



MICRO RAINBOW  
INTERNATIONAL

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# Lessons Learned

Engaging Micro Finance Institutions with LGBTI  
Communities: A Practical Guide Based on Micro  
Rainbow International's Experience in Cambodia

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## **SUMMARY**

This narrative is an account of Micro Rainbow International's experience in designing and delivering financial inclusion programmes for LGBTI people in Cambodia. It is based on the knowledge that the MRI team gained in the field and on a consultation with some LGBTI people who accessed micro-credit through MRI. It is not meant to be an academic report.

## BACKGROUND

Poverty affects every vulnerable group in society but there are unique issues to consider when devising poverty reduction programmes for LGBTI people.

In countries where poverty is widespread, access to formal credit is key to give LGBTI people an opportunity to step out of poverty. Access to formal credit can be used not only to set up an income-generating activity but also to pay for healthcare or education, which are often not free. This access to credit could help LGBTI to step out of poverty, and to stay out of it. For example, if LGBTI can stay healthy they are more likely to be able to work. These are two important dimensions of poverty. **LGBTI people often lack access to credit.**

MRI's work in Cambodia has exposed a stark situation: when LGBTI people try to access formal credit, they are rejected. They are rejected not only because financial institutions might discriminate against them because of their sexuality, gender identity or intersex status but also because LGBTI people are technically **"un-bankable"**.

They are "un-bankable" because:

- **LGBTI PEOPLE FACE FAMILY REJECTION AND COMMUNITY DISCRIMINATION**

For example, Daro is a trans person from Cambodia. He was rejected by his family and became homeless when he was a teenager. He was living on less than a dollar a day and he wanted to set up a food stall in the market to increase his income. Daro needed \$300 to start his new income-generating activity. However, when MRI helped him to access micro-credit he was rejected because **he did not have a guarantor**. Being LGBTI often means being isolated. In countries where communities and families are key social safety nets, they are not available to LGBTI people. Daro did not have a guarantor because his family rejected him and the community did not support him because he is trans. The few friends he had were also trans who were not accepted by the MFI.

- **LGBTI PEOPLE CAN BE EXTREMELY POOR AND HAVE NO ASSETS**

Family and community rejection has additional consequences. It makes LGBTI people homeless and ill. It also means a lot of LGBTI people drop out of school without qualifications. This often results in LGBTI people being so poor that they are not able to accumulate savings or assets. Continuing with the example of Daro, he hadn't accumulated any assets (for example a motorbike, or a piece of land) and he did not have any guarantee to offer the MFI when he asked for a micro-loan.

- **LGBTI PEOPLE RARELY HAVE OFFICIAL IDENTITY DOCUMENTS**

In Cambodia, many LGBTI people do not have a family book<sup>1</sup>, a birth certificate, or an identity card because of family rejection and discrimination. LGBTI people frequently migrate to work in the town or city without these official ID documents after their family has rejected them. Most MFIs need all three documents (a family book, a birth certificate, and an identity card) to agree to a micro-loan. For example, Sreyaun was rejected by the MFI when she did not have her family book and her birth certificate. This is a very practical and serious obstacle to the financial inclusion of LGBTI people.

- **LGBTI HAVE TOO MANY DEBTS FROM LOAN SHARKS**

This might be the case for other vulnerable groups as well and it is certainly a very common problem within the LGBTI community in Cambodia. LGBTI people start borrowing money from street lenders from the moment they are rejected by their families and communities. This is exacerbated by the fact that they don't have many other choices, like accessing credit from financial institutions.

In the case of Daro he borrowed money from street lenders from a young age to survive and to pay for his HIV treatment. When MRI approached the MFI to find a way to support him, they rejected him because of the amount of debts he already had.

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<sup>1</sup> Family books are important government documentation used by Cambodians to apply for a wide array of government services such as birth certificates, passports and driving licences.

Daro was financially excluded because:

- He didn't have a **guarantor** => due to family/community rejection on LGBTI grounds
- He didn't have a **guarantee** => due to family/community rejection and financial exclusion
- He had too many **debts** => due to family/community rejection and financial exclusion

A guarantee, guarantor and lack of other debts are common requirements to access formal credit which many LGBTI people like Daro do not have. These are three of the main factors that exclude LGBTI people from the formal financial market and keep them poor.

Despite the challenges highlighted above, since 2013 MRI has helped dozens of LGBTI people improve their access to micro-finance to set up income-generating activities. In those cases MRI has found that:

- When LGBTI people set up a small business their status in their communities increases: they can go from rejection to inclusion. For example, Sophea is a transwoman who used to be harassed and sometimes attacked. After starting her small business, the violence and harassment from the community decreased and eventually stopped. She now feels fully part of her community;
- Family members who previously rejected their LGBTI member reconsider their position and include LGBTI people back in the family. In Cambodia people believe that if you are LGBTI you are not going to succeed in life. When LGBTI people manage to succeed, families reconsider their views. They do so also because LGBTI people can provide financial support. MRI believes that regardless of the motivation that leads to LGBTI people's inclusion back into the family unit, such inclusion is powerful in changing social attitudes.
- In MRI's experience the more LGBTI people step out of poverty the more they become new and positive role models that challenge negative stereotypes. Some become activists and speak on the radio or TV about how rejection and financial exclusion affected them.

As explained above, family and community rejection are often the starting point for LGBTI people to become destitute. It prevents them from gaining qualifications, accessing healthcare and employment. In MRI's experience, and as in the case of Sophea, financial inclusion can reverse this negative cycle of rejection.

MRI believes that poverty reduction programmes can offer new and important entry points to LGBTI inclusion. 20 top tips in engaging with MFIs and supporting LGBTI people to access micro-credit programmes.

# 20 TOP TIPS IN ENGAGING WITH MFIS AND SUPPORTING LGBTI PEOPLE TO ACCESS MICRO-CREDIT PROGRAMMES

## **TIP #1 CHOOSE YOUR MFI PARTNER CAREFULLY**

In selecting the MFI to partner with, we consulted and met with about 10. We found that there are three main categories of MFI:

- Those who are interested in our work and committed to our cause
- Those who are interested only in the profit and would work with you just because you bring new clients
- Those who are clearly neither interested nor supportive.

You want to be able to choose from group one, but there are other elements you may have to consider (see tip #2 for example) and you might not be able to rule out those in group 2.

## **TIP #2 CONSIDER YOUR GEOGRAPHICAL AREA OF OPERATION**

MFIs often have strict rules about the geographical areas in which they can operate. You may want to look for MFIs who have country-wide coverage to help with reaching more LGBTI people or an MFI that is local to you and your beneficiaries. Knowing the geographical area you want to cover will help with selecting the right MFI for your organisation. For example, Micro Rainbow wanted to support LGBTI beneficiaries in a rural area called Takeo. However, they were located more than 30 km from the nearest MFI office. They were too far away and our partner MFI could not help them.

## **TIP #3 PERSUADE THE MFI TO AGREE TO RECEIVE LGBTI TRAINING**

It is likely that the MFI you select won't have much knowledge of LGBTI issues. For example their staff might not know what language to use or they might not know the issues trans people face. You may want to offer LGBTI training to the MFI staff or make it a condition of your partnership. This might give you an indication of their commitment.

## **TIP #4 CHECK IF THE MFI ALREADY SUPPORTS OTHER VULNERABLE GROUPS**

It might be useful to find out if there are MFIs already supporting other vulnerable groups such as people with disabilities or sex workers. If there are, they might be your first option as they are more likely to understand the struggles that LGBTI people face. Some of those struggles are common to other vulnerable group (e.g. rejection of people with disabilities).

## **TIP #5 ASK THE MFI TO OFFER ADDITIONAL SERVICES AND TRAINING**

It might be helpful to find out if the MFI can commit to help LGBTI clients not only with financial resources but also with training. For example, MRI organises monthly training sessions for beneficiaries. At this training MRI asks the MFI staff to provide information on various topics including how to save, or managing expenses.

## **TIP #6 ASK YOUR BENEFICIARIES TO OPEN A SAVING ACCOUNT**

When LGBTI people access a micro-loan to open a small income-generating activity they commit to repaying it over a period of time. Through their new small business they are likely to generate a surplus, even if small, that they can save. Savings are critical in helping them in the future when something happens, for example they get sick. Savings will help them to stay up-to-date with repayments and avoid late payment penalties. However, LGBTI borrowers have reported that MFIs charge them to transfer funds to their savings account. These charges could be challenged, and the MFI should be asked not to apply them.

## **TIP #7 WATCH OUT FOR CORRUPTION**

This is a difficult matter to assess. The best you can do is to thoroughly research the MFI you select including their history. Look for news or online sources that might expose episodes of corruption. If you have friends who used it, ask for their opinion. Check their financial health. MRI asked someone senior in banking to run those checks.

## **TIP #8 DISCUSS INTEREST RATES AND CHARGES**

Some MFIs mask extortionate interest rates with a series of other charges. Prepare yourself for this conversation or bring someone with experience. Your country might have an interest cap or there might be government regulations that the MFI needs to respect. You want to negotiate the lowest interest rate and charges possible. In Cambodia for example, MFIs cannot charge more than 1.5% interest a month.

## **TIP #9 ASK FOR A MONTHLY REPORT**

Ask the MFI to send you a monthly report on progress/issues/default of your group of beneficiaries. This report will help you to provide extra support to those beneficiaries who are struggling and to find solutions to the issues they are facing. Being informed promptly is key to avoiding beneficiaries falling behind with payments.

## **TIP #10 NEGOTIATE THE ID DOCUMENTS REQUIRED FOR CREDIT**

Most MFIs require borrowers to present their ID Card (or Passport or Residency Certificate) and a Birth Certificate and a Family Book. In MRI's experience in Cambodia, usually MFIs reject people who cannot show these documents. However, LGBTI people who have been rejected by their families may not have a family book or a birth certificate. Their families would not give it to them. This means that you may need to agree with the MFI for LGBTI to present other documents, such as utility bills.

## **TIP #11 CHECK THE APPLICATION PROCESS**

MFIs have different processes for assessing potential borrowers, and some are more efficient than others. For example, in MRI's experience the most efficient process is when the MFI makes a visit to the client's business or house and assesses them before they ask the potential borrower to go to the branch to present their idea. In this way, those potential borrowers who are not suitable for credit are identified and informed more quickly. In the past LGBTI borrowers said that it took too long from the time they were assessed to the time they were approved and this process could speed things up.

## **TIP #12 CHALLENGE THE AGE LIMIT**

Many MFIs have an age limit of 60 years old for people to be eligible to apply for a micro-loan. However, in countries where there isn't a social security system, older LGBTI people are often the poorest and the ones in most need. They have experienced a life of poverty and discrimination which has not allowed them to save for their older age.

## **TIP #13 ENGAGE THE MFI STAFF, MAKE ALLIES INSIDE THE ORGANISATION**

In MRI's experience building strong relationships with some MFI employees is important for several reasons. For example, having people inside the organisation championing the work is very powerful in ensuring that people take the work seriously, that new staff are properly briefed about the work and that our terms of reference are respected.

## **TIP #14 DISCUSS THE GUARANTOR AND GUARANTEE REQUIREMENTS**

This can be one of the most difficult points to overcome. Many MFIs require borrowers to offer a guarantee and/or a guarantor. As explained above, both requirements are often difficult for LGBTI to meet because of the rejection they have experienced. You may want to engage MFIs on this point early on in your discussions to explore alternatives to ensure the financial inclusion of LGBTI borrowers. You may also want to explore what your organisation can do given the context you operate in.

## **TIP #15 BE AWARE OF MIGRATION PATTERNS**

Seasonal migration is often a big issue when accessing micro-finance products. If LGBTI people access a micro-loan and then migrate for a season or more, they may not pay their loan back and default. This might prevent them from accessing micro-loans in the future. In Cambodia there is a national register where people who default are listed so that MFIs are aware and won't lend to them. Ask your beneficiaries to be honest and make them aware of the risks.

## **TIP #16 CHECK DEBTS TO OTHER PEOPLE**

In MRI's experience LGBTI can have accumulated a lot of debt from street lenders. They often pay extortionate interest rates which don't allow them to save or to have enough money at the end of the month to improve their livelihoods. MFIs usually do not lend to people who have lots of debts already. However, these loans are not official and you are relying on the LGBTI borrower to disclose them. They may not tell you for fear of not receiving the new loan from the MFI. However, there is no point trying to hide this reality. Without proper planning, the additional loan could make the LGBTI borrower even poorer. Instead, be open and forthcoming about it and discuss options with the borrower and the MFI.

## **TIP #17 CONSIDER THE "LGBTI" RISKS OF STARTING A SMALL INCOME-GENERATING ACTIVITY**

When supporting LGBTI borrowers in setting up their income-generating activities you may want them to think of the additional risks they face because they are LGBTI. For example, MRI supported a gay man to set up a food stall in front of his house. However, after a few months, his landlord found out that he was gay and evicted him. That meant that he could not run his business in front of his house anymore and he went several days without working and without income until he found a new place to live. It had a terrible impact on his ability to continue with his small business. To the most vulnerable people, an incident like this could be so serious as to mean the difference between succeeding or failing, between stepping out of poverty or becoming even poorer. These risks vary according to where you operate.

## **TIP #18 TACKLE FAMILY REJECTION WITH TRANS BORROWERS**

It has become clear to MRI that some trans people use the money they receive from the MFI, which is meant to be used to set up an income-generating activity, to send it to their families. They do so in the hope of getting acceptance. This could be very dangerous for them and make them poorer. Be open and forthright about this and discuss the situation with the trans borrowers before they receive the micro-loan. They might realise that if they wait a few months after starting the small business, they will be in a better position to send money back home and they might be better off themselves. Planning and honest discussions are key to succeeding in supporting LGBTI borrowers.

## **TIP #19 PROVIDE COACHING AND TRAINING**

As an organisation, you may want to think about how you can support LGBTI borrowers throughout the process. In MRI's experience, LGBTI borrowers need mentoring and coaching before they apply to the MFI (e.g. in defining their business ideas or in doing marketing research), during the application process (e.g. advocacy around ID documents or their guarantee) and after the micro-loan is paid (e.g. mentoring on how to overcome the challenges they are facing). Beneficiaries have also told MRI that they would like to receive vocational training to increase their skills. You may want to include this work in your organisational planning if you embark into this field.

## **TIP #20 RUN MONTHLY PEER SUPPORT GROUP MEETINGS**

MRI organises monthly meetings where small business owners who have accessed a micro-loan share their experience with new potential LGBTI borrowers. It is also an opportunity for those who have a micro-loan to discuss the challenges they have and support each other. These are practical peer support sessions that beneficiaries find very useful and do not require a lot of resources. You may want to include this work in your organisational planning if you embark into this field.

## **CONTACT DETAILS OF THE ORGANISATION**

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5. Working with buddy groups in Zimbabwe
4. 'MAN TO MAN', a joint approach on sexual health of MSM in the Netherlands via the Internet
3. Lessons learned from project "Visual information on sexual health and the exercise of citizenship by the GLBTI beneficiaries of the Organization in Quito, Ecuador".
2. Coffee afternoons: Prevention Project aimed at young gay men from Tegucigalpa (Honduras)
1. Womyn2Womyn (W2W) quarterly open day, for lesbian and bisexual (LB) women at the Prism Lifestyle Centre in Hatfield, Pretoria (South Africa)