A Microfinance Training Simulation

Client Risk and HIV/AIDS and the Challenges of Mutual Guarantee-Based Programs

Widening the circle, moving ahead

MICROENTERPRISE BEST PRACTICES

Development Alternatives, Inc., 7250 Woodmont Avenue, Suite 200, Bethesda, MD 20814 USA

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A Microfinance Training Simulation: Client Risk and HIV/AIDS and the Challenges of Mutual Guarantee-Based Programs

by

Special Unit for Microfinance (SUM)
United Nations Capital Development Fund (UNCDF)
USAID Microenterprise Best Practices (MBP) Project

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FOREWORD

This document is based on a product of the Special Unit for Microfinance (SUM) at the United Nations Capital Development Fund (UNCDF). The Simulation described within is a variant of Lesson 6 of SUM's Microfinance Training Guide, "From Donations To Investments: Donors and Sustainable Microfinance." Originally developed by Heather Clark as a tool for classroom settings, it has proven highly effective in working with practicing microfinance staff, donors, researchers, and others. The simulation delivers a powerful message about risk-sharing and cost-sharing among borrowers—in a microfinance program relying on a mutual guarantee mechanism.

This adaptation of the SUM message focuses on a "special case": a high-prevalence HIV environment, where many microfinance clients are somehow affected by HIV/AIDS. Despite the uniqueness of the context, however, the lessons of the case remain the same. The HIV/AIDS context only strengthens the messages that risk-sharing through group guarantees is a mechanism that must be used with caution and awareness.

This variant of the SUM simulation was created with support from the U.S. Agency for International Development through the efforts of Jill Donahue (Technical Advisor to Displaced Children and Orphans Fund), Joan Parker (Research Coordinator for the USAID-funded Microenterprise Best Practices Project), and Paurvi Bhatt (USAID's HIV/AIDS Division). Final documentation of this training package was undertaken by USAID's Microenterprise Best Practices (MBP) Project.

The Simulation was first pilot-tested in Harare, Zimbabwe at the Africa Regional Microcredit Summit meetings in October 2000, and later the same month at the Annual General Meeting of the Small Enterprise Education and Promotion (SEEP) Network. A variant of the Simulation was then used by Catholic Relief Services at a regional training event. The ideas and comments of participants in these events are reflected throughout this volume, with thanks.

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EXECUTIVE SUMMARY

This exercise is designed to stimulate thinking and discussion about how risks and costs are shared through mutual guarantee mechanisms used in microfinance. It illustrates that risks and costs are transferred to neighbors, friends, and the most economically active (but also poor) members of the community. Moreover, the lesson illustrates vividly how the risks and costs facing borrowers increases in an HIV/AIDS-affected environment, where households face extreme and often unanticipated changes in their financial capabilities and needs.

This training packet contains the following sections:

- **Section I** provides a brief description of the Simulation: its structure, lessons, and required preparation.
- **Section II** provides the trainer with important background information needed to prepare for the Simulation.
- **Section III** describes how the Simulation is actually conducted: it outlines the facilitator tasks from start to finish, and provides a view of what happens in each round of play.
- **Section IV** provides suggested information for the facilitator to use in introducing the Simulation, and then in leading a discussion after the Simulation ends.
- **Section V** briefly describes modifications and extensions to the Simulation.
- **Section VI** provides the “hardware” for the Simulation: instructions in preparing player envelopes, scripts for each part in the simulation, money templates needed to create the player envelopes, and the master math worksheet.

SECTION I
DESCRIPTION OF THE SIMULATION

THE EXERCISE

The Simulation places participants in the role of borrowers in a microfinance program using a mutual guarantee mechanism, and operating in a fictitious currency, denoted as "K". Each team of six includes a borrower group of five members—each owing K.80—and their loan officer who is in charge of collecting K.100 in on-time repayments at each group meeting. The team goes through four rounds of payment cycles, during which they are charged with paying off their entire debt to the microfinance organization. Each player has a set of events that take place during those four rounds, to which the group must respond. Some of the events are related to HIV/AIDS. Others are every-day risks facing the poor, such as illness, theft, or fire.

The simulation ends when the group finds—because of the number and magnitude of crises—that it does not have sufficient income to meet the group's collective debt. At this stage, the group realizes it has to progress to emergency measures: liquidation of assets, secondary loans, or other behaviors which are not in the borrowers' best long-term interests.

KEY LESSONS

The exercise drives home the realization that "risk-sharing"—which conceptually is a benefit to all members of a group—in fact draws most heavily on the resources of the most economically able and active to cushion the events in the lives of the most vulnerable. The exercise is particularly powerful in the HIV/AIDS context: its message becomes amplified as the number and magnitude of crises multiply.

Second, the lesson points out that HIV/AIDS introduces a level of uncertainty that did not exist before, where affected households may not understand their own vulnerability until they are in an advanced stage of the crisis. If a significant number of participants underestimate the risk and consequences of an event, the group structure eventually collapses or requires significant modification.

TIME REQUIREMENTS

The Simulation requires roughly one hour for introduction, play, and follow-up discussion. This is divided as follows: 35 minutes for the actual simulation; 25 minutes for the introduction and follow-up discussion.

PREPARATION

Each team has an envelope containing six confidential envelopes for team members. Each individual envelope contains the team member's identity and "script" for the four rounds, as well as the total amount of money the person will be able to pay or use during the simulation. Scripts and "money" sheets are attached for the facilitator to photocopy and distribute. The amount of money in for each player is described in Section VI.

The room should be set up to allow the teams to gather their chairs in small clusters. The facilitator will need a table at the front of the room for collecting money, watching the time, etc. Because the level of noise is significant, a microphone is a helpful addition. Likewise, a bell is a useful tool to signal time for payment.

SECTION II
BACKGROUND INFORMATION FOR THE FACILITATOR

This section begins by providing background on the role and limitations of mutual guarantees in microfinance. This is followed by a discussion of HIV/AIDS, which is the “context” for the simulation, and describes, in brief, the effects of HIV/AIDS on the microfinance client’s household. Both of these topics are critical for the facilitator to understand before embarking on the Simulation, as they provide the background for the events that transpire.

WHY USE MUTUAL GUARANTEES FOR MICROFINANCE?

One of the great innovations of microfinance is the system of mutual guarantees, as practiced in solidarity groups, and village or community banks. A mutual guarantee is where a group of individuals—typically ranging from 5 to 30 individuals—receive individual loans, but where all members of the group bear mutual responsibility to repay each others’ loans in case of default or delinquency.

This system of mutual guarantees has worked well for many poor households, allowing them to access financial resources without the burden of collateral. In its best form, the mutual guarantee system has also provided entrepreneurs with mutual support in times of unexpected crisis—where the group can informally cover an affected member’s obligations until she can recover.

But the primary beneficiaries of mutual guarantees have been the microfinance institutions themselves. Mutual guarantees reduce the risk facing microfinance institutions (MFIs) by shifting the risk not only onto the borrower, but also onto the borrower’s co-guarantors. Moreover, by tying repayment to access to future credit, MFIs provide the co-guarantors an incentive to “pay up” if a borrower falls short—in the interest of maintaining the group’s long-term access to credit.

Mutual guarantees also reduce MFIs’ costs of serving many clients with very small loans, by shifting the time-consuming task of due diligence from the lender onto the group. Because they will be assuming a mutual risk, group members have a strong incentive to examine the ability and willingness of co-borrowers’ to repay. In so doing, they weed out individuals perceived to be poor credit risks, and choose to collaborate with those who are better credit risks.

Overall, mutual guarantees have traditionally been seen as an acceptable cost to clients of gaining access to credit, and a critical component of risk management and financial sustainability for the MFI.

THE DOWN-SIDE OF MUTUAL GUARANTEES

What are the negative aspects of mutual guarantees? First, they are not a "first best" solution for borrowers. If given the option, borrowers would rather be responsible for their own debts only, not the debts of others. Moreover, the process of assessing others' credit-worthiness requires time and energy on the part of the borrower. This time and energy must be reinvested every time a group member drops out, as most MFIs require that group size remain relatively constant. All of these requirements translate into higher risk and higher cost to a borrower than would be assumed under an individual loan.

Second, mutual guarantees, by their nature, encourage groups to exclude the most vulnerable, and instead choose those with a certain level of financial security. This is a rational decision, which ensures that one's co-borrowers have sufficient assets or other sources of income to draw upon if their own business lags or if another group member defaults.

Third, mutual guarantees do not work well when large numbers of the community face similar risks. Agriculture is a classic example: if all borrowers are fully specialized in maize, and the maize crop fails, co-guarantors will not have the resources to cover for each other, and all will need assistance at the same time. Similar situations apply when other types of disasters strike: floods, earthquakes, civil unrest, or national economic or financial crises. In most of these cases, the disasters strike many or all borrowers in the same way at the same time: they are called "co-variant" events since the individual outcomes all vary in the same direction at the same time. Mutual guarantees are particularly vulnerable to these "co-variant" risks. When co-variant risks appear, MFIs have typically been required to reschedule all group members' loans until the crisis is passed, thereby eliminating payment requirements of co-guarantors that none can meet.

ENTER HIV/AIDS

Now comes a new sort of emergency: the human immunodeficiency virus, or HIV, which causes AIDS. As of December 2000, 36.1 million people were infected with HIV worldwide, and over 22 million had already died. The majority of the new infections—and the anticipated future infections—will be in poor communities in developing countries.

HIV/AIDS is different from other deadly diseases that continue to plague poor communities. First, It is largely invisible. Only 10% of all HIV cases are ever diagnosed. Moreover, HIV shows no symptoms for years, giving infected individuals ample opportunity to spread it unwittingly. This early dormancy allows it to spread from high-risk groups into the general population, where it is very difficult to stop. Two characteristics—its link to a basic human drive (sexual activity) and the overwhelming stigma attached to HIV and AIDS—make it particularly difficult to discuss HIV or to change behaviors. All of these characteristics combine to allow HIV to enter a community and spread widely before a community recognizes it for what it is, much less agrees to address it openly.

HIV/AIDS takes a tremendous economic and financial toll on affected households. Because of the slow, progressive nature of HIV and AIDS, households must invest heavily in medical services at the same time that productive adults have fallen ill. For this reason, the most vulnerable households are likely to enter a period of dis-saving, during which they reduce food consumption, liquidate assets, and may even withdraw children from school. Care for the sick or orphans means less time to do business; personal infection means bouts of illness, progressively less energy, and a gloomy long-term outlook for business continuity. *[An important note about the progression of HIV*: an HIV-positive person remains productive for several years after becoming infected. The longer the individual has access to nutritious food and medical care for secondary infections, the longer the person can remain productive. Therefore there is a strong rationale to keep infected individuals engaged in their productive work as long as they are able, if for no other reason than to extend the period before his/her children are orphaned. The practical implication for microfinance programs: it is neither necessary nor appropriate to exclude HIV-positive individuals from microfinance programs. Only at the point where an individual has symptoms of advanced HIV or AIDS does the person become unproductive at work and therefore a “poor risk” from the MFI’s perspective.]

In areas where the HIV-prevalence rate has passed 10%, the majority of households may eventually be affected by the disease: either they will have one or more family members sick with HIV/AIDS, or they will have experienced the death of a productive adult due to HIV/AIDS, or they will have absorbed orphans from other households where adults have died of AIDS. All of these events have significant consequences for households’ income flows, time allocation, and immediate financial priorities. For these reasons, microfinance programs need to consider the extent to which their clientele is “affected” by HIV/AIDS—a much larger segment than those “infected” with the disease.

Certain communities are particularly hit hard by HIV/AIDS, while others appear to have been spared. For hard-hit communities, HIV/AIDS acts like a “slow motion natural disaster”—gradually sweeping through and hitting nearly all households in some way. This is the type of emergency described above as hardest for mutual guarantee mechanisms to cope with: a “co-variant” disaster. Moreover, for a hard-hit community, this emergency is likely to remain longer than a flood, a financial crisis, or even a drought: it is likely to be part of the equation for 10-15 years.

SECTION III
RUNNING THE SIMULATION

This section provides two sets of guidance. First, it provides a step-by-step guide to the Facilitator's tasks, with time estimates for each activity. Second, it provides the Facilitator with a round-by-round description of the events that transpire in the Simulation, and the teams' likely responses.

FACILITATOR TASKS

The facilitator—who also plays the role of the "Credit Manager"—runs the simulation as follows:

1. Introduce and set up the Simulation:

Provide an introduction to the exercise (5 minutes) (see Section IV below)
Ensure that the group is divided into teams of six individuals (5 minutes)
Instruct each team to choose a credit officer (1 minute)
Introduce yourself as the "Credit Manager"—and remind them that you strictly require full, on-time repayment
Provide each team with a group envelope, within which are six individual envelopes, and ask them to distribute (with each reading his/her own envelope only) (2 minutes)

2. Strictly keep time for the Simulation:

After they receive their envelopes but before the simulation begins, allow the teams 5 minutes to get to know each other and build rapport.
Round 1: 3 minutes to play; 2 minutes to pay (5 minutes total)
Round 2: 3 minutes to play; 2 minutes to pay (5 minutes total)
Round 3: 5 minutes to play, 2 minutes to pay (7 minutes total)
Round 4: 5 minutes to play; 5-7 minutes to pay (12 minutes total)

3. Collect and COUNT the money delivered by each credit officer each round, ensuring that each team pays K.100 each round (K.20 per each borrower; 5 borrowers each).

If the credit officer does not have enough money, send him/her back to the group to collect it.
Insist that the group must find a solution that somehow makes up K.100 immediately.
If the group is ultimately unable to make the payment, decide on a penalty (such as collecting their coats, pencils, or other "collateral"—temporarily of course!).

4. Announce the end of the Simulation, thereby transforming back from Credit Manager to Facilitator.

5. Lead the post-Simulation Discussion (15 minutes) (see Section IV below)

WHAT IS ACTUALLY HAPPENING EACH ROUND?

The first round. In the first round, everybody pays on time. The credit officer collects K.100 from the group.

The second round. The second round will require a short discussion as the group decides what to do about the two borrowers (#2 and #3) who have temporary problems, creating a repayment short-fall. Luckily a departing borrower (#1) has paid in advance, so the groups will most likely use the advance to make up for the other two borrowers' short-fall. Again, the credit officer will be able to pay K.100 for the group.

The third round. In the third round, the group faces increasing difficulty. One borrower (#2) continues to be sick and pays even less than the previous round. Another borrower (#4) experiences a fire, completely destroying his business and inventory. He can only pay K.5. Because of the requirement for full, on-time repayment, the group must find a way to make the K.100 payment. While difficult, this is still possible due to the fact that other borrowers have extra cash in hand (should they be willing to share it). The problem is confounded by the fact that one borrower (#1) has temporarily left the group, so that the current problems must be resolved among a smaller group of 4 individuals.

The fourth round. The fourth round reveals the long-term, cumulative nature of HIV/AIDS pressure on the group. Borrower #1 is still absent. The sick borrower (#2) can no longer pay at all: she is officially in default. The borrower who experienced the fire (#4) can only partially repay what he owes. Even those with extra cash are unable to completely repay the group's obligation to the MFI. Despite the credit officer's insistence on on-time repayment, the group will find this very difficult: they have K.80 to make a K.100 payment. The group will need time to find another solution to this sobering reality.

Catholic Relief Services (CRS) staff used a modified version of the SUM Simulation at a training event. Participants described the process as:

- "Intense"
- "Very stressful"
- "Provoking"
- "Very evocative"
- "Very useful"

The game ends here.

SECTION IV
INTRODUCTION AND DISCUSSION QUESTIONS

This section provides basic points for the Facilitator to raise in introducing the Simulation, and in debriefing participants afterwards.

PRE-SIMULATION INTRODUCTION

The Facilitator may wish to begin by asking participants two identifying questions: (1) how many work in microfinance retail institutions? (2) how many come from programs that use a mutual guarantee system (including “solidarity group” or “village banking”, etc.)? The facilitator can then point out that this is the credit method under examination in the Simulation. The Facilitator should also make sure that the participants understand the four points below.

Point #1:

Often there are misconceptions about just how borrower groups deal with shocks, risk, and loss; HIV/AIDS is just one more crisis thrown into the mix of other challenges constantly faced by members. This Simulation is designed to help us sort out what our borrowers—and their borrower groups—are actually doing to respond to crises in general, and specifically when dealing with prolonged illness and death of family members.

Point #2:

When talking about HIV/AIDS and microfinance, there is much confusion between being “infected with HIV/AIDS” and being “affected by HIV/AIDS.” Before we embark on the Simulation, it is important to understand the difference.

Those who are HIV-positive are “HIV-infected.”

- They are unlikely to know that they are infected—only 10% find out that they have HIV.
- After becoming HIV-positive, they are productive in their homes and businesses for years. This means that being HIV-positive does not imply that an individual is a bad credit risk or no longer to run their business.
- We don’t really know how many people are HIV-positive in a given community, and it is not appropriate to find out, given the stigma attached to the disease.

We do know that while a small fraction of our clients are HIV-positive, many more may be dealing with HIV/AIDS in their extended family. We call these people “affected” (but not necessarily “infected”) by HIV/AIDS. Clients affected by HIV/AIDS may be:

- Caring for someone in their immediate or extended family who is chronically ill; sometimes even moving into the sick family member's home
- Taking on (or preparing to take on) additional children of relatives who have died or who are so ill that they can no longer care for them
- Contributing for medical or funeral expenses within the immediate and extended family, and in one's broader social network.
- Experiencing chronic periods of AIDS-related illnesses

The Simulation will show how being "affected" by HIV/AIDS causes significant setbacks to the borrower, and to the borrower's group.

Point #3:

Clients probably don't use different coping strategies for these shocks than they do from other shocks such as non-HIV-related illness, a family death, or a non-health crisis. But HIV/AIDS is different in that crises accumulate and go on and on. This is what makes HIV/AIDS particularly difficult, and particularly dangerous for microfinance, as you will see. [*Note:* The facilitator may wish to "table" this point until the post-simulation discussion. At the end of the simulation, the facilitator can review each of the crises, and say "Which of these events could be connected to HIV/AIDS—and how (if at all) does this differ from the usual crises facing clients?"]

Point #4:

This Simulation is—by design and necessity—very simplistic. We will all assume that:

- Borrowers only have a fixed amount of money to use for repayment: this is not their "loan money"—it is simply the money they have available from all household sources. (This is the amount of money players will find in their envelope.)
- The borrower cannot draw on savings. (Alternatively, assume that any savings are held in a compulsory account and the borrower does not have access to the money.)

A final note to participants before the Simulation begins: suggest that they find a name for their character, and "step into the character's shoes". Remind them to begin by sharing only their identify and background, not what will happen to them in the future.

POST-SIMULATION DISCUSSION QUESTIONS

After the Simulation, emotions may be running high—particularly for those who had "extra money" needed by the group. The Facilitator may ask them to begin by expressing their emotions. The questions below may help the participants to move from the exercise to its implications for microfinance:

- How did the borrower groups make up the shortfall in the final round?

- What do you think might happen during the next loan cycle (if the group continued)?
- How did those in crisis feel about not being able to meet their obligations?
- How did borrower groups cope with clients' crises? Is whose interest was it to support these coping strategies? Who benefited and who didn't? Who should be responsible for the debt—the MFI, the borrowers?
- Did members behave differently or make distinctions between the crises? Did the group see these as "HIV/AIDS crises" or as standard crises? If "HIV/AIDS," what did that distinction mean to group members?
- Do you believe that the Simulation reflects dynamics in your microfinance program?
- In what ways did groups manage increasing risks?
- What are some practical ways MFIs see to address this situation? *(Possible ideas/answers*: encouraging a family member to take over the member's business; taking turns running the business of someone in temporary trouble; looking for emergency assistance that might be available from other organizations; setting up emergency funds (loan insurance); setting up savings that would provide an extra cushion for emergencies.

Illustrative Comments from Observers and Participants

"A simple microfinance project became a perverse burden and additional pressure in a community already crippled by poverty and AIDS. It was the straw that broke the camel's back." (Gaye Burpee, CRS)

"The simulation was excellent…. It really drove home the importance of understanding what's happening in the individual lives of clients and in the internal dynamics of the borrower groups." (Chris Dunford, Freedom from Hunger)

SECTION V
POSSIBLE MODIFICATIONS AND EXTENSIONS

POSSIBLE MODIFICATIONS

Even when teaching the same lesson, all trainers modify a training product in some way to best fit his or her training style, the audience, or the context. Moreover, the game presented here simplifies financial decision-making and options of households dramatically—for example, by assuming no household savings. This section points to a few ideas on how the Simulation could be modified.

A simple modification is to make the currency reflect local units. Even more powerful, the borrowers may be given names and stories that reflect local customs and conditions. Catholic Relief Services (CRS) changed the names and stories to reflect local clients and their experiences. The Facilitator reported that it made the game "uncomfortably relevant to our country directors and staff" (Gaye Burpee, CRS, e-mail correspondence, 11/28/2000).

A more complex modification of increasing the number of borrowers in a group has been considered. Some participants suggested increasing the group size to reflect the structure of a Village Bank, which raises the team size from 5 to 25-30 borrowers. Such a change requires care in refining the mathematics of the simulation to ensure neither too much nor too little capital in the system, as well as significant additional time for each round.

POSSIBLE EXTENSIONS

The post-Simulation discussion often unearths excellent practical ideas for how MFIs can modify their methods or products to better deal with the increased risks and costs introduced by HIV/AIDS. As documented in a companion USAID training tool, the Simulation can be followed by a second exercise, in which participants take off their "borrower hats" and all become credit officers. Each credit officer has been deputized by the MFI's Executive Director to serve on a Task Force reviewing MFI policies, products, and client services in an HIV/AIDS environment. By changing perspective, and by immediately capturing and examining the ideas practical recommendations generated in the Simulation, this exercise ensures that the participants connect the lessons to programmatic implications.

SECTION VI
SIMULATION "HARDWARE": FOR PREPARATION OF THE SIMULATION

PREPARATION ON SIMULATION PACKETS FOR EACH TEAM AND PARTICIPANT

Each six-person team has a "team envelope," within which are six individual envelopes. Each individual envelope corresponds to one role in the simulation. Two items are included in each individual envelope: a description of their individual role, and a pre-determined amount of cash. The cash must reflect the denominations provided in the third column below.

Simulation Role	Envelope Includes:	Denominations of Cash In Envelope:
Borrower 1	Description of Borrower #1's Role; K.80	4 K.20 bills
Borrower 2	Description of Borrower #2's Role; K.35	1 K.20 bill 1 K.10 bill 1 K.5 bill
Borrower 3	Description of Borrower #3's Role; K.100	3 K.20 bills 4 K.10 bills
Borrower 4	Description of Borrower #4's Role; K.65	3 K.20 bills 1 K.5 bill
Borrower 5	Description of Borrower #5's Role; K.100	4 K.20 bills 2 K.10 bills
Credit Officer	Description of Credit Officer's Role; No money	Not applicable

In sum, for each team involved in the simulation, you will need the following supplies:

- 1 team envelope (large enough to hold the 6 individual envelops)
- 6 individual envelopes
- 6 individual role descriptions
- 15 K.20 bills
- K.10 bills
- K. 5 bills

Use the ***Cash Templates*** on the following pages to make sufficient bills to serve as many teams as are playing.

Use the ***Role Descriptions*** on the subsequent pages to provide each player with a description of his/her role.

20	20
20	20
20	20
20	20

10	10
10	10
10	10
10	10

5	5
5	5
5	5
5	5

Borrower #1

Who are you??

You are a micro entrepreneur who is well respected in your community. You are part of a large, tightly knit, extended family. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Your role is that of a borrower who decides to drop out after the second round, however you want to honor your obligation and pay off your debt. You are dropping out because your brother just died and you need to travel to his town, make arrangements for his children and attend the funeral. You plan on being back for the next loan cycle. Your **MONEY**: You have four notes each worth K.20.

Round One:

You face no unusual circumstances. You can pay K.20 with no problems.

Round Two:

You break the news to the group that you have to drop out. You've already paid K.20 and know that you still owe K.60. So you pay K.40 this round and you promise that one of your relatives will deliver the last K.20 next round. You then leave the group and remain an observer for the rest of the simulation.

Round Three:

Your relative brings the last payment of K.20.

Borrower #2

Who are you??

You are an entrepreneur who was recently widowed. You have a reputation as a hard worker who meets her responsibilities. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Over the last few months, your health has not been the best. Your will fall ill between the 1st and 2nd rounds. You have not been able to spend much time at your business and you begin to have problems repaying at the second round. These problems become more acute as time passes. Your **MONEY**: You have three notes: a K.20, a K.10 and a K.5.

Round One:

You pay K.20.

Round Two:

You attend the meeting and announce that you can only pay K.10. (You have one note of K.5 left, but you cannot use that until the third round). You explain that you haven't been feeling well and couldn't attend to your business. You are sure that you will be better by next time and ask for a second chance.

Round Three:

Things did not get better and you are only able to pay K.5. You don't know what more you can do, you really don't have the money.

Round Four:

You are too ill to go to the meeting. And you still don't have the money.

Borrower #3

Who are you??

You are a busy woman entrepreneur. You and your husband have several children and you each come from large extended families. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Your role in the group is that of a borrower who suddenly has to cope with one of your sister's four children. She is near death and can no longer care for them; you have agreed to take them in. This will cause a temporary setback to your business while you divert your time to establishing the new children into your household. But you are a very good businesswoman and you are able to recover quickly. Your **MONEY**: You have three notes of K.20, and four notes of K.10.

Round One:

You pay K.20 with no problem.

Round Two:

You explain that you had a surprise visit from your sisters' four children. She is too sick to care for them, so you are doing so. You were a bit overwhelmed with getting them settled and can only pay K.10 this round. But you promise to be up to date the next round.

Round Three:

During the third round, you are able to recoup and make the normal K.20 payment plus the plus the K.10 you should've paid during Round 2.

Round Four:

Round four finds you back on track. You pay your K.20.

Borrower #4

Who are you??

You have been in the general store business for 10 years. The loans you've been receiving and paying back on time have allowed you to expand your store. You now carry paraffin and large drums of cooking oil. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: Although all is well in Rounds 1 and 2, you will experience a temporary crisis in Round 3. Your **MONEY**: you have three notes of K.20 and one note of K.5.

Round One:

You pay K.20 with no problems

Round Two:

You pay K.20 again with no problems.

Round Three:

This time you explain to you group the sad news that your shop was burned to the ground. Some one must have tried to break in and knocked over the paraffin. You do have enough to pay K.5. You know you will be able to recover, but it really is a disaster. Since you are a good member with no problems otherwise you ask for understanding and help.

Round Four:

You are able to pay K.20, but still owe K.15 from last round. You explain that you have gotten some help and will be back on your feet in no time.

Borrower #5

Who are you??

You have the most business experience in your group. The others often ask you for advice, and you are known for being a helpful person when other need it. Like the other members of your solidarity group, you owe a total of K.80, due in four installments of K.20 each.

Your secret: You will not experience any crises during the four rounds. Your **MONEY**: You get four K.20s and 2 K.10s.

Round One through Four:

You pay K.20 each time. You have an extra two notes of K.10.

Credit Officer

Your role is to make sure there is on time payment. You also make sure the full amount is paid.

You have a good relationship with your members; there is mutual self-respect. You often give advice to your members.

You know that everyone is hard working, but life is hard and there are set backs. However, microfinance is not charity and the loans still have to be paid on time or there will be no future access to credit.