have been asking for asset loans, medical loans, and school fees loans which KDA was not able to offer due to limited resources at this time.

Financial literacy education for caregivers: KDA was not able to meet the demand for financial literacy due to limited staffing in the project. There is a backlog of clients who require initial and refresher training on business management and entrepreneurship development. This is unfortunately not a core business for KDA, and therefore it tends to lag behind. There may be need to outsource such a component in the future for greater effectiveness.

VII. RECOMMENDATIONS FOR IMPROVED PARTNERSHIP

- Introduce Village Savings and Loan Associations where formal MFI accessibility still remains very limited for the lower economic level caregivers who cannot meet the lending requirements for the microfinance institution with opportunities for graduating to MFIs once their level and frequency of incomes increases.
- Provide capacity building for community based organizations to improve their governance and management, administrative budgets and reporting. While most of these CBOs are doing a great job on the ground they are not able to articulate what they do to fund raise for their activities.

ANNEX 1. CONTACT INFORMATION

ChildFund International USA, Africa Region

Lloyd McCormick, MED Technical Advisor, conmac123@aol.com

Weaving the Safety Net Program/ CFI Kenya

Daniel Kinoti, Program Manager, danielk@ccfkenya-wsn.org

Rose Kerubo, Program Coordinator, rosek@ccfkenya-wsn.org

ANNEX 2. A STORY OF COURAGE AND DETERMINATION

Cheerful, outgoing, good natured, sociable - all describe Hellen. She is a brave girl who overcame all odds to be the success that she is today. She possesses a unique fighting spirit and zeal to achieve her goals despite the circumstances surrounding her life.

Hellen, now 21 years of age, is the first born of her mother's six children. Born of a single parent, Hellen is no stranger to poverty and all the struggles and suffering that go with it. She has gone to bed hungry, slept out in the rain, you name it. Her mother earned a living through working on other people's farms and washing other people's clothes. The kind of jobs which barely afforded the family food and rent for their grass thatched house. It's no wonder that Hellen dropped out of school in sixth grade when she couldn't raise school fees. Attending school at that time was like fighting a losing battle. There was not a single day that she didn't lack something. If not a pen, it was a book. Countless were the days when she went without lunch. She remembers how she went around borrowing lunch from her classmates which earned her a name she won't disclose.

Hellen's mother's lifestyle didn't help to make matters better. In addition to being a chronic alcoholic, Hellen says that of all her six siblings, none of them shares a father with the other. When her mother finally settled with a man, Hellen was happy for her because she felt that now their family would be like other 'good' families. This was not so. Hellen remembers how her mother was battered almost daily before their eyes. On one occasion when she couldn't bear it anymore, she rose to defend her mother but the man thoroughly beat her too. That was the last time she was seen at home. She left and went to stay with her boyfriend while working as a house girl. But after working for three months without pay, she quit. It was at this point that she became pregnant and on sharing the good news with her boyfriend a rude shock awaited her. The boyfriend disowned her and chased her away saying that she had taken after her mother. Not knowing where to go, Hellen was housed by one friend after the other until she gave birth prematurely and the baby did not survive.

At around the same time, her mother fell seriously ill. She was rushed to a hospital but died after two days. Hellen was later to learn that her mother had all along been HIV Positive. After her mother's burial, Hellen's heart sank. The plight of her siblings weighed heavily upon her and she knew that the burden was going to be squarely on her shoulders. They were taken to live with their grandfather who had just remarried after his wife's death. From the onset, Hellen wasn't on good terms with her step-grandmother. The woman kept on hurling insults at her and her siblings and pressuring Hellen to go and work so to feed her siblings. "Hakuna vitu za bure dunia hii" (This world has no free things), the step-grandmother would. Though the woman meant it bitterly, it helped Hellen make a resolution that she would never beg from anyone as long as she had her two hands and a working mind. She started to look for a job. She was determined to make enough money and move her siblings from their grandfather's place.

It was during this period that a friend of her late mother heard of the CCF-WSN program where youth were being recruited for vocational training. She quickly informed Hellen and together they approached KIPEWA, a local WSN community based organization partner. She was enrolled and sponsored for a hairdressing and beauty course at Dorsie School of Hairdressing and Beauty Therapy.

Hellen’s life started to change from that point on. She tells of when she got to Dorsie, she made many friends who became like family to her. She shared her experiences and listened to others’ experiences. That comforted her and made her feel that she wasn’t the only one whom life had given hard knocks.

As soon as she finished her course, a kind wealthy lady from the village sent for her and wanted to know what plans she had now that she had acquired her skills in hairdressing. Hellen told her that if only she got some capital she would start a beauty shop. The lady gave her \$72 with which Hellen hurried and bought a few beauty products and secured a premise for her business. She managed to put her siblings (who by then had been thrown out by the cruel step-grandmother) in a children’s home, where they were assured of going to school, food and shelter. Her brother was supported by the CCF-WSN program to join secondary school.

Hellen has never looked back since then. Her business is growing. At the end of everyday, she takes home between \$4-7. She also runs a small beauty salon at the local market. The CCF-WSN program has supported her with a start up kit. And courtesy of KIPEWA CBO, she has joined KDA, a specialized microcredit service provider partnering with WSN. She has so far borrowed \$715 to improve her business and take care of other family needs. Her vision is to have a “high class” salon in Nairobi and to see her siblings through school. She says she wouldn’t like them to go through what she did. She is determined that they go further than she did in terms of education. She knows it’s not easy but it’s a challenge she is ready to take up. Hellen also intends to buy a piece of land, and for once in her life have a place she can call home.



Helen in her salon

Hellen marvels at the progress she has made so far. It’s no ordinary thing for her to sit on her own sofa, use her own gas cooker, and have her own television set. She calls it a true miracle thanks to CCF-WSN, and wishes her mother was alive to see it all. She also praises WSN for the school fees support given to her brother. Her passionate appeal is that WSN supports many other youth. Such support coupled with her strength of character and determination makes it clear that Hellen can achieve her aspirations and beyond.

THE SEEP NETWORK

1875 Connecticut Avenue NW Suite 414
Washington, DC 20009

Phone 2202.534.1400

Fax 202.534.1433

E-mail seep@seepnetwork.org

Web site www.seepnetwork.org