



**ECONOMIC
EMPOWERMENT**

RECOVERY LENDING
FOR RESILIENCE

Prepared May 2020



ECONOMIC EMPOWERMENT

Project summary

The COVID-19 pandemic is causing massive economic disruption around the world, especially harming the extreme poor served by World Vision. Small farms and businesses face disrupted markets for their products and services, reduced buying power by their customers, and business havoc caused by restrictions on movement. World Vision will provide a financial lifeline through recovery loans, enabling farmers and entrepreneurs to recapitalize and get back to business quickly as restrictions are lifted. We seek \$55 million for our Recovering Lending for Resilience project over the next three years. We expect to leverage this by nearly \$95 million in concessional loans from international lending institutions and government. The project will provide recovery loans to over 700,000 people (78% women) per year and benefit over 2.7 million children to help families regain their livelihoods and be more resilient.



RESTARTING LIVELIHOODS AND RAISING RESILIENCY

Methods to slow the spread of COVID-19—shuttering businesses and restricting gatherings and free movement of people—are also crippling the farms and businesses of the vulnerable poor. Many are consuming their limited cash savings just to buy food and other essentials; some have even begun selling farm and business assets. They are forced to mortgage their future to survive in the present. For many people who already lived mostly from hand to mouth, the crisis is devastating.

Those whom World Vision serves desperately need rapid recapitalization—to get working capital loans into their farms and businesses—so they can restart or revamp their businesses after the restrictions are lifted. We have strong expertise in this type of “recovery lending,” which quickly stabilizes small farms and businesses. It reinvigorates local economies by reigniting both supply and demand as businesses and families recover economically. It also gives small businesses the ability to take advantage of emerging opportunities, like sewing face masks and protective clothing.

Restored income will help families feed themselves and eat more nutritiously. They can continue their children’s education and gain access to clean water and sanitation, improved healthcare, and higher-quality homes. They can build cash reserves for future needs, making themselves more resilient and less likely to slide back into extreme poverty.

To meet these urgent needs, World Vision expects to make 2.1 million recovery loans over the next three years to more than 700,000 people, including 545,000 women. Through leveraging donations with commercial lenders, we

VISIONFUND: THE POWER OF MICROFINANCE

VisionFund, World Vision's financial services provider, operates microfinance institutions in 28 countries where poverty is deeply rooted. The global network currently supports 1.1 million clients, many in hard-to-reach places in Africa, Asia, Eastern Europe, and Latin America. Women—often both the breadwinners and caregivers in their families—make up 71% of clients. The loan repayment rate globally for VisionFund is 97%.

SAVINGS GROUPS PLAY KEY ROLE

A savings group is a voluntary group of people, predominantly women, who save together in a safe and convenient way. Savings groups—World Vision's model is called Savings for Transformation—are resilient and resourceful. Accumulated savings can be loaned to members to start or sustain businesses, among other purposes. In local responses to a crisis, savings groups are often at the frontlines.

expect to deploy more than \$170 million. The project targets rural farmers and small businesses, urban microbusinesses, and savings groups, recapitalizing group members who have depleted their savings to help them reignite their livelihoods.

We will bolster our ability to lend in the remotest places with reduced costs by accelerating our investment in critical technology. To build resilience beyond financial well-being, we also will train staff on Empowered Worldview. Staff will in turn train clients to gain a mindset of empowerment and a spiritual foundation of resilience.

LENDING THROUGH THROUGH VISIONFUND

Loans will be made through VisionFund, World Vision's global network of microfinance institutions (see top left column), which has strong experience in recovery lending. This includes large-scale responses in the Philippines after Typhoon Haiyan, and in Southern and Eastern Africa after an El Niño's droughts and floods wiped out farming.

To assist clients in the current crisis, VisionFund has rescheduled the loans of many who cannot afford to repay at this time. Many governments are requiring microfinance lenders to suspend normal debt collection. While loan rescheduling gives clients breathing room, it does not mean small farms and businesses will have the money to restart when COVID-19 restrictions on movement and business end. Farmers may need funds to buy seeds so they do not miss the next growing season. A restaurant or food provider may need funds to buy supplies to reopen and prepare meals or snacks. A tailor may have consumed her working capital and need funds to buy fabric to meet customer demand for finished clothing.

RECAPITALIZING/TURBOCHARGING SAVINGS GROUPS

The savings group model (see left column) encourages the extreme poor to save money together and also to lend to group members, helping to get business ideas off the ground or help existing businesses grow. World Vision currently has 1.3 million people participating in savings groups. As farms and businesses struggle during the pandemic, members are drawing down their savings to pay for daily essentials. This has the unintended effect of stopping a savings group from being able to offer its members loans from the pool of savings.

We will recapitalize these depleted funds, with our goal to provide over \$20 million in loans to savings groups. This will make the groups—a crucial economic engine for the most vulnerable—a major part of our recovery lending program. This will allow group members' businesses to flourish, and new savings to recapitalize the funds depleted during the pandemic. With the

A WORLDVIEW OF EMPOWERMENT

Under World Vision's Empowered Worldview model, participants gain a worldview of empowerment—one in which they know they are valued by God and can play a powerful role in deciding their own futures.

Empowered Worldview seeks to break people's dependency on appeasing the spirits of their ancestors or locality, or dependency on government or humanitarian organizations. The training helps participants gain an understanding of being image-bearers of God, endowed with creativity, initiative, power, freedom, and responsibility.



demand for capital often exceeding the money saved by group members even before the current crisis, recovery loans will fill a pressing need and build resilience.

Over a number of years in Rwanda and northern Uganda, VisionFund has found that lending to savings groups is very effective in turbocharging them. By lending to a group based on its total savings of the prior year, VisionFund incentivizes even more saving by the group, which further improves capital formation. This builds individual, group, and community well-being. Additionally, with more money for lending, the small businesses the group members manage can grow and improve even faster.

INVESTING IN DIGITAL AND MOBILE TECHNOLOGIES

To reduce face-to-face meetings and lending costs, the project will accelerate our ongoing investment in digital and mobile technologies. The current crisis has shown how vital it is to move to a cashless, mobile money and mobile data collection environment. We will focus on installing low-cost customer relationship management systems to enable VisionFund staff to remotely track customer interactions and transactions, as well as fully rolling out mobile money in all countries where our microfinance institutions operate. These actions will reduce VisionFund's cost of lending operations and extend our reach to areas currently too remote to serve.

SHIFTING TO AN EMPOWERED WORLDVIEW

While healthy finances and a sound way of making money are important to a family's resilience, World Vision has learned that having a worldview of empowerment is critical to both moving out of extreme poverty and staying out. Because of this, the project will train all 7,400 VisionFund staff in Empowered Worldview (see left column). Staff will then train clients to promote a shift in mindset from dependency to empowerment and resiliency. Among other things, this mindset shift helps them see they have the ability to take action to influence their financial and social circumstances, whether through farming, operating a small business, or other entrepreneurial endeavors. The training is especially pertinent for clients in a time of uncertainty caused by the pandemic.

TARGETING THREE CATEGORIES

We expect the project to lend more than \$110 million to over 700,000 people in three categories, including at least:

- 425,000 people in savings groups (80% women), with an average loan of \$33

THE WORK OF WORLD VISION

Recovery Lending for Resilience is part of the work of World Vision, which extends far beyond financial services. We help those in extreme poverty to increase their incomes and become more resilient not only through microfinance, savings groups, and Empowered Worldview training, but also through crop diversification, market-based farming, natural resource management, and disaster preparedness and response. In Malawi, 80% of farmers lived below the poverty line at the start of an economic empowerment project; by midterm, the average participant's income had more than doubled and risen above the poverty line. In Zambia, 95% of participants in our economic empowerment work report having savings available for emergencies.

- 170,000 smallholder farmers and other rural small business operators (70% women), with an average loan of approximately \$375
- 115,000 urban small business operators (70% women), with an average loan of approximately \$325

MAKING A DIFFERENCE TOGETHER

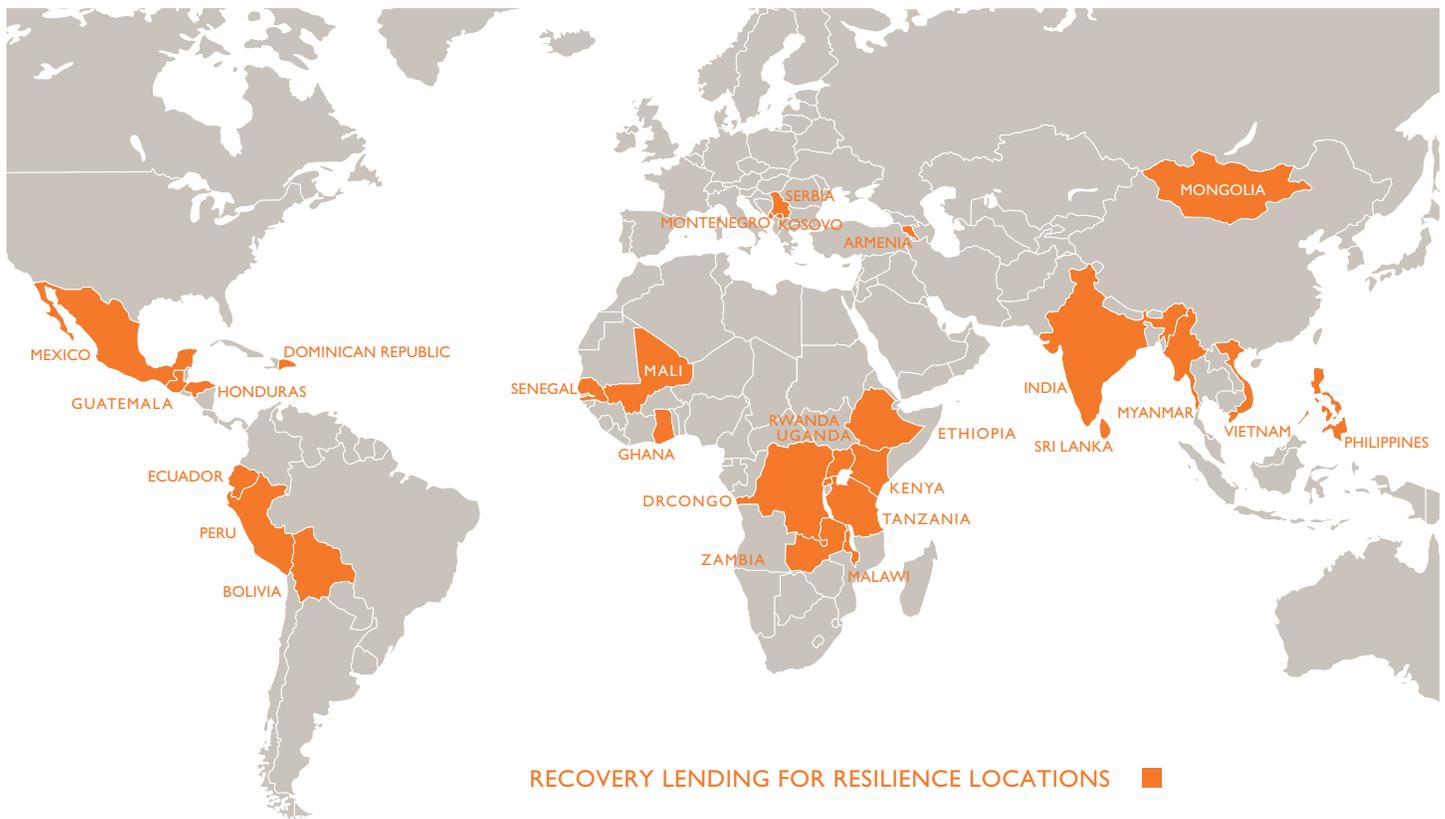
We welcome your partnership as we seek to empower families to move out of extreme poverty—and prevent families from falling back into it—by providing access to recovery loans. By investing in this recovery lending project, you can help restore and stabilize the livelihoods of people who are among the most vulnerable in the world. With their family farms and businesses stabilized, their children's well-being and future will be brighter.



BUDGET

Category	Amount
Recovery lending for savings groups	\$ 19,014,449
Recovery lending for small farms and businesses	\$ 17,500,000
Empowered Worldview training	\$ 2,599,150
Digital data and mobile banking	\$ 6,250,800
Global technical support; monitoring and evaluation	\$ 1,562,921
<i>Total direct costs</i>	<i>\$ 46,927,320</i>
Management and fundraising	\$ 6,820,000
Quality assurance	\$ 1,252,680
TOTAL	\$ 55,000,000

VISIONFUND OPERATING MAP



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worldvisionphilanthropy.org



World Vision is a Christian humanitarian organization dedicated to working with children, families, and their communities worldwide to reach their full potential by tackling the causes of poverty and injustice. World Vision serves all people, regardless of religion, race, ethnicity, or gender.