



A Deeper Look at Programs that Work with the Ultra-Poor, Including Youth and People with Disabilities

In the afternoon of Tuesday, April 7, **Mohammed Khaled**, Middle East and North Africa (MENA) Regional Representative for CGAP, based in Palestine, chaired the workshop on “A Deeper Look at Programs that Work with the Ultra-Poor, Including Youth and People with Disabilities.” This workshop featured the following three expert practitioners who brought their significant background in serving the ultra-poor to the table from Africa, the Middle East, and Asia, **Janet Bett**, Manager, Tumaini Department at Jamii Bora Bank, Kenya; **Hamad Ahdil** from UNDP in Palestine; and **Imran Matin**, Deputy Executive Director International Programs from BRAC in Bangladesh.

In reaching out to the ultra-poor, especially youth or those with disabilities, all of the panelists referenced the need for specialized training or technical assistance to help these individuals achieve success. Key issues that the practitioners faced in working with the ultra-poor included gaining a clear understanding of what interventions the poorest clients really need or want; segmenting levels of poverty to ensure that their organizations were truly reaching the ultra-poor; and creating sustainable market linkage opportunities for the ultra-poor that enable them to sell their products effectively.

The panel discussion on working with the ultra-poor began with **Janet Bett**, Manager of the Tumaini Department at Jamii Bora Bank in Kenya. Started in 1999, Jamii Bora’s Tumaini program provides counseling and encouragement to the poorest of the poor and has concentrated on street beggars in Nairobi, targets landless plantation workers (since 2001), and the handicapped (since 2002). This program is unique in that never before have beggars in Kenya been organized in effective self-help groups to escape poverty.

“This program [for the ultra-poor] has two major components: access to microfinance as well as linkage with functional markets,” Ms. Bett explained. “... Households will be organized into village savings and loans associations so that they will be able to use their scarce resources wisely, mobilize their resources and have a revolving fund for their members. [This will also help them] develop financial discipline [which is necessary] because the program is aiming to also link them with microfinance institutions [when they mature]. With this they will access more capital. They will be able to build their assets, protect their assets, as well as smooth their income and develop business experience. The program will provide different business skills trainings as well.

“Different linkage mechanisms will be used,” Ms. Bett continued, “group linkage as well as individual linkage, SME loans as well as insurance products.” Value chain financing is added, which includes multi-directional activities that not only push the integration of these households into the value chains in the market, but also engage the private sector and direct service providers in order to generate a pull effect on these households as well, further integrating them into the market.

Tuesday, April 7, 2010

4:00 PM – 5:30 PM

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Panel:

Chair: Mr. Mohammed Khaled, Middle East and North Africa (MENA) Regional Representative, CGAP, Palestine

Ms. Janet Bett, Manager, Tumaini Department, Jamii Bora Bank, Kenya

Mr. Hamed Adil from UNDP/PPAP in Palestine

Mr. Imran Matin, Deputy Executive Director International Programs, BRAC, Bangladesh

“Bottlenecks for the both chronically food-insecure households to engage in markets will be identified and through multi-stakeholder platforms, all actors in that specific value chain will come together and identify the constraints, discuss the opportunities, and plan solutions to tackle those barriers so that they will be addressed and removed among the value chain actors. Through this, we were able to reach the poorest of the poor...,” she added.

The panel discussion continued with remarks from **Hamed Adil** from UNDP in Palestine who shared his experiences in reaching out to the ultra-poor in Palestine. “[This] program is implemented by the UNDP in occupied Palestinian territories. It is called DEEP, which stands for ‘Deprived families Economic Empowerment Program.’ ... It links microfinance with safety net programs ... [that] are creating new pathways for the poorest through income generating projects and self-employment schemes,” he explained.

“We tried to move away from projects that ... measured success just by delivering outputs,” he emphasized, “such as programs that ... deliver[ed] a couple of goats here or maybe a small chicken farm there, and [then] leave. [Instead,] we are trying to stay with the families we are working with and measure their success by their graduation out of poverty ... Previous initiatives were either donor- or supply-driven by the organizations that implemented the programs. Now we were focusing on households and what they need, and [what] we can do ... to design the relevant interventions for them.”

In order to ensure that they were truly addressing the poorest, “we needed to choose the right implementing partners ... the partners that have the grassroots, that know the people, that can be in contact with them and are able to diagnose their needs and deliver the right interventions,” Mr. Adil underlined. He explained that to improve targeting, “we built and invested in national capacity” as part of a national effort to establish poverty lines. “Many of our implementing partners, many national and non-governmental organizations were the spearheads in our effort to fight poverty, and invest in those efforts. Unifications of the methodology ... led to success in achieving our goal.”

“We used the national agreed [upon] poverty lines, the absolute poverty line, and the abject or deep-poverty line to identify our households,” Mr. Adil offered. “With this understanding, we can design what they are eligible for. Either they will be eligible right away for microfinance or they will need the step before, which are economic empowerment grants, or maybe they just need social protection, and we try to link all of this together.”

“We are tripling the number of households we are targeting. The philosophy of economic empowerment and linking of social safety nets with microfinance has become the core of [our] poverty reduction philosophy nationally. It is now a cornerstone in the national strategy for poverty reduction and I think this type of program will have an important future and it will be major contributor in fighting poverty in the occupied Palestinian territories,” Mr. Adil concluded.

The final speaker on the panel was **Imran Matin**, Deputy Executive Director of International Programs for BRAC in Bangladesh, who shared great insights into BRAC’s highly regarded program for the ultra-poor. “I think [that] instead of

assuming we are reaching the poorest of the poor,” he began, “we should really ask very hard questions about who it is actually reaching and who it’s leaving out. ... I think many of us try to create a false debate, and it’s a distracting debate on whether microfinance is an appropriate intervention for the poor or the ultra-poor and ... in what context. We [BRAC] have a very large program for the bottom 25%. ... We start with some capacity building, but straightaway they come to a microcredit program very quickly (within a period of about three to six months), but the loan sizes are relatively smaller and they have some flexibility in product design.”

“[The ultra-poor require] far more heavy investment to begin with,” Mr. Matin explained, “... [starting with] grants, stipend support, technical assistance [and] hand-holding. Then [we] start organizing them, building a socio-political asset base and then, gradually after that, they can start taking credit.”

Mr. Matin pointed to an important remark in the video about Fonkoze in Haiti “where one of the clients said, ‘When I started, I wasn’t even on the ladder.’ I think that is really key; when we are talking about this heavy investment, grant-based approach to begin with—a social protection type of a safety-net approach—we are really talking about these people that are not even on the ladder.”

“BRAC’s approach uses grants as a tool not as a handout,” he continued. “If you go and talk to any of our ultra-poor program beneficiaries and ask if they received a grant, they will sometimes not even think that the asset is their own ... and if they don’t take care of it, BRAC will take it back again. So that engagement is very important—that these members think of this asset not as a grant and not as a transfer, but as a contract—and actually as an implicit contract that they have with ... [BRAC]—that they have to work very hard to get out of poverty.”

Mr. Matin observed, “What ... [Fonkoze] found, when these ultra-poor program members graduate, [is that] they actually prefer to form their own groups, rather than join existing groups. And this actually creates another level [of complexity] for us, because from ... an efficiency [perspective], it makes far greater sense to integrate them in an existing group, rather than form a much smaller group that will take more time to grow. However, from the ... [perspective] of the ultra-poor members themselves, they prefer to be in their own groups, to build a different kind of identity, partly because they have had bitter experiences ... [of] being excluded from these kinds of microfinance groups in the past.

“In terms of evidence, over 80% of ... [BRAC’s ultra-poor] program members have been sustainably able to graduate out of poverty,” Mr. Matin concluded. “Less than 10% slide back and then need further support, and the other 10% are people who basically cannot sustain their level and after two or three years, they can graduate but then slide back in again, and basically move in and out (so that is a different category). [Based on a] cost-benefit analysis that was done, there was over a US\$44 benefit for every \$1 invested, and the entire package cost under \$200 for an ultra-poor family. We have reached over one million ultra-poor families with this approach since 2002.”

Comments from Mr. Matin on the youth program: “BRAC has quite a large youth program that tries to combine social and financial empowerment. We support close to one million youth around the world, mostly in Bangladesh but also in

Uganda and Tanzania, and [we are] starting another youth program in southern Sudan. This program at its heart is very much a ladder approach, creating a safe social space where youth can come together and interact. That really is the starting point for us. Then we provide them with life skills, education, and some income generation training, and then savings and credit, and in eight months to a year we can get them into microcredit.”



Comments from Mr. Matin on the sustainability of BRAC’s ultra-poor program: “The microfinance component is sustainable. There are elements of cross-subsidy initially because it takes longer for the microfinance component to become sustainable given the lower loan size—it starts as low as US\$30, the increments are also lower, and also the borrower-to-member ratio tends to be lower. As the preferences of the graduated ultra-poor members [is that] they want to form their own groups and not join an existing group, it takes much longer for the ultra-poor program to become sustainable. The grant component is not sustainable because that would not be possible to recover from the interest charges of the loans.”



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Comments from Mr. Khaled on sustainability: “[Program sustainability is] different from one country to another.... Some [programs] begin with grants; some begin by using some of their profits as a microfinance institution allocated to do this kind of work. The problem with this is, to scale it up ... [requires] a lot of money. ... In Yemen for example, over one million households are getting monthly assistance from the government. [We] ... are trying to work with ... selected families ... for 18 or 24 months—give them assistance, train them, build their confidence, start savings, transfer some assets to them, etc. After 24 months they will be linked to a microfinance institution and be done with it, end of story—compared to the government giving that money for so many years. If we can find the right approach to use that same money in a better way—that might be the solution.”

Comments from Mr. Matin on how to measure success: “Let me talk a bit on the topic of graduation: We have had huge debates and discussions on what the graduation indicators would be, however, microfinance participation is NOT one of the graduation indicators; we don’t even count that as a graduation indicator. We can monitor it, yes, and we are interested in seeing them [the ultra-poor] gain access to microfinance, but it cannot be an indicator because then it would serve as an incentive for our staff then to start coercing microfinance, and actually lead to greater damage by building unsustainable debt. So we are very careful about that and very open about that.”

Comments from Mr. Matin on smart subsidies: In BRAC’s experience in Bangladesh, India, and Africa, the biggest challenge in “using grants as a tool ... with the ultra-poor, [is the] retention of the assets that we are providing. [For example,] most of the grants and transfer programs in India, have led to huge sales of assets, [market disturbances,] ... and increased prices of milk and things like that. [So,] we have designed, right from the beginning, the stipend. [Which] can act as a preventive tool [against such asset sales].... So a small amount of stipend is very important. [Also,] the stipend is customized depending on the enterprise’s cash flow. Certain enterprises may have a longer period of gestation, such as goat-rearing for instance, and so the stipend needs to be customized [to the context]; that is extremely important.”

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