



# Fostering productivity and innovation

## PROJECT MODEL: MICROFINANCE

### THE ISSUE

Men and women around the world are struggling because they don't have access to financial services, leaving them with limited income and job opportunities, creating uncertain futures for their families. According to the World Bank 2 billion people, more than half of the world's adults, have no access to banking services<sup>1</sup>. When formalised microfinance is not available, families frequently have to rely on loans from traditional moneylenders who charge very high interest rates. The money is used to either invest in their farms or feed their families although the high interest rates make it impossible for the poorest families to break even and move out of this cycle of exploitation.

### THE MODEL

The Microfinance project model provides the formal financial assistance that rural families need. This can include loans for seeds, irrigation kits and fertiliser, savings accounts, and insurance for health, life and crops, all delivered with high standards of service. Financial assistance can help families strengthen their productivity and increase resources, with the goal to benefit their children.

World Vision's savings groups have been partnering with VisionFund International, our microfinance service provider, to access additional loan capital. For those groups or individuals who need more capital, VisionFund provides larger amounts than what the savings groups can provide, enabling members to increase their income and support the community's economic growth.

### CORE COMPONENTS & OUTCOMES

**Loans:** Microloans involve lending small sums of money, often just a few hundred dollars, to people who do not have a measurable credit history, assets to secure the loans, or access to mainstream financial providers. Credit can be used to purchase livestock, seeds for crops, fertiliser and irrigation kits, or to rent storage facilities allowing farmers to sell their produce when prices are higher. For other businesses, credit is available for start-up capital, to buy equipment or stock.

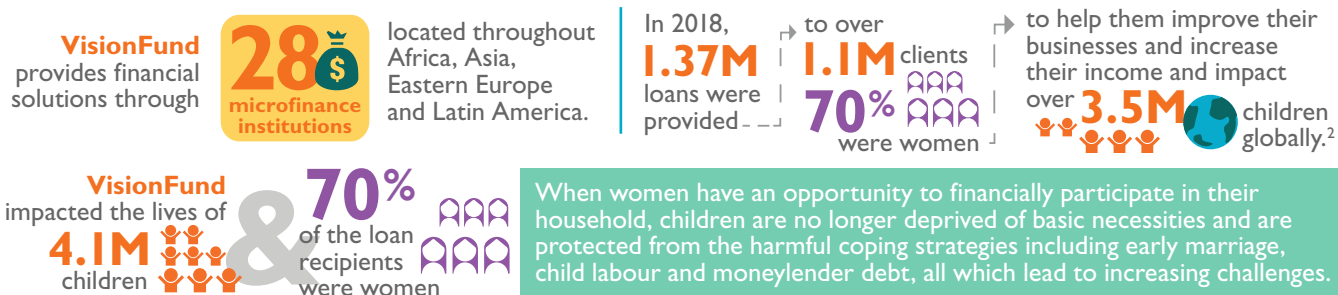
<sup>1</sup> World Bank, Poverty and Shared Prosperity, 2016.

When loans are repaid, the funds are recycled to other borrowers generating a ‘**recycling effect**’. Unlike a donated asset, which is given to a community member or group and consumed once, that same amount can be used multiple times for multiple households increasing its impact within the community.

**Savings:** Savings are vital to build the resilience of families living in poverty, helping them to manage disasters and unexpected events and enable families to cope with irregular incomes, a common problem in agricultural communities. Without reserves, families may not be able to pay for basic necessities for extended periods. Access to a safe place to save (for individuals and saving groups) reduces vulnerability and builds resilience.

**Insurance:** Insurance products enable clients to guard against the failure of their crop through lack of rain or natural disaster. Health insurance helps provide funds when a member of the family is sick or dies.

**Education:** Education and training on financial literacy (debt management, cash flow and budgeting, and consumer protection), empowerment and social emphasis can improve the effectiveness of financial services and, consequently, increase their impact on children.



## BEATRICE'S STORY

Beatrice, 11, lives with her stepfather, Patrick, mother, Lifa, two sisters, and her little brother, Shadrack in Zambia. Today, Patrick is an exemplary farmer, growing sunflowers, beans, okra, tomatoes, and maize. “We have plenty of food,” he says. “We still have maize from last season.”

This is a miraculous turnaround from eight years ago. “I had given up. I thought, ‘This is my end,’” he says.

World Vision staff saw potential in Patrick, invited him to join a local savings group and then suggested that he take a small loan through World Vision’s microfinance programme, VisionFund. With the loan, he purchased a pump and he’s been able to water more land and grow healthier, more abundant crops.

Today, Patrick’s family is secure. “Now that I have everything, my children can share with others,” he says. Beatrice is proof of Patrick’s success; a healthy, happy girl, laughing as she learns and plays with friends.



## CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

- 1 NO POVERTY** **Ending poverty:** We are supporting families to earn sustainable, reliable incomes and, specifically, ensuring the poor and vulnerable have access to financial resources.
- 2 ZERO HUNGER** **Ending hunger:** Through microloans, farmers can improve their agricultural inputs and outputs to increase their income.
- 5 GENDER EQUALITY** **Gender equality:** Women have different barriers to accessing financial services, which is why VisionFund focuses on increasing capital to lend to women entrepreneurs and product development aimed at meeting the specific needs of women.
- 9 INNOVATION, INDUSTRY AND INFRASTRUCTURE** **Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation:** We are helping small and growing businesses in developing countries access credit to start or expand new enterprises.

<sup>2</sup>VisionFund International, <http://www.visionfund.org/>



# Building financial resilience

## PROJECT MODEL: SAVINGS FOR TRANSFORMATION GROUPS

### THE ISSUE

An estimated 1.7 billion adults can't access banking services<sup>1</sup>, and over 192 million people are unemployed<sup>2</sup> making it difficult for parents to bring in income and save for their children's basic needs (such as education, nutrition, clothing and health).

Inequality of income frequently stops children from attending school due to the high costs of education. This can lead families to sometimes take desperate measures causing children to face child marriage, be forced into child labour, or end up in care institutions where violence is often widespread. According to the World Health Organisation<sup>3</sup>, helping vulnerable families to progressively achieve and sustain income growth can contribute to ending violence against children.

### THE MODEL

A savings group is member-owned and composed of a small number of people who save together in a safe, convenient and flexible way. They use a simple, transparent method to accumulate and convert small amounts of cash into savings that can then be lent to members as credit.

### CORE COMPONENTS & OUTCOMES



- **Group Size:** large enough to accumulate a useful amount into the fund, but small enough for social cohesion (15-25 people).

<sup>1</sup> Global Findex Data, World Bank 2018

<sup>2</sup> World Employment and Social Outlook: Trends 2018

<sup>3</sup> INSPIRE: Seven Strategies for ending violence against children (2016)



- **Savings:** Weekly cycle of saving very small amounts. This is a less risky product for the vulnerable poor than saving with a formal financial institution. Groups offer a safe and convenient place and mechanism to save while mitigating risks and costs.



- **Insurance and social fund:** Groups offer a form of social insurance providing access to emergency loans in times of need or funds for community projects.



- **Credit:** Small loans can be borrowed by group members on flexible terms, for investment, consumption or emergencies.



- **Personal development:** The groups provides unique opportunities to develop leadership, confidence and a sense of self-respect that often spills over into the home and wider community.



- **Sustainable and self-replicating:** Because groups are member-owned and run, they aren't reliant on World Vision's presence. Members often share their knowledge, encouraging others to form groups too.



- **Low cost:** Start up and maintenance costs are very minimal with no asset transfers given to groups.



- **Time bound:** 9-12 month cycles simplify management of the fund. They provide easy exit and entry points for new members and an opportunity to elect a different management committee



- **Share out at the end of each cycle:** All or part of the accumulated savings and loan profits are shared "out to the members."

## IREEN'S STORY

Ireen is a razor sharp and hardworking businesswoman. She's been savings and training with World Vision Malawi, and is now working with saving groups – families who once saved nothing but now pocket hundreds of dollars each year. In the last six months, Ireen herself has saved \$300.

She advises her friends like Amina, 35, how to bring in more income. "She taught me 'heart, mind, pocket'. I cooked fritters before, but of lower quality. I used to sell them for 30 kwacha. Now I sell them for 50 kwacha."

Because they have savings, farmers can now hold onto their crops to sell when prices are high, instead of selling them at low prices for fast cash. The transformation is visible across the village, from the fields full of crops to the new homes with iron roofs, life is getting better.



## CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS



**Ending poverty:** Provide the most vulnerable families with loans and savings that can be used to increase their income-generating abilities.



**Eliminate all forms of violence against women and girls:** Financial security reduces exposure of girls to early marriages and the need for parents or caregivers to rely on child labour.



**Decent work and economic growth:** Savings Groups can provide skills training so members can invest in their own income-generation activities, tap into government services and eventually qualify for microfinance or employment in local businesses.





# Helping families to thrive

PROJECT MODEL: BUILDING SECURE LIVELIHOODS

## THE ISSUE

Poverty is complex. Rural families living just above the poverty line are largely reliant on agriculture for their food and income. As a result, they can easily fall back into poverty in the event of a family misfortune or disaster, which can make them extremely vulnerable. When they cannot earn enough to make ends meet every day, parents are unable to feed their families. A slight downturn in the economy or a failed rainy season, and they can easily slip into extreme hunger and poverty.

## THE MODEL

The Building Secure Livelihoods (BSL) project model provides a comprehensive pathway out of poverty for families to improve their livelihoods to levels that are productive and resilient enough to survive a range of shocks and stresses. The project model works particularly with rural households described as ‘marginally poor’ who have caring responsibilities for young children. We support them to improve their agricultural production and make a profitable farming venture to increase family income in a sustainable manner – moving them from surviving to thriving.

The project model uses a series of approaches to ensure households have economic and financial knowledge and support, and an understanding of risk and how to plan for the future. Families learn how to increase productivity, profitability, alongside sustainable management of all their resources (natural, social and economic.). Primarily though, WV empowers people to take control of their own future by dispelling the self-perception that the extreme poor are “dependent, uneducated and incapable of change.” We know that this mindset can severely limit aspirations, self-worth and future potential.

## CORE COMPONENTS & OUTCOMES



- We establish and strengthen a **savings culture**, and **financial inclusion** through both savings groups and microfinance services.



- Our **Empowered World View** approach transforms mindsets from dependence to empowerment and personal responsibility.



- **Financial literacy education** allows farmers and families to take control of their budgets and incomes.



- We promote sustainable **Natural Resource Management**, complemented by **Climate Smart Agricultural training** to support increases to sustainable agricultural production.



- We help families – and whole communities – to be more resilient with **Community-Based Disaster Risk Management**.



- We develop and encourage **key partnerships** for good agricultural practice, business skills and access to financial services and markets.



- We promote development of **Local Value Chains and Market Systems** that work for the rural producers.

## CHRISTINE'S STORY

For many years, Christine, a widowed mother, struggled along with her village from Kasama, Northern Zambia because of their total dependence on rain-fed subsistence farming. “We hardly harvested enough from our fields and had no other source of income. All the children were not in school as a result.” Christine recalls, “When my husband died things became worse for me. I couldn’t even afford to buy cooking oil”.

A few years ago, World Vision began to work within the community to reduce poverty levels by training farmers in agricultural production and business skills, as well as to build a local dam and irrigation system.

With her improved farming skills and the availability of adequate water supply throughout the year, Christine now engages in enterprising gardening. She now grows vegetables such as onions, tomatoes and pumpkins.

“I suffered a lot until World Vision trained and equipped me with farming and business management skills and introduced me to a savings group,” Christine says. “It was only after the training that I realized I could do more with my life even as a widow.”



## CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS



**Ending poverty:** We are supporting families to earn sustainable, reliable incomes and savings for the first time.



**Ending hunger:** Once families grow more and better crops, or keep healthy livestock, they can reliably provide quality, nutritious food for their children, as well as selling the surplus for income.



**Gender equality:** The programmes help both men and women to earn their own incomes, encouraging equal financial relationships within households.



**Promote economic growth:** As new businesses grow, families have adequate income, and the local economy becomes stronger.



**Reduce inequalities:** Our programmes focus on the most vulnerable – often female-headed households or minority groups – giving them the tools to feed their children and earn their own living.





# Lifting families out of poverty

## PROJECT MODEL: ULTRA-POOR GRADUATION

### THE ISSUE

While levels of child poverty are falling, the decline has been uneven and pockets of extreme poverty persist worldwide.

Today, over 783 million people are living on less than \$1.90 USD per day, which means that **44% of these extremely poor are children.**<sup>1</sup>

Living in ultra-poverty has extreme and long-lasting effects on children because they often live in hard-to-reach areas that are marginalised and excluded from community support and traditional development programmes.

If these children survive to school-age, they're less likely to complete their education, often being forced into harmful labour, or child marriage and early parenthood, which starts the cycle again.

### THE MODEL

Ultra-Poor Graduation programmes provide extremely poor households with a pathway out of poverty by helping families engage in a productive and resilient livelihood. This programme gradually builds household capacity and empowers families to become involved with the local economy and community in productive and positive ways.

As ultra-poor families begin to move out of poverty, their children's lives improve. Parents and caregivers gain the dignity of being able to provide nutritious meals and pay for their children's healthcare and education needs.

<sup>1</sup> World Bank and UNICEF. (2016). Ending Extreme Poverty: A Focus on Children.

## CORE COMPONENTS AND OUTCOMES



### • SOCIAL PROTECTION

Helping families to get the support they need to meet basic needs, deal with crises and access health and education services.



### • FINANCIAL INCLUSION

Financial inclusion provides support to new businesses, to continue and improve their livelihoods. Interventions typically include inclusion into an informal savings group or access to formal banking facilities, credit and insurance mechanisms and financial literacy training.



### • LIVELIHOODS PROMOTION

Helping families to find a way to make a resilient and sustainable income. Interventions may include asset or cash transfers for a viable livelihood or linkages to formal employment, technical and business skills training, and access to markets.



### • SOCIAL EMPOWERMENT

To become active in their economy, families need to also be fully part of their local community. Activities can include life skills training, social integration, and coaching that cuts across all four pillars, underpinned by a commitment to gender equality.

## SHABITRI'S STORY

Shabitri, her husband Arobindo and their three children, Modhumala (15), Ratna (12), and son Nayan (6) used to be ultra-poor, but now they're benefiting from a World Vision programme in Bangladesh, which includes entrepreneurial and literacy training.

This ultra-poor graduation project has helped 14,000 women get the business skills (including basic literacy and numeracy) and minimal start-up costs needed to help them launch small businesses. Now many of these women, like Shabitri – who started a basket weaving business and a small grocery shop – have “graduated” from extreme poverty and are helping others in their community to do the same.

“The money my husband earned wasn't enough. I was not able to feed my children. I thought throughout my life I would struggle with poverty and we would be unhappy forever,” Shabitri told us.

But now, the household is “a model for others,” according to Ratindra Nath Roy, a technical officer in ultra-poor graduation.

Shabitri and Arobindo have agreed to keep their children in school: “My children are doing good in their results,” says Shabitri. “I believe they may have a good future.”



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