

Delivering the “fashionable”
[inclusive microfinance] with an
“unfashionable” [poverty] focus:
Experiences of Brac

Imran Matin
Research and Evaluation Division
Brac

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Who needs ‘poverty focus’ when we can have ‘inclusiveness’?

By poverty focus I mean a focus through which the service provider...

- Challenges itself to *develop and scale up* mechanisms that can include clients poorer than it has been able to reach [strategic linkage between subsidies and credit to create opportunity ladders—smart subsidies: IGVGD, CFPR/TUP]
- Challenges itself to *develop and scale up* products that target constraints that reproduce poverty [Health shocks, Covariate shocks]
- Challenges itself to critically explore wider impacts on poverty of its services to the non-poor [MSE financing impact on labour market]
- Commits to be serious about assessing and improving its delivery on these challenges

Who needs 'poverty focus' when we can have 'inclusiveness'?

- ▶▶ Inclusiveness is a very attractive term which is value-free and neutral..... thus can be deceptive and dangerous...
- ▶▶ It frees the burden of weighing priorities... poverty focus is included without any strategic bite or any special place in agenda setting....it is just another way of being 'inclusive' ...
- ▶▶ Yet, we can be inclusive in terms of approaches, models and actors in the landscape while keeping our focus on delivering much more seriously on poverty alleviation

Poverty Focus: Some Bangladeshi Facts

- ▶▶ Bangladesh is home to microfinance with serious scale---- over 11 million clients.
- ▶▶ A recent estimate using PWR exercises by Brac's RED suggests that about 15% of the microfinance clients are 'extreme poor'.
- ▶▶ Other estimates suggest that another 15% comes from just above the poverty line. The remaining 70% are moderate poor.

Poverty Focus: Some Bangladeshi Facts

- ▶▶ Over time, it appears that the microfinance industry in Bangladesh has become more poverty focused.
- ▶▶ Studies even in the early to mid nineties cautioned that the 'extreme poor' were largely bypassed (less than 5% of clients were found to be extreme poor).
- ▶▶ There are a number of possible factors contributing towards a greater poverty focus of the Bangladesh microfinance industry....

Poverty Focus: Some Bangladeshi Facts

- ▶▶ Serious scale up began in the mid 90s with PKSF financing.... Earlier estimates of poverty outreach mostly captured 'impacts' rather than fresh entry...
- ▶▶ PKSF financing allowed small and medium NGO/MFIs to scale up.... These players tend to work in poorer areas with poorer people.
- ▶▶ The media played a critical role in reminding the NGO/MFIs of their social mission...

Poverty Focus: Some Bangladeshi Facts

In recent times, most major MFIs have taken serious steps to deepen their poverty outreach...

- Grameen Bank's "Struggling members' programme"
- ASA's "hardcore poor programme"
- Buro Tangail's "hardcore poor pilot"
- PKSF's "Financial Service for the Poorest" programme
- Brac's IGVGD (since 1985) and CFPR/TUP (since 2002)
- Creation of a network dedicated to programmes for the extreme poor, "Network for Alternative Development of the Extreme Poor" (NADEP)

Brac:

Delivering Inclusive Microfinance with a Poverty Focus---- Getting the Analysis Right

- ▶▶ Extreme poverty is not just more severe form of moderate poverty... it is a structural break... a trap...a complex knot...
- ▶▶ A trap is different from a single dimension vicious cycle (low savings, low investment, low income type)....
- ▶▶ For the extreme poor, initial endowments in several spaces (nutrition, assets, demographic resources, social capital, voice and representation) are below critical thresholds...
- ▶▶ Frustrating or making it prohibitively expensive and risky for the extreme poor to undertake actions that take it to a accumulative trajectory.

The search for strategic entry points

- ▶▶ The extreme poor desperately ‘need a break’... ‘a cushion’... ‘a window of opportunity’ that provides security over some critical dimensions that trap them....
- ▶▶ Food is one such critical dimension...asset is another....
- ▶▶ Yet, conscious, well thought out processes and strategies need to be developed *alongside* that will gradually allow them to build up resources for attacking other critical dimensions of the trap...
- ▶▶ Otherwise, food or asset subsidies will fail to go far enough....
- ▶▶ This is where microfinance comes in....*not after... but alongside....*

From Just Feeding the Vulnerable and Forgetting About It....

- ▶▶ During the mid 80s, as Brac was working on making its microfinance more structured, standardized and scaled up, it realized that these changes may be excluding the extreme poor...
- ▶▶ Brac was looking for some other route to be inclusive with a poverty focus....
- ▶▶ The GoB and WFP had a country wide food safety net programme, called Vulnerable Group Feeding Programme (VGF) in which very poor women were provided with a monthly food ration for 2 years...

.....To Investing In Building Sustainable Livelihoods

- ▶▶ Studies found that not much improvements sustained after the food aid period was over....
- ▶▶ Brac decided to run a pilot where during the two year food aid period, Brac provided some simple income generation skills training, mobilized savings, formed groups, and provided small amounts of credit to these women....
- ▶▶ The initial results suggested that these women managed to build assets at least up to the value of the food aid transfer after the food aid period was over...

The pilot that transformed a food aid programme....

- »» Since the early 90s, the pilot developed into a nation wide programme and changed its name from Vulnerable Group Feeding Programme to Income Generation for Vulnerable Group Development Programme.
- »» Today, every two years, almost a quarter of a million of these extreme poor women join Brac's regular microfinance programme and...
- »» Over 70% of them manage to continue active membership of saving, borrowing and repaying regularly beyond three years....

Taking the Challenge Further....

- ▶▶ But about 30% don't....
- ▶▶ And not all extreme poor households manage to get the food aid cover....
- ▶▶ In 2002, Brac started a new experimental programme that uses the basic idea of using transfers, and microfinance cleverly to kick start a new beginning for the extreme poor...
- ▶▶ This new programme is called, “Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor” [CFPR/TUP, for short].

CFPR/TUP: A Brief

- ▶▶ In CFPR/TUP, a one time asset transfer (HYV poultry, livestock, vegetable cultivation, non farm enterprise) and monthly cash stipends for a few months to cover the asset return gestation is provided to a carefully targeted group of the extreme poor.
- ▶▶ Skills transfer, regular follow up, and health support are also provided.
- ▶▶ Savings mobilization begins soon after the enterprises yield return to build up resources for subsequent non-subsidized cycle investments.
- ▶▶ Village level social elites are mobilized to provide social support and create an enabling environment for the extreme poor.

CFPR/TUP: Nuancing Microfinance

- ▶▶ Towards the end of the two year cycle, these women are formed into their own Village Organizations and are offered microcredit facilities.
- ▶▶ Over 50% of the 2002 entrants have taken microcredit until now. It is expected that about 80% of these women will use credit to expand and diversify their livelihoods...
- ▶▶ The remaining may take credit occasionally and use the savings and returns from their existing assets to manage their livelihoods.
- ▶▶ This programme is challenging Brac to understand and appreciate better the different priorities that the 'graduated' extreme poor may have with respect to microfinancial services...

CFPR/TUP: Cost Effectiveness

- ▶▶ In the experimental phase (2002-2006) of CFPR/TUP 70,000 extreme poor women from some of the poorest regions of Bangladesh will be targeted.
- ▶▶ The cost of the programme in this experimental phase is about \$280 per women.
- ▶▶ Brac is experimenting with cost reduction in order to develop a more cost effective model (rationalizing the monthly stipend, local resource mobilization, for instance).
- ▶▶ The largest portion of the cost is for the asset transfer (84%).
- ▶▶ The important question on improving cost effectiveness is thus also about appropriate assets and asset mix (short term, and long term) to sustain benefits.

CFPR/TUP: Some Early Impacts

	Selected Ultra Poor		Not Selected Ultra Poor	
	2002	2004	2002	2004
% of HHs who reported to be in...				
Always deficit	62	2	41	25
Occasional deficit	35	21	51	50
No deficit	3	77	8	25
% of adult women who reported that their overall health status was...				
Good	43	55	45	47
Fair	36	27	35	31
Not good/bad	20	18	20	22
% of adult women who reported that their overall health condition over the last year has...				
Improved	25	51	24	24
Remained the same	26	25	27	36
Deteriorated	50	24	49	40
Total food intake in gm (mean)	759	998	795	807
Total energy intake in kcal (mean)	1911	2093	2017	1820
Cereal as % of total energy	88	78	87	83

Brac Research on the Web

You can find various research reports, working papers, and research monographs on these programmes and other Brac programmes at:

www.bracresearch.org

Thoughts to take home.... and act on...

- ▶▶ Delivering microfinance with a poverty focus is a scalable, doable, cost effective proposition.
- ▶▶ Microfinance should not eschew the agenda of including the poorest simply because they require ‘subsidized poverty programmes’, or wait for them to become ‘microcredit worthy’ or ‘viable’
- ▶▶ Our experiences strongly suggest that microfinance has, and can play a powerful and critical role in building opportunity ladders for the extreme poor.
- ▶▶ Engaging with the agenda of including the extreme poor creates an organizational culture and challenge that re-visions the social purpose of microfinance.