Poverty Outreach Working Group

SEEP Network

Microenterprise Development Approaches Aimed at Reaching Very Poor People: How effective are they?

Case Study Research Findings

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Authors

This document is the result of the findings and analysis to which many people have contributed, including those who wrote the individual case studies. Major individual contributors include Jan P. Maes, Laura Foose (facilitator of the Poverty Outreach Working Group), Amelia Greenberg and Mary McVay.

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Executive Summary

This paper presents the findings from research conducted by the Poverty Outreach Working Group (POWG) at the SEEP Network on approaches among microenterprise development (MD) organizations aimed at the very poor.[1] The underlying data in the research are case study responses submitted by twelve organizations operating around the globe: five in Africa (Trickle Up in Mali, Freedom From Hunger with Reseau des Caisses Populaires du Burkina in Burkina Faso, CARE in Rwanda, Kenya BDS in Kenya, and Alexandra Business Association in Egypt), five in Asia (Nirdhan in Nepal, Activists for Social Alterntives in India, Christian Children's Fund/LEEP in India, PACT/WORTH in Nepal, MEDA in Pakistan), and two in South America (Pro Mujer in Peru, Friendship Bridge in Guatemala). POWG members selected these programs with the input by key industry specialists, as they were identified them as organizations aiming to reach and serve very poor people. The hope was that studying their methodologies would lead to a list of good practices to share with the entire industry. Reflecting this focus, the case study questions were structured around four hypotheses that POWG developed of what an organization must do to be successful in serving the very poor:

1. Deliberately targeting very poor people.
2. Offering products and/or services designed specifically for the needs of very poor people.
3. Establishing a strong institutional culture of commitment to serving very poor people.
4. Accepting that the greater the institution's efforts at reaching deeper below the poverty line, the longer it will take to achieve financial sustainability. **BT: Why should we accept this? We can acknowledge current practice, but acceptance inhibits innovation.**

This paper reports how closely the case study organizations adhere to each of the practices listed in the hypotheses and considers correlations between use of each strategy and actual depth of outreach to the very poor. This discussion also incorporates feedback provided at a POWG conference in October 2007 in response to a presentation of preliminary findings from the case studies. What emerges is not a definitive list of "best practices", as the microenterprise development field still struggles in reaching the very poor, but a finding of common elements in both the strengths and weaknesses of the case study programs. This paper ends by recommending areas for further research.

There are several definitions of "very poor" or "extreme poverty". The Microenterprise for Self Reliance Act (2000) by the US congress uses an absolute income-based poverty measure, but there are other possible ways of defining extreme poverty that are equally valid, as poverty is a multidimensional problem. Very poor people often lack basic skills, are socially excluded, or tend to exclude themselves from development programs and services, even when targeted at them. These various dimensions of poverty are manifest in the challenges of reaching very poor people with microfinance and microenterprise development services. The Sustainable Livelihoods Framework (SLF) attempts to address poverty in all its dimensions, as it distinguishes among five different types of capital: physical, natural, social, human, and financial. Viewed within this context, the large majority of case study organizations aim [present tense] to strengthen to some extent social and human capital in addition to financial capital, while almost none directly addressed [past tense] deficits in physical and natural capital. But very poor people often live in remote rural areas, characterized by lack of infrastructure, relatively low population density, and undiversified economies.

The case study research led to several interesting findings. The most surprising one was that these organizations counted at best one third of their clients among the very poor (using an absolute income-based poverty measure). Seven out of the 12 organizations did not measure their clients' poverty on an absolute scale, whereas those who did reported that between 6.8 and 28.0 percent of their clients classified as very poor. Related to this, the case studies revealed that those organizations that [which] targeted the

[1] This paper defines "very poor" as people living on less than US$1 a day (more precisely, on less than US$1.08 per day in purchasing power parity dollars at 1993 prices **BT: = average annual inflation of 0.55%. This number should be verified.**) or those among the bottom 50 percent of people living below a specific country's poverty line. This definition of very poor matches the one used in the Microenterprise Self-Reliance Act passed by the U.S. Congress in 2000 (Public Law 106 309). This act was amended in 2003 and again in 2004. The 2003 amendment requires that 50 percent of all USAID microenterprise resources benefit the very poor.

very poor by measuring the poverty level of each potential client generally had a higher percentage of very poor clients than those organizations that relied on less specific targeting methods such as working in the poorest areas within a given country. Those organizations whose specific goal was not to target the absolute poor but to reach a clients based on other poverty selection criteria– illiterate women in the case of PACT (Nepal), or isolated, homebound women in the case of MEDA (Pakistan) – did reach their intended target clients but did not have information on which, if any, of their clients were very poor. Overall, then, the data do support the hypothesis that to reach the very poor an organization must deliberately target them by assessing the poverty level of prospective clients. Geographic targeting (working in very poor and/or remote regions) and product targeting (designing financial products and services that very poor people can use) do not necessarily result in reaching very poor clients.

The case study responses provided less definitive answers to the remaining three hypotheses. Only a few case study approaches rely on products designed specifically for the very poor, such as particularly small loans or straight grants, whereas the majority of case study organizations do not tailor their products specifically for the very poor. Instead, their strategy consists of providing or facilitating access to non-financial services such as literacy or health training in conjunction with financial products. They argue that the very poor are ill-equipped to profit from infusions of financial capital without simultaneously strengthening other critical livelihood assets, such as their health, self-confidence and basic skills. The findings about the necessity for institutional commitment to reach very poor people were less ambiguous. It was difficult to develop a precise definition of institutional commitment to serving the very poor, but some suggested elements such as providing staff incentives based on success in reaching the very poor, strong knowledge of and commitment to the program mission throughout all levels of staff, formal systems in place to receive client feedback, a staff recruitment system that carefully matches the staff hired to the needs of the target clients, and the development of partnerships to provide complementary services to those that the MFI or MD program has the capacity to provide itself. Finally, the various approaches employed at least five different (not mutually exclusive) strategies for sustainable delivery of services or products to very poor people: focus first on making your program or institution financially sustainable and then reach down; cross-subsidize products/services fo the very poor with other, more profitable products or services; separate financial and non-financial services of the program and commit to sustainability in financial service delivery only; facilitate formation of informal savings and loan groups (savings-led approach); and accept that the program at least temporarily must rely on subsidies. It is significant that only two of the organizations had a strategy to work toward sustainability from the start.

Very poor people need more than just MD services to step out of poverty and to build a sustainable livelihood. Most of the organizations in the case studies have adopted a strategy to not only provide MD products/services but also to address the non-financial needs of very poor people: basic needs (food, water, shelter, clothes, health); human capital (skills, empowerment; and social capital (networks, self-help groups, associations). A conceptual framework is proposed that covers the scope of different development activities and services helps to identify gaps in holistic strategies to enable very poor people to build sustainable livelihoods. [BT: please re-work the previous sentence to make it easier to understand.] Interventions should be well matched to target populations and delivered by institutions or specialists with expertise in providing the requisite specialized services and/or implementing MD tools. This conceptual framework is based on the following principles:

1) The goal is household economic security and a strong community safety net: Referring to the sustainable livelihoods framework, economic strengthening and MD services help to strengthen financial, human and social capital. Household economic security is meant to be part of household livelihood security, which includes food security and broader well being brought about by access to and use of services such as clean water, sanitation, health, education, and social and political freedom.
2) Foundation of holistic livelihood security response [That's an awkward title to the non-specialist]: Microenterprise development – particularly for the very poor - should occur in a context of a broader development initiative that will help people to address their multiple resource limitations and build on their existing asset base.
3) People enter the staircase to economic security where it is appropriate for them and then work their way up: The destitute may need relief to gain their health, property rights, and/or secure housing

before they start to think about earning a living. The very poor might focus on business readiness services, such as asset-building grants, basic savings or basic business skills development, to (re)start a business.

4) Ensure that a range of services is available through partnerships: Although some larger organizations may be equipped to provide holistic services, it is rare for one program or organization to offer all these services. The challenge presented by this framework is for the MD program to ensure pro-actively that the other services in the model are also available to the target communities. This can be achieved through partnerships.
5) Adapt services to specific needs: At all levels, the choice of services provided should be demand-driven, adapted to the specific capacities and vulnerabilities of the target population.

[BT: the framework is important. The five points should be grammatically consistent – e.g.

1. **aim for household economic security and a strong community safety net**
2. **coordinate with broader development initiatives**
3. **design multiple entry-points for clients**
4. **ensure a range of services**
5. **adapt services to specific needs]**

Addressing the multidimensional nature of poverty poses a particular challenge to an organization. The variety of complementary services needed at each stage of progress out of poverty, and the fact that relevant services change with each poverty level, means that organizations must devise a careful, sustainable strategy to ensure that their clients receive many different products. The strategy followed by most case study respondents was the pursuit of partnerships with organizations that could fill out the range of services and products available to their clients. The importance of partnerships reinforces the relevance of the Sustainable Livelihoods Framework, as often organizations use partners to address the areas of poverty not mitigated by the organization's own intervention. **[BT: partnerships are good and may emerge as best practice. Should the framework lock in this one methodology, or is it sufficient to highlight the need for a range of services and let practitioners work out how best to do this, with examples showing that partnerships can be very effective?]**

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Introduction and purpose of research

The impetus for this research was the desire by members of SEEP Network's Poverty Outreach Working Group (POWG) to take a closer look at how they were reaching very poor people and meeting their needs, and to identify successful strategies for future replication. With U.S. legislation reserving half of USAID MD funds for organizations that are reaching very poor people and the Microcredit Summit Campaign' goal that *175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015*[i], the case study findings and recommendations are relevant for any organization that aims to provide MD services to very poor people.

[Note: the text box at right had to be lengthened to show the definition of Microfinance.]

For MD to be effective in eradicating poverty, one needs to reach very poor people with services and tools that will help them work their way, sustainably, out of poverty. This paper presents lessons from twelve organizations from around the world who work with marginalized populations and submitted case studies detailing how their programs function. Their findings, discussed by representatives from the researched organizations and other industry professionals at a workshop at CGAP on October 22 and 23, 2007, contribute to answering the following questions:

1. To what extent are these organizations with a mission to reach very poor people actually reaching their target groups?
2. What tools and strategies are effective in reaching very poor people?
3. What tools and strategies are effective in helping very poor people work their way, sustainably, out of poverty?
4. What institutional characteristics need to be in place to support deep poverty outreach (and high impact)?

Microenterprise Development (MD) consists of two overlapping development activities: helping people start and expand very small businesses and farms, on the one hand, and helping people access financial services – loans, savings, and insurance – on the other. Together these two activities provide poor people with the capacity to manage crises and work their way out of poverty. Different donors and practitioners use different terms, but in this guide we refer to the following:

Enterprise Development: Non-financial services and activities that help poor people start and run viable microenterprises.
Microfinance: Financial services - such as lending, saving, or insurance - targeted to the poor.

One of the most striking findings (Table 1) was that seven out of the twelve case study organizations did not measure (and thus did not know) the absolute poverty levels of their incoming clients. Among the remaining five, the percent of incoming clients who measured very poor on an absolute poverty scale was on average 20%. This finding suggests that there is a significant gap between intention and reality when it comes to delivering MD services to very poor people, even among organizations that are often considered to be reaching the very poor. With the case studies revealing that the organizations were reaching this rather low percentage of very poor people, the research fell a bit short of identifying promising practices for serving very poor people. Nevertheless, it proved useful by offering insights into which conditions had inhibited organizations' ability to reach/serve very poor people. It is important to note, however, that eliminating these conditions may be a necessary but not sufficient strategy for better serving very poor clients.

Table 1 Program Outreach to the Very Poor

Case Study	**% very poor as defined by USAID**	**% of very poor as defined by the organization**	**Comments/Quotes from case studies**
Activists for Social Alternatives – India	20 % using PPI	58% using ASA housing index	
Alexandria Business Association – Egypt	Data not available		"No poverty assessment tool is used."
CARE - Rwanda	Data not available		"Client poverty is not assessed routinely."
Christian Children's Fund/LEEP - India	Data not available	30% very poor based on staff perception.	"Program uses government *Below Poverty Line* (BPL) data and Participatory Wealth Ranking to reach very poor people."
Friendship Bridge -Guatemala	28 % using FCAT tool		
Kenya BDS	Data not available		"The poverty of clients is "not directly" assessed."
MEDA - Pakistan	Data not available		"MEDA targets marginalized women, who have limited mobility, no property rights, restrictions in interacting with men and therefore the market."
Nirdhan - Nepal	26 % using means testing and externally verified		This is not exactly the same as $1/day or bottom 50% below poverty line.
PACT WORTH –	Data not available	10%	"Informal estimate based on staff

Nepal			perception."
Pro Mujer - Peru	6.8% using Progress out of Poverty Index	PMP tool measures 35% very poor incoming clients.	
RCPB – Burkina Faso	20.5% in urban areas and 25% in rural areas using LSMS survey	57% severely food insecure using Food Security Scale	
Trickle Up - Mali	Data not available		"Trickle Up Mali…does currently not measure poverty of clients." Will begin using the PPI in January 2008.

What does *very poor* mean?

The World Bank defines extreme poverty as an income of less than PPP $1 a day (per capita), seen as the minimum amount necessary for survival. USAID defines very poor people as living on less than PPP $1 a day or those among the bottom 50 percent of people living below a specific country's national poverty line. Poverty, however, is a multidimensional phenomenon that encompasses not simply low income, but also lack of assets, skills, resources, opportunities, services and the power to influence decisions that affect one's daily life.[ii] Poverty also frequently overlaps with and reinforces other types of social exclusion, such as those based on race, gender or ethnicity. This more comprehensive understanding of poverty also better captures how the poor themselves define their situation.[iii] The complex and multidimensional nature of poverty makes it a challenge to measure. An income-based measure of poverty is used by the World Bank, USAID, Microcredit Summit Campaign and others, because it is a relatively simple and universal measure. Measuring household income or expenses, however, was impractical and expensive for most MD practitioners, and for those who were committed to assess poverty of their clients, other dimensions of poverty were taken into account, such as housing, land and asset ownership, social exclusion, and food insecurity.

Poverty within the Sustainable Livelihoods framework

The Sustainable Livelihoods (SL) framework[iv, v] takes as a starting point an expanded definition of poverty that looks beyond conventional poverty measures based on income or consumption, and considers other aspects of well-being such as access to land, water, credit, and education, vulnerability to natural disasters, political rights, physical safety, and social relationships that provide economic security and social well-being. All of these aspects of poverty are lost in an analysis that counts only how many people live on a purchasing power of $1 a day.

Within the SL framework people are considered in relation to the resources and livelihood assets that they have access to and use. The asset base upon which people build their livelihoods has many diverse components. Rather than looking only at land or other classic wealth indicators, the sustainable livelihoods framework considers a portfolio of five different types of assets:

- Natural capital: land, water, forests, marine resources, air quality, erosion protection, and biodiversity.
- Physical capital: transportation, roads, buildings, shelter, water supply and sanitation, energy, technology, or communications.
- Financial capital: savings (cash as well as liquid assets), credit (formal and informal), as well as inflows (state transfers and remittances).
- Human capital: education, skills, knowledge, health, nutrition, and labor power.
- Social capital: any networks that increase trust, ability to work together, access to opportunities, reciprocity; informal safety nets; and membership in organizations.

The extent of people’s access to these assets is strongly influenced by their vulnerability context, which takes account of trends, shocks, and seasonality. Access is also influenced by the prevailing social, institutional and political environment as well as markets, which all affect the ways in which people combine and use their assets to achieve their goals. An important feature of the sustainable livelihood approach is that it recognizes that households and individuals may pursue multiple livelihood strategies, sequentially or simultaneously, which often include strategies other than microenterprise, pursued either to make up enough income or to provide a measure of security. The pursuit of multiple activities can have important implications for cash and labor availability at different times of the year and for the relevance of specific development interventions for poverty reduction.

Defining Poverty Strata

An important distinction is usually made between chronic and transitory poverty. The distinguishing feature[vi] of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people (almost) always live below the poverty line, whereas the transitorily poor move in and out of poverty, and may only occasionally fall below the poverty line.

In this document, we distinguish the following poverty strata:

Table 2 Poverty Strata

Poverty Strata	Income Poverty	Qualitative Description	Economic Activity Level / Livelihood Assets
Destitute	far below PPP $1/day	Chronically poor people who are extremely poor and so physically and/or socially disadvantaged that they are unable to earn a living and will remain in poverty without welfare support.	No economic activities. Very low livelihood asset levels. Chronic food insecurity and ill health.
Very-Poor	less than PPP $1/day; bottom 50% below national poverty line	Chronically poor people who lack assets and opportunities.	They may or may not have an economic activity, but if they do, it is very weak or young. Sometimes they are engaged in subsistence farming or engage in paid labor. Low livelihood asset levels. Often food insecure for long periods of time and chronic health problems.
Poor	between PPP $1/day and PPP $2/day; top 50% below national poverty line	The transitory poor are those who fall into poverty as the result of adverse shocks. These might also include people affected by HIV/AIDS, refugees, people living in post-disaster circumstances, etc	They are often running a stable microenterprise or farming cash crops. Or, they may be business starters whose spouse has a job or viable business, or they may be recently unemployed. Food-secure for most of the year, and relatively few chronic health problems. Low skills.
Near Poor	More than PPP $2/day; above national poverty line	The near poor are above the national poverty line, but they are still vulnerable to extreme shocks or downward economic trends, and risk falling back into poverty.	This group has a viable business and/or commercial farm and some assets or savings to turn to incase of emergency. They have some (limited) choices in their work and social lives. Food secure and good health. Skills. Financial assets.
Non-Poor	Far above the poverty line	They are not in any predictable danger of becoming poor. They have a regular income, children are in school, and they are able to assist less fortunate relatives and neighbors.	They have skilled jobs or are run small or medium enterprises. They have economic and social autonomy and choices. They are prepared for crises through insurance, savings, other assets and an action plan.

Findings

The case studies were conducted to provide insights to support or reject four research hypotheses, which were formulated based on earlier, more anecdotal findings by POWG members. For more details on the research framework, refer to Annex 1. While an effort was made (through the use of a standardized and exhaustive questionnaire; see Annex 2) to obtain credible findings systematically from the twelve case studies, they lack a comparable poverty or outcomes assessment. Such assessments of client (or participant) poverty before and after MD services (or programs) will be possible in the near future, as standardized poverty assessment tools are being developed by IRIS, Grameen Foundation and others for an increasing number of countries.

The hypotheses attempted to explore to what extent a relationship exists between organizations that are successful in reaching very poor people and the adoption of the following four strategies:

1. Deliberately targeting very poor people.
2. Offering products and/or services designed specifically for the needs of very poor people.
3. Establishing a strong institutional culture of commitment to serving very poor people.
4. Accepting that the greater the institution's efforts at reaching deeper below the poverty line, the longer it will take to achieve financial sustainability.

Targeting Strategies

According to Hickson,[vii] deliberate and rigorous targeting is not always necessary to overcome the obstacles to reach very poor people. Nevertheless, the case studies show that to successfully serve very poor people, organizations must actively target them; among the programs whose target populations were the very poor, those that used poverty measurement tools as part of their targeting strategy generally had a higher percentage of very poor clients, whereas those that used broader methods such as geographic targeting but did not gather data on each potential client were also the organizations that did not know whether they were actually reaching very poor people. In fact, several organizations highly committed to reaching very poor people found that the actual percentage of their incoming clients who qualified as very poor was much lower than they had expected.

Table 3 Targeting Methods

	Targeting Technique	% Clients Very Poor	Description of Targeting Tool
Organizations which target very poor clients at entry using poverty assessment tools			
Activists for Social Alternatives (ASA)	Geographic plus	20.0%	58% using housing index, PRA wealth ranking
Christian Children's Fund (CCF) - LEEP	Geographic plus	30.0%	uses gov't BPL statistics and PWR
Nirdhan	Geographic plus	26.0%	means testing - externally verified
Trickle Up Mali	Geographic plus	no data available	participant selection tool
Alexandria Business Association (ABA)	only income is public aid	no data available	seeks households in a "difficult social situation," e.g. female-headed, husband unable to work
Organizations which try to reach very poor clients only by geographic targeting			
CARE Rwanda	Geographic	no data available	
Friendship Bridge Guatemala	Geographic	28.0%	began using absolute poverty FCAT in 2006; in the process of implementing a client intake form with poverty indicators
Pro Mujer Peru	Geographic	6.8% of incoming clients	
Réseau des Caisses Populaires du Burkina (RCPB)	Geographic	20.5%	
Organizations which target based on other criteria			
PACT WORTH - Nepal	Illiteracy	no official measurement; staff perceives 10%	
Mennonite Economic Development Associates (MEDA)	home-bound, “marginalized” rural women	no data available	
Kenya BDS	Geographic fish subsector, and women	no data available	

Again, though choosing to operate in a very poor region may seem an obvious approach, the case studies suggest that running a program in such a region does not guarantee that an organization’s clients will be very poor. Rather than only relying on geographic targeting, the organizations most successful in reaching very poor people also use selective, usually quantitative, poverty targeting methods. For example, Friendship Bridge

Guatemala uses primarily geographic targeting tools but also implements a client in-take form that includes poverty indicators, demographics and education levels for all incoming clients. Nirdhan targets socially marginalized women, such as untouchables and ex-bonded laborers, and uses a set of simple means testing criteria. ASA in India uses a sixteen-point housing index and participatory rapid assessment (PRA) wealth ranking technique. The LEEP program by Christian Children's Fund (India) uses the official government below poverty level (BPL) status and in addition employs participatory wealth ranking (PWR) to select the poorest in a given village. These organizations or programs have a **clear intent** to reach and serve very poor people effectively.

Regular measurement of client poverty provides a clear strategy for an organization to monitor adherence to its mission of serving the very poor and to take corrective measures in a timely fashion if it does experience mission drift. Only some organizations, however, reported measuring client poverty on a regular basis as part of their management system. One organization that does so is ASA (India), which collects poverty data on all new clients at entry and also measures repeat clients annually. In the last few years, Pro Mujer has also instituted closer monitoring, carrying out periodic evaluations at least two times a year to measure the poverty level of its clients.

ABA (Egypt) and Trickle Up (Mali) employ a third targeting strategy, similar to a quantitative poverty measurement in that they collect data about the client, but instead of calculating a number on a poverty scale, they investigate whether clients meet a pre-determined minimum set of poverty criteria. In the case of ABA, a person asking for a grant should not have income besides public aid, and her household needs to meet a set of criteria related to her household infrastructure (such as number of dependents, single mother status, etc.). **[BT: the ABA grants program is very minor compared to its lending program. Note that this document has yet to report on scale of outreach.]** Trickle Up (Mali) begins with geographic targeting of the poorest regions within the country, and then within those regions local Trickle Up partner agencies use a participant selection tool, which focuses on three components: poverty, commitment/motivation, and entrepreneurial activity.

In addition to their methodologies directly related to targeting, the case study programs employ several strategies for high quality client service that seem likely to improve their ability to reach the very poor. One such strategy is recruiting staff from within the community. To the extent that people from within the community will be better able to identify the very poor, to communicate with them, and not to be perceived as intimidating, recruiting staff from the community may improve a program's ability to target the very poor. Another strategy is to promote the program's products/services using materials that are appropriate for clients who have had very limited schooling. It may be that by developing materials accessible to people who are neither literate nor numerate, an organization better conveys its purpose to potential clients and again makes participation less intimidating, both of which might improve its ability to attract the very poor.

Responding to the multiple needs of very poor people

Designing the right product is as important for reaching and serving very poor clients as with any other market segment. An additional challenge lies in the fact that very poor people cannot be expected to run their own microenterprises or take out a loan if they cannot meet their most basic needs. Therefore, a balance is needed between improved access to financial capital and strengthening other livelihood assets, such as health (including food security and access to safe water), literacy, skills, and self-confidence among others. Hickson[viii] distinguishes this approach, which intends to strengthen the capacity of very poor households to take advantage of the **same MD services** available to less poor people, from a more minimalist approach, which **modifies MD services** so that they meet the existing capacities and interests of very poor clients. The latter approach assumes that financial services that stabilize and strengthen the existing roles and capacities of poor households will help to create a solid platform from which social and economic transformation can begin.

Modifying MD services and products

Surprisingly, half of the case studies did not report adapting a specific product for the very poor. A common rationale was that no special product was required as long as very poor people were actively targeted or at least not excluded from the same services or products that were offered to less poor people. In a few cases, the organizations did not have a goal to target the very poor: PACT/WORTH (Nepal) seeks to empower women, and both Kenya BDS and MEDA (Pakistan) have value chain development programs. The organizations that have developed products for the very poor either offer smaller size loans or alternative microfinance products such as savings, no-interest loans, and grants. For example, CARE (Rwanda) and PACT/WORTH (Nepal) promote savings before loans to assist very poor people. In these savings groups members themselves set a savings rate that is realistic according to their poverty level. Trickle Up (Mali) and ABA (Egypt) offer grants, applying strict selection criteria to ensure exclusion of less poor people from the funds. Another approach is the one employed by Nirdhan, which does not alter the financial products it offers specifically for the very poor, but has learned that to reach the poorest it must supplement them with non-financial services such as outreach and training. Taking into account the vulnerability and irregular cash flow of people at risk of debt bondage, the ILO Social Finance Unit strongly promotes savings and in the cases of loans advocates for a flexible repayment mechanism that takes the vulnerability of this target group in account.

Non-MD Services

In most cases, the strategy of the organizations in the case studies is not only to provide MD products/services but also to address the non-financial needs of very poor people. This more comprehensive approach does not only include enterprise related services (e.g., training, technical advice, marketing assistance), but also provision of a social safety net and assistance in meeting basic needs such as literacy, healthcare, food production, nutrition, and safe water, as well as empowerment and confidence building. Table 4 lists the twelve participant organizations in the case studies and indicates which of the five elements of the Sustainable Livelihoods framework each program addresses.

The issue of how and by whom to deliver non-financial services is as important as the nature of these services. To understand the various poverty alleviation approaches that integrate microfinance into service delivery for the poor, it is important to understand the institutional framework of each organization that deals directly with very poor people. ASA for example is a locally established institution with a strong social mission, broad outreach, solid capacity, and good access to donor funding. Such an organization is strongly motivated to assist very poor people with an appropriate service package and has the capacity to deliver all aspects of an integrated package by themselves. Freedom from Hunger's alliance with RCPB in Burkina Faso results in a different task division. FFH's partner agreed to add FFH's credit with education approach, which combines financial with non-financial services. To achieve its mission of comprehensive community development approach, CCF/LEEP (India) operates through a network of 74 NGO partners. In this way the program meets not only the financial and technical assistance needs of its clients but also addresses issues such as how the family can care for its children and how the parents can be prepared to start and run a business. PACT/WORTH (Nepal) had a strong outreach capacity, and worked with a wide network of local organizations to create village banks while leading the training and monitoring effort out of its country office.

Table 4 Building Livelihood Assets

	Organization	Natural Capital (land, water, forests marine resources, a quality, etc.)	Physical Capital (transportation, road buildings, energy, communications, etc	Financial Capital (savings, credit, stat transfers, remittance etc.)	Human Capital (education, skills, knowledge, health, nutrition, etc.)	Social Capital (networks that increa trust, access to opportunities, safet
1	Activists for Social Alternatives	X		X	X	X
2	Alexandria Business Association			X		
3	CARE Rwanda			X	X	X
4	Christian Children's Fund - LEEP		X	X	X	X
5	Friendship Bridge Guatemala			X	X	X
6	Kenya BDS				X	X
7	Mennonite Economic Development Associates				X	X
8	Nirdhan			X	X	X
9	PACT WORTH - Nepal			X	X	X
10	Pro Mujer Peru			X	X	X
11	Réseau des Caisses Populaires du Burkina			X	X	X
12	Trickle Up Mali			X	X	X
Percent Addressing the Given Element of		**8.3%**	**8.3%**	**83.3%**	**91.7%**	**91.7%**

Note: An "X" indicates that the organization does address this element of poverty.

[BT: conclusion from the table – heavy emphasis alone on developing Financial, Human and Social capital does not ensure successful poverty outreach. Since natural and physical capital refers to the

environment in which the households work as opposed to their own poverty level, presumably an increased focus on these two elements will not ensure successful poverty outreach either. So far, the only approach discussed so far is direct measurement.]

The majority of case studies indicate that very poor people often lack confidence to engage in microenterprises or to cope with the responsibilities that come with a loan. Lack of self-confidence is often the reason why very poor people exclude themselves from microfinance programs in the first place. Even when there is no loan to be repaid, many poor people, especially women, are often initially afraid of the new responsibilities and new activities that are expected from them. Confidence building and women's empowerment are therefore high on the agenda of MD programs with a strong poverty focus. The ILO bonded-labor prevention project educates clients about their human and labor rights. In ASA (India), the group meetings facilitate discussions among members to share their issues and find solutions. Several organizations offer functional literacy and numeracy classes that enable women to understand and sign their own savings and loan passbooks. For example, PACT/WORTH (Nepal) concentrates on savings and literacy as the most important ways to empower women and help them build sustainable, self-managed savings groups.

As shown in Table 4, the overwhelming majority of the organizations offer services that enhance human capital and social capital as well as financial capital. A possible implication is that MD programs have learned that they must address poor people's lack of human and social resources simultaneously with provision of loan and/or savings products if financial services are to be effective in directing people on to a path out of poverty. Another possible implication is that MD programs might be even more effective if natural and physical assets could be strengthened, such as improving inadequate infrastructure and protecting environmental resources, in the regions where the MD programs operate. Such livelihood assets, while critical, are beyond the scope of the activities of the organizations in the case studies. **[To compare approaches, we must also analyze scale/outreach.]**

Institutional commitment

The case studies revealed a wide variety in terms of institutional commitment to serving the very poor. Those organizations successful at reaching very poor clients are led by a strong and institutional commitment and intent to do so, exemplified by regular monitoring of client poverty levels, a formal training program to develop employees' social commitment, an incentive structure that rewarded outreach to the poorest people, and an institutionalized method of remaining in touch with the needs of the target community.

This latter strategy can exist of recruiting employees from the program's client base or implementing forums to receive regular target client feedback. ASA (India), for example, employs both methods; in addition to its official organizational structure, it also maintains a parallel federation structure of the members to ensure balance in program operations. These federated groups of program members form the backbone of the microfinance activities. Friendship Bridge (Guatemala) also employs both these strategies for remaining in tune with its target population's needs; it hires former borrowers as loan officers and solicits feedback through an annual assembly of clients and through representation of field staff at management meetings. Importantly, FBG explains that having employees who used to be clients not only takes advantage of people's local knowledge to be more effective loan officers, but also relies on their community background to ensure their commitment to the program's social mission. Likewise, Nirdhan usually hires its managers from within.

With regards to training approach, ASA has a capacity building program that largely targets program leaders, and by far the largest share of that training program is devoted to the topic of *dalit* (a.k.a. *untouchable*) empowerment. CCF/LEEP (India) trains its NGO partners so that all of them know how to use, and consistently apply participatory wealth ranking, which is a key strategy to ensure targeting very poor clients. FBG's training includes a review of the mission and vision for the organization, after which staffers participate in follow-up meetings and workshops to learn motivational skills as well as problem-solving. Nirdhan (Nepal) loan officers are trained for six months, and from their first days on the job they are introduced to the goals and mission of Nirdhan and sensitized to the importance of serving poor clients.

CCF/LEEP (India) maintains its focus on the very poor through a rigorous poverty assessment of potential clients. LEEP uses two types of poverty indicators: government obtained absolute poverty data and participatory wealth ranking (PWR), which measures the poverty of a family in relation to the rest of the community. Only families with incomes placing them below the absolute poverty line are considered for inclusion within the program, and among these candidates, the poorest are selected through PWR. Friendship Bridge (Guatemala) assigns outside consultants to use the FINCA Client Assessment Tool (absolute expenditure-based poverty measurement) once a year on a sample of clients, to monitor to what extent FBG is keeping to its mission of serving those living below the poverty line and at least 30% living in extreme poverty. Another example is Nirdhan, which regularly uses several methods to assess the poverty of its clients and hires outside consultants on average once every five years to conduct in depth poverty impact assessments as a valuable periodic reality check regarding how well Nirdhan is reaching the very poor. Lastly, FBG provides a good example of a program that has institutionalized incentives for reaching the very poor. Most of its incentive criteria relate to financial performance goals, but FBG also bases rewards on average loan size, with the lower the average loan, the greater the incentive for the loan officer. By weighting this last incentive more, FBG mitigates the tension to abandon social mission in favor of financial profit.

In addition to these primary strategies for maintaining a strong institutional commitment to serving the very poor, the case studies contained a few less common approaches. One example is ASA (India)'s decision to print its vision and mission in all of the client passbooks and to post its vision and mission in each ASA branch. For the highest possible reach of this message, the mission and vision statements are printed in the local language. Furthermore, in each of their weekly center meetings, ASA members repeat an oath to honor the vision and values of the program. The ABA (Egypt) case study suggests another strategy based on management's observation that ABA employees with a longer history in the program generally demonstrated a stronger commitment to the program's vision and mission. The case study hypothesizes that this is due to the greater likelihood that longer-term employees have been able to witness significant improvement in client welfare. If this hypothesis does explain the positive link between employee tenure and commitment to social mission, one indirect strategy to increase institutional commitment could be to take active measures to reduce employee turnover, such as better salaries, good working conditions, within-program recognition, etc. Another idea comes from the CCF/LEEP (India) case study, which indicates that freedom from worrying about recuperating costs may assist the program to remain committed to its social performance: because of the funding relationship between CCF and the NGOs, no tensions exist between achieving financial and social performance targets. Profit maximization or full cost recovery is not an objective. Rather, the objective is to use a perpetual stream of sponsorship funding in a manner that maximizes the income of poor families. **[BT: it may prove that this is the best approach, that microfinance and sustainable enterprise development are not the preferred approach for meeting USAID's poverty requirements.]** Finally, Nirdhan states that one lesson learned was the institution's management systems must systematically incorporate a poverty focus from loan officer training, to loan administration, to management information collection and processing.

Financial Performance

The stronger the emphasis on an institution's financial bottom-line, the more challenging it becomes to reach very poor clients. The case studies provide insufficient information on the relationship between cost and depth of outreach. However, the fact that none of the case study approaches counts more than 30% of its clients among the very poor suggests that financial sustainability would be hard to achieve if the MFI would target a higher percentage of very poor people. **[BT: hard to say – there has been no presentation of any financial indicators from the participating organizations.]** The various approaches employed at least five different (not mutually exclusive) strategies for sustainable delivery of services or products to very poor people: focus first on making your program or institution financially sustainable and then reach down; cross-subsidize products/services for the very poor with other, more profitable products or services; separate financial and non-financial services of the program and commit to sustainability in financial service delivery only; facilitate formation of informal savings and loan groups (savings-led approach); and accept that the program at least temporarily must rely on subsidies. **[BT: does CCF/LEEP project sustainability or is their donor model locked in?]** The case studies lacked the resources to allow for a detailed cost analysis of services/products of institutions targeted to very poor people. Such cost analyses and existing strategies to cover costs (including cross-subsidization) are recommended for future research.

Towards a Unified MD Framework for Poverty Eradication

Poor people and very poor people alike need more than just MD services to step out of poverty and to build a sustainable livelihood. Most of the organizations in the case studies have adopted a strategy to not only provide MD products/services but also to address to some extent the non-financial needs of very poor people: basic needs (food, water, shelter, clothes, health); human capital (skills, empowerment; and social capital (networks, self-help groups, associations). A conceptual framework that covers the scope of different development activities and services helps to identify gaps in holistic strategies to enable very poor people to build sustainable livelihoods. These gaps will be different for persons in a post-crisis situation than for bonded laborers, beggars, or widows, and the set of interventions needs to be customized to fill the gaps for a specific target market.

The Challenge

Poverty occurs on many levels and no individual response by itself is sufficient to eradicate poverty. Microenterprise development brings many tools to bear in poverty eradication, but each tool is usually only appropriate for certain populations under certain circumstances. Moreover, the poorer people are, the more likely they are to need other services or interventions in addition to microenterprise development services. Too often, MD responses occur in isolation, based on the parameters of the supplier – usually a microfinance institution or an MD provider. This leaves gaps in service. The very poor have the lowest access to MD services, but even the poor and near poor are challenged to gain access to microfinance and other enterprise development services, much less to the wide array of other services they need to achieve economic security and forge a strong community safety net. As MD practitioners are trying to find ways of reaching and serving the very poor, they tend to look at the problem from a supply point of view – how can I get my services to the very poor? However, these services often do not match the entire gamut of client needs.

To address this challenge, practitioners need to look more at demand, bearing in mind that people at different poverty levels, with different vulnerabilities, will have differing needs. For example, what do women heads of household, caregivers of OVCs, refugees and IDPs, those affected by or living with HIV/AIDs, or people with disabilities need? What can help the destitute and very poor to work their way up to a more secure economic position, and what can best help prevent their falling back into poverty?

A Proposed Solution

The model below presents a more holistic and coordinated approach to poverty eradication, and considers what people need to work their way out of poverty on a sustainable basis. It categorizes poverty into several broad levels and suggests a staircase of economic strengthening and MD services appropriate for each one. It also suggests which institutions might provide those services. As people benefit from the package or services most appropriate for them, and thus move toward greater economic security, they are then positioned to benefit from the next package of services and to move further and more sustainably out of poverty.

The fundamental basis for the model is the principle that different strategies or services are appropriate for different populations and require specialized skill sets to deliver them. This implies that interventions should be well matched to target populations and delivered by institutions or specialists with expertise in providing the requisite specialized services and/or implementing MD tools.

[Note: re-format text box at right to ensure the visibility of all text.]

Here's how it works:

1) <u>The goal is household economic security and a strong community safety net:</u> Increased household economic security specifically means increased and more stable income, increased productive and non-productive assets, and power in households, communities and markets. In addition, economic strengthening and MD programs can and should contribute to a stronger community safety net. Referring to the sustainable livelihoods framework, economic strengthening and MD services help to strengthen financial, human and social capital. In addition programs should protect and where possible enhance natural capital. Sometimes, programs such as value chain development also enhance physical capital in the form of tools or market infrastructure. Household economic security is meant to be part of household livelihood security, which includes food security and broader well being brought about by access to and use of services such as clean water, sanitation, health, education, and social and political freedom. MD programs often contribute to these goals, but their primary focus is on individual or household increased income and assets. The community safety net refers to the capacity for social groups - the extended family, community-base organization and NGOs – to provide relief to the destitute and emergency assistance to families in crisis so that they do not become destitute.

> How do **Microenterprise Development (MD)** and **Economic Strengthening** relate to Sustainable Livelihoods?
> Economic strengthening and MD are tools to help accomplish the goals of livelihood security. Economic strengthening and MD focus primarily on income generation and asset development, and often have empowerment results. Livelihood security has broader goals including food security and general well-being (which may include health, psycho-social well-being, improved human rights, etc.). Economic strengthening activities are common in livelihood security programs, while more advanced MED initiatives tend to be run by specialist agencies and programs.

2) <u>Foundation of holistic livelihood security response</u>: Microenterprise development – particularly for the very poor - should occur in a context of

a broader development initiative that will help people to address their multiple resource limitations and build on their existing asset base. Everyone needs access to basic health and human services. Some clients may already have such access; others may not. MD programs should assess whether their clients have access to basic needs services and, if they do not, take steps to make the missing services available. This work can best be accomplished with partners specializing in basic needs programs and services.

3) People enter the staircase to economic security where it is appropriate for them and then work their way up: The destitute may need relief to gain their health, property rights, and/or secure housing before they start to think about earning a living. The very poor might focus on business readiness services, such as asset-building grants, basic savings or basic business skills development, to (re)start a business. They may start to develop emergency funds. Poor people with more business experience and resources may be more ready to borrow small amounts, for example through group lending approaches, to participate in programs helping them access local markets, and to absorb and use free business services. Their emergency funds may grow and they may purchase borrowers' insurance. People who are just above the poverty line may be more able to save and borrow larger amounts, have access to a wider range of insurance, reach high value, farther markets and purchase commercial business services. If, by unfortunate circumstance or crisis, poverty increases, people should have lower-tier services available to help them work their way back up the economic security ladder.
4) Ensure that a range of services is available through partnerships: Although some larger organizations may be equipped to provide holistic services, it is rare for one program or organization to offer all these services. Most focus instead on working with people in a specific tier to move to the next tier, or on providing services that primarily target one group but benefit a mixed income group. In other cases, programs may serve several tiers or provide several different kinds of service to the same tier. No matter the strategy, the challenge presented by this framework is for the MD program to ensure pro-actively that the other services in the model are also available to the target communities. This can be achieved through partnerships. For example, an MFI might find that very poor people are not prepared to use a loan productively, and decides to partner with organizations that will serve the basic needs of the very poor and prepare them to use mainstream MFI services. Alternatively, a value chain development program may not be able to offer financing to key players in a value chain, but can partner with an MFI, and may not be able to bring unskilled workers into the value chain, but can partner with a vocational school or even businesses in the value chain to offer basic skills training. Generally, commercial business services are best provided by the private sector – by other businesses, supported by professional microenterprise development programs. Grant-based services and basic training might be best delivered by NGOs and CBOs, trained or staffed by MD specialists.
5) Adapt services to specific needs: At all levels, the choice of services provided should be demand-driven, adapted to the specific capacities and

vulnerabilities of the target population.[2] Some very poor people have strong literacy and technical skills but have been affected by a crisis such as HIV. Others have never operated a business and have a very low skill base and low literacy. Services need to be adapted for these different populations who may, nevertheless, have the same poverty level. Economic strengthening services may, for example, be targeted to HIV positive people or disaster- affected households, child and grandparent headed households, widows, etc. The goal is to target services to people based on their poverty level and economic capacity rather than to a specific condition like HIV positive status, though in high prevalence areas, programs should put more emphasis on emergency funds and insurance services and should take care to spread services among the most vulnerable and stronger households who provide a community safety net.

Figure 1 depicts this framework. The circle at the bottom represents the foundation of holistic programming that will support a strong livelihood security response. The staircase represents the different tiers of MD services. Note that the first step, for destitute people, is relief and not economic or enterprise development. The second, "Tier One," is "economic strengthening." These represent business readiness services that prepare people to (re)start businesses and (re)engage with market and financial service providers. "Tier Two" and "Tier Three" represent different levels of MD services. At the top is the goal of economic security and a strong community safety net. The boxes on the right of the staircase represent the economic strata of target populations. (See Table 5 for details on proposed strategies to meet the diverse needs among people in these strata.) The boxes on the left of the staircase represent the institutions typically appropriate for delivering the MD services. Note that MD programs can be stand-alone institutions or can be part of larger development initiatives, whereas MFIs are stand-alone institutions due to their opportunities for or requirement of financial sustainability.

Figure 1 Holistic MD Model for Poverty Eradication

[2] Two key elements of demand include some financial pressure on providers, often participant fees or labor contributions, and a choice of services, rather than having some services required in order to gain access to others.

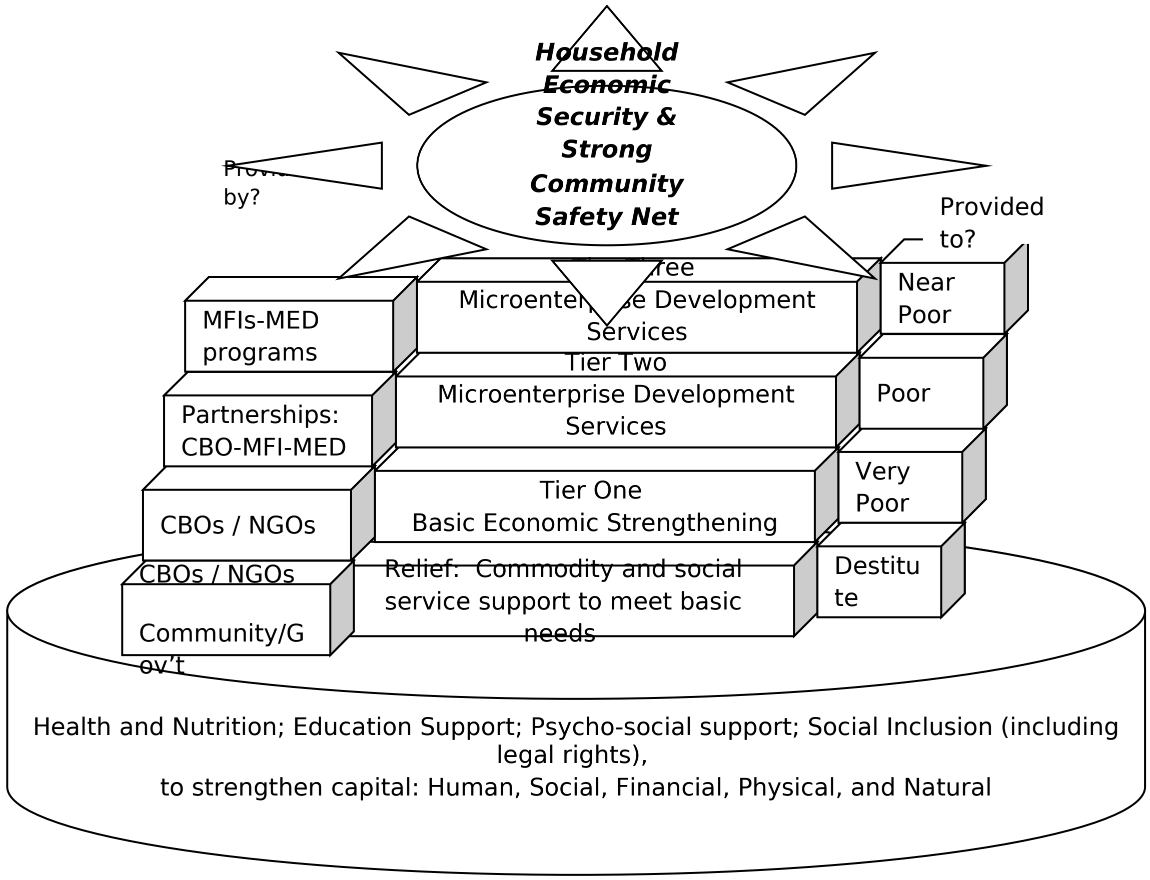
Household Economic Security & Strong Community Safety Net
Provided by?
Provided to?
Tier Three Microenterprise Development Services
Tier Two Microenterprise Development Services
Tier One Basic Economic Strengthening
Relief: Commodity and social service support to meet basic needs
MFIs-MED programs
Partnerships: CBO-MFI-MED
CBOs / NGOs
CBOs / NGOs
Community/Gov't
Near Poor
Poor
Very Poor
Destitute
Health and Nutrition; Education Support; Psycho-social support; Social Inclusion (including legal rights),
to strengthen capital: Human, Social, Financial, Physical, and Natural

Table 5 outlines details of the strategies at each tier, with a reminder of the target population served. The MD services listed generally fall into one of four categories:

- Financial Services: primarily credit, savings and remittances
- Insurance: including informal emergency funds, credit insurance, health insurance, life insurance, etc.
- Value Chain Development: This field revolves around helping microenterprises gain access to markets by developing smooth market channels for the supply of inputs, technology, and training to support production, and for market responsiveness, product design, quality control and marketing. Social enterprise initiatives, because they are generally sectoral in nature, fall into this category.
- Business Services: Also known as business development services, this category refers to cross-sector enterprise development services ranging from basic business literacy, to information and communication services, to physical market space and advocacy.

In addition to elaborating each category's specific services or features and listing the appropriate institutions for delivering them, Table 5 points to examples of programs that fit each tier. At this stage, many programs span more than one Tier, but we have put programs where their primary focus lies. As with the rest of the model, this table is an aggregation of models and lessons from practitioner experience, and is a work in progress. SEEP welcomes your comments and suggestions. To make a comment, share your experience or join the on-line dialogue, click here.

Table 5 MD Strategies for Poverty Eradication for People belonging to different Poverty Categories

Tier & Target Group	**Category of Service**	**Specific Services and Features**	**Best Provided by**	**Example Programs**
Relief for Destitute Individuals	Commodities and social services to meet basic needs	• Economic strengthening can be targeted to family and community who support the destitute. • Could be very short-term (less than a month) food, medical, housing support. • Could be long term: scholarships and child-care for orphans, food and child care for child-headed households and grandparents	CBOs – NGOs - Government Community Safety Net	
Tier One: For Very Poor Households, “Economic Strengthening”	Financial Services	• Food for work (to provide labor for HIV affected households) • Matching Grants for business or farm start-up or re-start • Rotating Savings and Credit Association (possible donations to match savings, but no external borrowing) • Integrated literacy, empowerment, health, money management, or other basic skills (especially HIV and AIDS education)	MD programs or NGOs/CBOs trained by MD programs	Trickle Up – Mali PACT – Nepal CARE – Rwanda ASA - India
	Emergency funds	• Voluntary group emergency funds, could be matched	NGOs/CBOs	
	Basic Business Services: Business Readiness and (re)start	• Rotating livestock initiatives (i.e. Heifer Project); Community tool banks; Grants of seeds, inputs and tools • Social enterprise run by CBO or NGO to sell to or purchase from clients • Technical skill development (such as apprenticeships with other businesses, short courses) (Important for orphans)	MD providers or NGOs/CBOs with MD expertise	
		• Basic business education (literacy), including business identification, basic business finance, basic marketing • Business Group formation (i.e. farmers associations) or links to existing groups and associations	MD programs or NGOs/CBOs trained by MD programs (Or MFI in a “Credit with education” model)	PACT – Nepal TU – Mali FFH/RCPB – Burkina Faso

Tier & Target Group	Category of Service	Specific Services and Features	Best Provided by	Example Programs
Tier Two: for Poor Households	Microfinance	• Village Banks (rotating savings and loans, financed in part by loans from and external MFI) • Group Lending • Specialized lending products: i.e. dairy-cow loan, loan to enter a value chain with significant supportive technical services	MFIs	Pro Mujer – Peru Nirdhan - Nepal ASA - India Friendship Bridge - Guatemala FFH/RCPB – Burkina Faso CCF /LEEP - India
	Insurance	• Loan and asset insurance • Independent emergency funds, managed by the group, in HIV prevalence areas, possible matched savings	MFIs Local insurance providers	CCF /LEEP -India
	Value Chain Development	• Value chain development to access local or national markets • Value chain development that offers clients a complete package of services: inputs, advice, marketing • Social enterprises that offers clients a complete package of services: inputs, advice, marketing	MD programs NGO established as a social enterprise	MEDA - Pakistan Kenya BDS (fish) CCF/ LEEP -India
	Commercial Business Services	• "Embedded" services – linked to purchase of necessary inputs • "Village" business services: i.e. village vets, village agro-advisors • Business information services, i.e. radio • Group-based service delivery: i.e. Business planning, financial management, operations and marketing training • Physical market development (clarifying regulations and fees, creation of affordable legal space) • Cell phone service • Cooperative business: very simple, low-risk, group-managed income generation activities • Education integrated into microfinance or value chain services: empowerment, business planning, health, HIV and AIDS education, etc.)	Private businesses, stimulated and supported by MD programs CBOs and MFIs might help clients to access information, organize themselves into groups MD programs or Apex cooperative to organize cooperatives	
Tier & Target Group	**Category of Service**	**Specific Services and Features**	**Best Provided by**	**Example Programs**
Tier Three: for Near Poor Households Important for	Microfinance	• Village banking, graduating to "Apex" financial institutions	MFIs	

Sustainability and cost-effectiveness through partnerships

Addressing the multidimensional nature of poverty poses a real challenge to any single organization. The variety of complementary services needed at each stage of progress out of poverty and the fact that relevant services change with each poverty level mean that a careful, sustainable strategy is needed to ensure that clients receive differentiated products and services according to their changing livelihood strategies. The strategy followed by most case study respondents was the pursuit of partnerships with organizations that could provide some (but certainly not all) services needed to help clients gradually out of poverty. The studies don't provide definite answers as to which types of services are most important within any given context or whether there is a certain hierarchy of basic services needed to make microenterprise services effective.

It is important to differentiate partnerships that provide additional products and services from those that mainly implement an organization's program, such as small CBOs in areas where the MFI or MD organization does not have an office. The latter may help an organization to identify its target clients and/or reduce cost, but does not contribute to the provision of a holistic basket of services, unless these local organizations receive assistance from other organizations to provide a range of non-enterprise services. The importance of partnerships reinforces the relevance of the Sustainable Livelihoods Framework, as often organizations use partners to address the areas of poverty not mitigated by the organization's own intervention.

Several cases relied on an implementing partnership model, with the role of the local NGOs to reach or mobilize clients. A critical element of the CCF-LEEP (India) comprehensive community development approach is its network of 74 NGO partners through which it implements all LEEP activities as part of the package of multi-sector services delivered to CCF sponsorship communities. RCPB (Burkina Faso) was able to reach several hundred thousand clients through direct partnerships with local, independent microfinance institutions implementing the Credit with Education model with assistance of FFH. **[BT: this might be the first reference of outreach in this document.]**

Other cases mention collaboration with partner NGOs who have the capacity to independently provide complementary services. Recognizing that poverty alleviation requires more than just access to financial services, Nirdhan (Nepal) sought partnerships with other government and non-governmental organizations. ABA (Egypt) uses its NGO partners' knowledge of its members for screening purposes and for the additional service they already provide to their clients. Trickle Up (Mali) has built and trained a network of more than 20 non-governmental organizations who implement this TU program alongside their own social services to assist the very poor in meeting basic needs. These services tend to vary from partner NGO to partner NGO, depending on local circumstances as well as the local NGO's mission. Pro Mujer (Peru) sees alliances to establish relationships with other institutions, whether they be public or private, in order to be able to offer complementary services (healthcare and training) that Pro Mujer itself does not provide.

Partnerships were recognized as essential to reach very poor people and provide them with MED services in a sustainable way. But in reality setting up such partnerships is difficult, because it requires time to find the right partners, partners might have a different mission and focus, or simply because the right partner organizations do not exist in the target area.

Conclusion

The reality is that many microfinance organizations today still do not know the poverty levels of the people they are reaching, but those who do monitor their clients' poverty level tend to reach higher proportions of very poor people among their clients. Most MD clients continue to fall in a band around the poverty line, while the very poor are rarely program participants. It is crucial that MD practitioners develop and use poverty assessment tools to monitor which people they are reaching so that policymakers, donors and development practitioners have reliable information about the poverty levels of their client, so that they can effectively target their services toward very poor segments. **[BT: here it is – the business side of this document: ensuring that donors can target their money effectively. On page 1, microfinance was (properly) included within the broad definition of microenterprise development (MD). The term "MD practitioners", as used above, would therefore encompass microfinance practitioners but the details of this document describes otherwise.]**

Very poor people face a lot of challenges, of which the lack of access to economic opportunities is often not the most pressing priority of their survival livelihood strategies. In order really consider what very poor people need to work their way out of poverty on a sustainable basis, a balance is needed between improved access to financial capital and strengthening other livelihood assets, such as health (including food security and access to safe water), literacy, skills, and self-confidence. Such a multidimensional approach to poverty alleviation can be accomplished by multi-sectoral organizations who can effectively break down the barriers that often prevent collaboration of different departments or programs, or by specialized MD organizations who work with partners to prepare very poor people to become MD clients (graduation model) or who work with social service partners simultaneously ("MD plus" approach).

In future, donors should facilitate such an integrated package approach by recipient organizations by insisting on a package approach that includes all necessary services to help very poor people move out of poverty, by either supporting multiple partners to work with a very poor target population or at least requiring that other partners are involved for its main recipient to qualify for funding. Single-focus MD organizations alone cannot provide the required package of services that is needed to lift very poor households out of poverty, and when no partners are available to provide complementary services, donors need to take a long-term approach and facilitate capacity building of such organizations. As long as such partners are not available, assisting the very poor with MD services is likely to end up in failure. **[BT: very revealing final paragraph. What began as a document which appeared to be oriented towards practitioners, ends with a directive to donors, with an explicit methodological requirement. Partnerships may be the way to go, but the research presented in this document does not support this with any strength (= outreach and cost information). I am not yet comfortable with this conclusion.**

Annexes

Annex 1. Research Framework

Introduction

This document provides a framework for case study research led by SEEP Network's Poverty Outreach Working Group and funded by USAID. The research framework, including methodology and survey format, relies heavily on a model used for similar research developed by ILO on good and bad practices in microinsurance[3]. We are deeply grateful to Craig Churchill, who allowed us to borrow from this framework and who provided many useful comments and insights during the development of our research design.

Purpose and Background

It is broadly acknowledged that microfinance and microenterprise development clients today fall in a band around the poverty line, while the extreme poor are rarely reached. Microfinance institutions and microenterprise development projects have often no idea about the poverty level of their clients, even though many claim to reach the poorest or the very poor. At the same time, policymakers and donors (including USAID, Microcredit Summit, UN Millennium Development Goals) are requesting reliable information about the poverty levels of the beneficiaries of development services in order to steer investments and programs toward targeted population segments they want to reach.

This research will define the "very poor" as people living on less than US $1/day[4] or those among the bottom 50 percent of people living below a specific country's poverty line. This definition reflects the nature of the measurement tools to assess poverty (USAID certified poverty tools), which provide a proxy for household poverty. This results in certain limitations to our research which are discussed in a later section.

The purpose of this research is to support organizations that are committed to serving very poor people by evaluating programs that work with very poor people and attempting to glean effective practices to share with other organizations. Funded by a grant by USAID's MED office and in part by its members, the Poverty Outreach Working Group (POWG) at the SEEP Network hopes to identify and examine any common elements from these case studies that make these programs successful. In addition to revealing (or at least helping to understand) the key ingredients required truly reaching very poor people and servicing their needs successfully, this case study research aims to recommend promising approaches for further exploration.

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[3] See *Protecting the Poor. A microinsurance compendium.*. Edited by Craig Churchill. www.microinsurancecompendium.org

[4] Equal to US $1.08/day in purchasing power parity (PPP) at 1993 prices.

As part of this research 13 case studies[5] will be conducted and documented by the implementing organizations themselves or by an external consultant of their choice. The case studies will follow a common methodology and outline. The majority of case studies have been proposed by SEEP/POWG members and vetted with an international advisory board of poverty experts including CGAP, USAID, the Ford Foundation, and the MicroCredit Summit. The case studies range from relatively bare-bone microcredit programs to multisectoral development strategies including a MF/MED component, from market-led demand-driven enterprise development services to subsidized skill training and marketing programs, from credit to savings to asset transfer products, and from one-stop integrated service packages to partnerships between microfinance organizations and social service providers.

Main Objectives:

1) To summarize existing evidence on pro-poor MF/MED programs and on very poor target groups through an extensive literature review.
2) To describe a variety of MF/MED approaches that serve very poor people and to elicit success factors and challenges for serving this population effectively. As part of this objective we will try to provide:
    a. Reasonably accurate poverty outreach data for the MF/MED case studies by independently assessing poverty levels of their clients through use of USAID certified poverty tools or (in case there is no such tool available) the best tool available to that organization;
    b. Successful examples of how MF/MED products and services are adapted to clients' poverty and vulnerability factors;
    c. Analysis of the institutional factors that go in to making these programs successful;
    d. Documentation of innovative approaches to reduce transaction costs for service delivery, including those in serving rural remote areas with less population density.
3) To make recommendations for further research on effective ways of reaching and serving very poor people by MF/MED. The analysis of these case studies will highlight research areas that will need further exploration.

MF/MED Services for Very Poor People: Conceptual Framework

The fact that the very poor are barely reached by current microfinance and microenterprise development programs suggests that there are significant differences between poor and very poor people with respect to their ability to manage profitable enterprises and take advantage of financial services on offer. The very poor have very weak livelihoods, with unreliable income sources, little savings or assets, and weak networks of people to assist them in times of trouble. While the case studies do not attempt to investigate whether and to what degree these differences warrant different services and products, one of the main objectives is to

[5] See Annex for a list of participating organizations and programs/countries.

present different approaches aimed at serving the very poor. Two distinct approaches can be distinguished: integrated (comprehensive) versus minimalist. The former consists of providing non-financial alongside financial services and stems from the belief that very poor households are not capable of taking advantage of financial services without being able to meet their basic needs. The latter approach provides only financial products and/or enterprise development services to the very poor by adapting these services/products to their needs and circumstances.

Within our research framework we propose to classify different non-financial (and non-enterprise) services as follows:

- Basic needs services (food, water, health, shelter)
- Human capital strengthening: skills (vocational, business, literacy, financial literacy), awareness, confidence
- Social capital formation: social mobilization, networks, negotiating power

The main area of research relates to microfinance (MF) approaches for very poor people, and these include:

- Credit
- Savings
- Insurance
- Cash/Asset transfers
- Remittances & Money Transfers
- Housing
- Leasing

The other research focus is on microenterprise development (MED) approaches for very poor people, including:

- Market support
- Inter-firm cooperation
- Firm-level upgrading
- Employment generation
- Other?

This framework serves two functions. First, it allows identifying which services, financial and non-financial, are emphasized by various pro-poor MF/MED approaches. Second, it will allow comparisons among case studies as to which product/service mix is targeted at different types of very poor client populations.

Research Hypotheses:

1) Deliberate and rigorous targeting is necessary to overcome the obstacles to reach very poor people.

a. We expect organizations to find that they were not having the depth of outreach that they thought they were having. From preliminary research we have done with organizations that are *highly committed to reaching very poor people*, most have been surprised to see that the percentage of incoming clients who are very poor is lower than they thought.
b. If organizations which are highly committed to reaching very poor people are surprised by their outreach, then we can surmise that programs that do not focus on serving very poor people will also have a very low level of outreach to this segment. Hence, to serve very poor people an organization needs to be proactive in working with them.

2) Institutional vision and commitment are critical.
   a. Upper management leadership and buy-in is necessary and is a key driver to achieving depth of outreach.
   b. Human resources development is critical to success – this includes recruitment, training, supervision and incentives that build in commitment and reward for serving very poor people.

3) Pro-poor product/services require a deliberate strategy of understanding and responding to the needs of the very poor people.
   a. Credit programs need to adjust product terms to client poverty level.
   b. Savings rather than loans are more effective in building the assets of very poor people.
   c. For MF/MED services to be successful, basic needs (health and food security especially) need to be addressed as well.
   d. The very poor often need human capital (skill training, etc.) and social capital strengthening as well.

4) Sustainability/subsidy.
   a. The stronger the emphasis on an institution's financial bottom-line, the more challenging it becomes to reach very poor clients. At the same time, some financially sustainable MFIs are able to reach very poor people.
   b. Providing very poor people with MF/MED services often requires subsidies. These subsidies might be in the form of grants to provide basic needs services. MF and MED products/services might also require subsidies in order for very poor people to afford the cost and risk of these services, at least initially.

<u>Research Limitations:</u>

1) Poverty assessment tool measures household income (expenditure based):
   a. Does not take into account the multidimensional nature of poverty.
   b. Does not reveal any intra-household differences in poverty.

c. Is not available for each case study.

2) Many programs or projects do not have the means to differentiate between their poor and very poor clients. This diminishes the relevance of information related to issues specific to very poor clients, and needs to be taken into account when interpreting responses to survey questions.
3) While costs issues (of products/services) and poverty outreach can be reasonably analyzed, available resources for the case studies do not allow to measure impact.

<u>Survey Tools</u>

The survey is broken into six sections:

1. Context (national and local)
2. Organizational Framework
3. Description of the very poor target group
4. Poverty Targeting and Assessment
5. Products and Services
6. Results

<u>Data gathering and writing case studies</u>

When gathering information, it is important to remember the two primary lenses that will help shape the analysis:

1. How does the organization respond to the **unique challenges of serving the very poor**? The real focus is on the micro aspect—what methods does the program or project use to reach and serve the very poor?
2. To identify **key lessons learned**, it is important to continuously explore the changes the institution has made to its products, policies, structure etc. to improve its outreach to the very poor. Many of the sections of the case study may describe how the service deliverer or its service has evolved over time.

Ideally, the data collection, analysis and write-up of the case study is done by a two-person team, consisting of one insider (who is preferably involved in local implementation and is familiar with the local context) and one outsider (external consultant). Data-gathering is a three-phase process: before visiting, on-site, and follow-up information and review.

To give the case study a bit more life, it may also be useful to include three or four client case studies as boxes. These client stories should be chosen carefully to provide useful insights related to client satisfaction and possible suggestions for improvement of services and products.

For all references in local currency, also include in brackets the US$ PPP, based on the rate listed in Table 1. Don Sillers of USAID has data for calculating US$PPP and this is listed on http://www.povertytools.org/faq.htm#FAQ1/4

In some cases, particular requested data may be unavailable or difficult to obtain. It is the responsibility of the case study team to make a cost / benefit assessment of obtaining such information. In cases where particular information is deemed too difficult to obtain, these points should be skipped. It is intended that this option will not be abused and that a sincere effort will be made to collect all data requested.

Proposed Outline for Final Publication

INTRODUCTION

Study Objectives

PART I. Background and Literature Review

Chapter 1. Critical Differences between the Poor and Very Poor

Chapter 2. Challenges in reaching very poor people

Chapter 3. Overview of existing MF and MED approaches in very poor markets

Chapter 4. Conceptual Framework

PART 2. Research Framework

Chapter 5. Research Hypotheses

Chapter 6. Case Study Selection

Chapter 7. Research Limitations

Chapter 8. Methodology and Survey Tools

PART 3. Findings*

Chapter 9. Microfinance Products and Services

Chapter 10. Microenterprise Development Services

Chapter 11. Poverty Selection versus Product Targeting

Chapter 12. Role of services other than MF/MED

1) Basic Needs
2) Social Capital

Annex 2. Case Study Questionnaire

1. Context

1.1. Country Socioeconomic and Poverty Data

Table 1.1. Country Statistics

See Appendix 1 for a list of standard resources to be used to complete the following table. For large countries, if a program is implemented only in a given State or Province, then data (if available) at State/Province level should be provided as well.

1.1.1. National Currency		
	Amount	Year
1.1.2. Population (millions)		
1.1.3. Population density per square kilometre		
1.1.4. Percentage urban / rural population		
1.1.5. Inflation		
1.1.5. Nominal Exchange Rate (current, X Currency per US$1)		
1.1.6. PPP Exchange rate		
1.1.7. HDI value		
1.1.8. HDI ranking		
1.1.9. GDP/Capita (PPP US$)		
1.1.10. Local currency equivalent of $1-a-day international poverty line		
1.1.11. Population below national poverty line (%) [1]		
1.1.12. Population living below $1 a day (%)		
1.1.13. Population living below $2 a day (%)		
1.1.14. Population living below $2 a day (%)		
1.1.15. Population growth rate		
1.1.16. Life expectancy		
1.1.17. HIV prevalence (% ages 15-49)		
1.1.18. Malaria cases (per 100,000 people)		
1.1.19. Population undernourished		

1.1.20. Children underweight			
1.1.21. Adult literacy	Male Female		
1.1.22. Net primary enrolment ratio	Male Female		
1.1.23. Net secondary enrolment ratio	Male Female		
1.1.24. Physicians per 100,000 people			
1.1.25. Health expenditures per capita			
1.1.26. Gender-related development index (GDI) rank			
1.1.27. Gender-related development index (GDI) value			

[1] Explain how the national poverty line is defined:

1.2. Local context – target area

<u>1.2.1. Briefly describe local socioeconomic conditions</u>

1.2.1.1. Geographic reference of location and size of population
---- *List the area (province, state, district …) where the program is operating and whether this area is predominantly rural, peri-urban or urban (or mixed), the size of the population in that area, and if possible provide a map of the country which highlights the target area. Try to be as detailed as possible in describing the geographical target area: for instance, if within a given province, only certain districts are targeted, make sure to mention which ones and how they differ from others (remoteness, population density…). Overall poverty data of the geographical target area are to be described in 1.3.1.*

1.2.1.2. Local population characteristics:
--- *Describe for population in general (not just target group) within the target area, and explain as appropriate how this is different from the country-wide context. Target group characteristics are to be described in Section 3..*

1.2.1.2.1. Ethnic groups
--- *List the main ethnic groups within the target area, and mention if significantly different from country's overall ethnic composition.*

1.2.1.2.2. Most important economic activities
--- *What are the main economic activities of people living in the target area? Is population within target area mainly involved in agriculture, animal husbandry, fishing, industry, trade, services? Be more specific as needed: for instance, what type of industries, services? Is there significant migration for work to other areas? What types of economic activities are typical for this area when compared to national level? (if agricultural economy, more details can be given under 1.2.1.4.).*

1.2.1.2.3. Cultural and religious background

1.2.1.3. Natural resources, economic activities, markets, unemployment
--- *What are the most important natural resources in the target area? What type/size of markets are available and where are they located?*

1.2.1.4. For <u>rural</u> areas only: most important crops and livestock activities, water supply (irrigation, rain fed), seasons and number of harvests, land availability, ownership patterns and contracts.
--- *Also indicate extent of subsistence farming versus commercial farming (cash*

crops).

1.2.1.5. Occurrence of droughts, floods, natural disasters or conflicts

<u>1.2.2. Describe government policies aimed at the very poor:</u>

1.2.2.1. Social protection schemes by the government.
These can include basic healthcare and/or health insurance, pension schemes, assistance to people with disabilities, the elderly…

1.2.2.2. Policies aimed to integrate the very poor, such as anti-discrimination and affirmative action laws.

1.2.2.3. Property and land rights.
Are these the same for women and disadvantaged social classes? Is there an inheritance law that provides same rights to women and children? Is the law effective?

1.2.2.4. Local government and non-governmental development programs.

Within the geographical target area, what type of development programs are run by local governments? Which are the main international and local NGO players and what type of activities do they support?

1.2.2.5. Other

<u>1.2.3. Brief profile of microfinance environment.</u>

1.2.3.1. List microfinance institutions (other than subject of case study) and other financial institutions/services accessible by the poor.
Provide number of clients, if possible.

1.2.3.2. Describe dominant microfinance models and services.

Examples are individual or group loans (such as solidarity lending, self-help group lending and village banking), savings (voluntary/mandatory). Traditional (informal) microfinance models can also be listed if they are common.

1.2.3.3. Demand versus supply of microfinance services.

What indications exist on demand for financial services? How many clients are currently reached by microfinance and/or financial institutions in general?

1.2.3.4. Depth of microfinance outreach.
How poor are the majority of microfinance customers? To what extent are very poor people reached?

1.2.3.5. Existing MF/MED initiatives (other than case study) aimed at the very poor.

1.2.4. Poverty

1.2.4.1. Existing Poverty data and geographic areas of the country where extreme poverty is most concentrated.

Include both urban and rural areas where extreme poverty dominates most. Include map and/or table with available poverty data (from national census, World Bank or UN surveys, participatory poverty assessments, etc.)

1.2.4.2. Does the target area fall within these extreme poor regions?
To what extent does the MFO target these regions? Show on same map or table, if possible. What factors has MFO considered to decide on its geographical target area? What are plans for future in terms of geographic expansion?

1.2.4.3. If known, what is the proportion of population in the target area living below $1-a-day and/or within bottom 50% of people living below the national poverty line?
How does this compare to the country overall and to its poorest regions? Include map or table, if available.

Poverty (1.4.) using following categories and subcategories:

a. *Existing Poverty Data for country*
    i. Percentage of the population living below the international $1/day Poverty Line
    ii. Percentage of the Population living below National Poverty Line

iii. Poverty Data from Participatory Poverty Assessment (conducted as part of PRSP)
iv. Poverty Determinants and Most Vulnerable Groups

b. *In which geographic areas of the country is extreme poverty concentrated? Include both urban and rural areas where extreme poverty dominates most.*
c. *Does the target area fall within these extreme poor regions?*
d. *How many people live in target area?*
e. *If known, what is the proportion of population in the target area living below $1-a-day and/or within bottom 50% of people living below the national poverty line?*

1.2.4.4. Main determinants of poverty.

Which factors are strongly indicative of level of poverty within target area or country as a whole? Examples include: household size, gender and/or age of head of household, amount of land or animals owned, education level, remoteness…

2. Organizational Framework

2.1. International Organization

<u>2.1.1. Name and type of the organization (INGO, multilateral agency, foundation, other)</u>

<u>2.1.2. Organizational background</u>

2.1.2.1. Mission and vision

2.1.2.2. Brief history

2.1.2.3. Type of support: funding, capacity building, direct service provider, other

<u>2.1.3. Development intervention approach</u>

2.1.3.1. Primary target group and development focus

Who is the international organization's main target population (category of people: the poor, women, elderly, children, people with disabilities, refugees, etc.; geographic coverage: rural/urban, regions of the world). What is the international organization's primary development focus? Health, education, agriculture, human rights, economic development, microfinance…)

2.1.3.2. Specialized in MF/MED or multisectoral

Does the international organization employ an exclusive MF/MED approach or does it provide non-financial services as well?

2.1.3.3. MF/MED model

Without providing details (to be provided in later section) explain the main features of the MF/MED model: which service (credit, savings, insurance, enterprise development, etc.), individual or group basis, name (for example: solidarity lending, village banking, self-help groups, credit union, cooperatives…)

2.1.3.4. Other sectors

2.2. Local organization

2.2.1. Organizational development

Table 2.2. Institutional Background

Issues	Observations
2.2.1.1. Name of the organization or institution	
2.2.1.2. Geographic area of operation	
2.2.1.3. Legal structure	
2.2.1.4. Registration status	
2.2.1.5. Regulation status	
2.2.1.6. Date established	
2.2.1.7. Specialized (MF/MED) or multisectoral	

Issues	Observations
2.2.1.8. Start of MF/MED activities	
2.2.1.9. Core business (f.i. credit, savings, …)	
2.2.1.10. Business model	
2.2.1.11. Target market – MF/MED	
2.2.1.12. Number of clients/participants – MF/MED	
2.2.1.13. Number of staff	

2.2.2. Organizational development

2.2.2.1. Mission and vision

2.2.2.2. Brief history

2.2.2.3. Objectives

2.2.2.4. Organizational culture, leadership, innovation

How strong is vision and mission among staff? How motivated and loyal are staff to the organization? Is leadership top-down or bottom-up? Is innovation encouraged? How? To what extent contribute any of these to reaching very poor people with appropriate services?

2.2.2.5. Organizational structure, roles and responsibilities (diagram may be helpful)

Is the organization centralized or decentralized?

Describe main divisions of the organization.

2.2.2.6. General qualifications and profile of field staff

What is job title of typical field staff (with direct client contact)? What is job description? What are educational and work experience requirements for field staff? Is prior experience working with very poor people required? What is gender, ethnic, linguistic and socio-economic background (compared to clients)?

2.2.2.7. Training/sensitization (of staff, managers, board) on mission and poverty outreach

How are staff trained and sensitized with respect to reaching very poor people? Is training mandatory? Who receives training? Board? Management? Field Staff? How was the training developed and who are the trainers? Is there follow-up training?

2.2.2.8. Incentives for poverty outreach

What are monetary incentives to reach/serve very poor clients?

What non-monetary incentives exist?

Is there tension between financial and social job performance? How is this tension mitigated?

2.2.2.9. Governance

How is the organization governed? Who sits on the Board? What are the main responsibilities of the Board? If applicable, who are the main shareholders of the organization? Is the organization transparent about its goals and performance with staff, donors, and clients?

2.2.3. MF and MED services

This section is meant to provide a brief overview of MF and MED services overall, not just those targeted at very poor people. If the organization provides customized services/products targeted to very poor people and/or if it targets very poor people exclusively, then these will be described in Section 5.

2.2.3.1. MF model and products/services.

For loans, include range of products, average and minimum/maximum loan size, savings requirement, and typical loan terms (interest rate and method, loan duration)…

For deposit services, include average savings, savings collection mechanism, withdrawal policies…

2.2.3.2. Description of main target group (if not the very poor).

What is the total number of clients, by service (loans/savings), if known? What is poverty level, gender, social status, professional activities and business types, ethnicity, etc. of most clients?

2.2.3.3. Selection and/or eligibility criteria

What are selection criteria? What method is used to verify eligibility?

2.2.3.4. Use of poverty assessment tool

Is poverty of general clients assessed? By what method?

2.2.4. Resources and external assistance

Brief overview of the organization's balance sheet. What is the value of total assets and how are these covered by external loans, equity, donor grants, client savings?

Who are the principal donors, lenders, equity holders?

Does the organization generate income? How much? What are the financial efficiency and operational efficiency ratios? Portfolio at risk?

2.2.5. Relationships (networks, partnerships, member organizations)

3. Description of "Very Poor" Target Group

Focus to the extent possible on statistics for the "very poor" group only. If these data don't exist, clarify for each category whether the data is for overall client group or for very poor clients only. If client data are not available for certain categories, available national data can be used.

3.1. Individual and Household conditions

3.1.1. Gender

3.1.2. Age

3.1.3. Disability and chronic disease

3.1.4. Culture or religion

3.1.5. Ethnicity

3.1.6. Membership to socioeconomic groups, such as caste and class

3.1.7. Household type, composition, marital status

3.1.8. Literacy

If clients are mixed gender, provide by gender if known.

3.1.9. Education

If clients are mixed gender, provide by gender if known.

3.2. Socioeconomic conditions

3.2.1. Refugee or IDP status

3.2.2. Economic conditions:

3.2.2.1. Underemployment
For those who rely on working for others (laborers, etc.), how many days on average can they find work?

3.2.2.2. Income Sources

What are the main income and/or subsistence sources of very poor clients?

3.2.2.3. Land ownership

Do very poor clients own land or lease land? If so, how much on average? To which degree does own cultivation meet annual household subsistence needs?

3.2.2.4. Asset ownership

What are typical assets (productive and/or household) owned by very poor people?

3.2.2.5. Income level

Provide daily wage levels for labor (male/female) if available. Are data available on household income derived from microenterprise activities?

3.2.3. Geographic conditions

3.2.3.1. Rural/urban, remoteness from trading centers and roads, population density

3.2.3.1. Access to markets

3.2.3.1. Access to banks

3.2.3.1. Access to doctors and clinics

3.2.3.1. Proneness to natural disasters

Only to be completed in the rare case where the very poor target group experiences different natural calamities from the rest of the population, because the live in distinct areas where they are more prone to drought, flooding, etc.

3.2.4. Major vulnerabilities and risks encountered by target group.

What are most common vulnerabilities experienced by the very poor? How do they cope with them traditionally (before becoming clients)?

4. Poverty Targeting and Assessment

4.1. Poverty measurement practices

4.1.1. Poverty data collection

Are poverty-related indicators are collected on clients?

4.1.1.1. Which poverty indicators are collected?
List poverty indicators collected. Are indicators universal or dependent on other factors, such as regional differences or community feedback and participation?

4.1.1.2. What poverty assessment tool is used?

What is the name of the poverty tool?

Are the data collected through a standard survey? Interview and/or observation? Through a participatory process. Other?

Include any relevant features of poverty tool.

4.1.1.3. When and how often are poverty data collected?
At "baseline"? Before or after admitting clients?

Any repeat measurements during program enrollment, group membership or subsequent loan cycles?

4.1.1.4. Which clients are measured?

All incoming clients? Only a sample? Are non-clients measured too?

4.1.2. Use of poverty data

How are poverty data used by the organization?

4.1.2.1. What, if any, are poverty categories distinguished by poverty data?

For example, categories such as non-poor, middle-poor, poor, very poor…

4.1.2.2. How are each of these categories defined?

If poverty data are quantitative, do poverty categories fall within certain score intervals? If so, explain.
Does the organization have qualitative definitions for certain poverty categories?

4.1.2.3. How are poverty data used by organization?

4.1.2.3.1. For client monitoring?

Explain procedure and decision factors.

4.1.2.3.2. For client screening?

Explain procedure and decision factors.

4.1.2.3.3. For client targeting?

More details to be provided under <u>4.3. Poverty Targeting</u>

4.1.2.3.4. For impact monitoring/assessment?

Also used for product development?

4.1.2.3.5. For other uses?

Such as fundraising, PR,…

4.2. Available Poverty Data

<u>4.2.1. Poverty distribution results by internal poverty data collection method</u>

(Assuming that the organization collects routine poverty data on clients, as would have been described in 4.1.1.)
Provide results in terms of client proportions for each of the poverty categories defined by the organization in 4.1.2.2.

<u>4.2.2. Poverty data from a recent poverty and/or impact assessment study</u>

If available, provide results in terms of client proportions by poverty categories as defined in the study. Who performed the study? When? Which target area? How big was the sample?

<u>4.2.3. Poverty Data obtained through use of USAID certified poverty tool</u>

This will be conducted by external consultant trained in use of USAID certified poverty tools, once these become available. These tools might not be available soon in certain countries.

4.2.3.1. Which USAID certified poverty tool was used? Which poverty criterion was used: $1 a day or bottom 50% below poverty line?

4.2.3.2. Provide details on poverty assessment exercise: time conducted, sample size and selection…

4.2.3.3. Poverty results: proportion of very poor clients versus poor clients.

<u>4.2.4. Interpretation of Poverty data</u>

4.2.4.1. Comparison between internal and USAID poverty tool data

4.2.4.2. Organization's own interpretation of poverty outreach

Is poverty outreach satisfactory?

What explains poverty outreach results?

Is organization planning to maintain or improve poverty outreach? Why? How?

4.3. Poverty Targeting

<u>4.3.1. Does the organization use a poverty targeting tool?</u>

Is the poverty assessment tool described above used as poverty targeting tool? What other tools are used? (for instance geographic targeting, providing products or using procedures that only attract very poor clients)

<u>4.3.2. What is the client poverty target level?</u>

Defined by one cut-off level? If so, which one?

Or are there different targets for different categories of poverty? Explain.

<u>4.3.3. Staff use of poverty targeting</u>

4.3.3.1. Training/sensitization (of staff, managers, board) related to poverty outreach

How is staff trained in poverty targeting?

4.3.3.2. Staff incentive schemes

What are monetary incentives for poverty targeting? Provide details on how poverty targets are related to monetary incentives.

What non-monetary incentives exist?

What other job performance goals are staff held accountable for (other than poverty outreach)?

4.3.4. Issues with poverty targeting

If organization is using a poverty targeting tool, what issues has it encountered by using the tool?

5. Products and Services

This section explores the various products and services offered to very poor clients. However, since certain organizations do not just target very poor clients and since products/services are not necessarily different for very poor clients than for less poor clients, make sure to clarify whether products/services are specifically targeted towards very poor clients, or whether they are on offer for a wider range of clients. On the other hand, if the organization provides customized products/services/assistance to very poor clients, it might be helpful to briefly compare with what less poor clients are being offered.

5.1. Financial Products

Table 5.1. Microfinance Product Details

Product Features and Policies	
5.1.1. microcredit	
5.1.1.1. Individual or group product	
5.1.1.2. Loan terms (maturity, interest rate, interest type, flexibility)	
5.1.1.3. Loan source	
5.1.1.4. Loan use	
5.1.1.5. Loan size (first loan, average loan, maximum loan size)	
5.1.1.6. Meeting requirement and frequency	

Product Features and Policies	
5.1.1.7. Mandatory savings requirement and amount	
5.1.1.8. Collateral requirement	
5.1.1.9. Other eligibility requirements	
5.1.1.10. Loan default policy	
5.1.1.11. Repayment flexibility	
5.1.1.12. Other	
5.1.2. microsavings	
5.1.2.1. Individual or group	
5.1.2.2. Savings Type	
5.1.2.3. Deposit/collection location	
5.1.2.4. Deposit frequency, amounts, flexibility	
5.1.2.5. Meeting requirement and frequency	
5.1.2.6. Savings terms (interest rate, minimum deposit, …)	
5.1.2.7. Withdrawal and savings use policies	
5.1.2.8. Record keeping and accounting	
5.1.2.9. Investment of deposits	
5.1.2.10. Other	
5.1.3. microinsurance	
5.1.3.1. Microinsurance Type	
5.1.3.2. Group or individual product	
5.1.3.3. Term	

Product Features and Policies	
5.1.3.4. Eligibility requirements	
5.1.3.5. Renewal requirements	
5.1.3.6. Rejection rate	
5.1.3.7. Voluntary or compulsory	
5.1.3.8. Product coverage (benefits)	
5.1.3.9. Key exclusions	
5.1.3.10. Pricing – premiums	
5.1.3.11. Pricing – co-payments and deductibles	
5.1.3.12. Pricing – other fees	
5.1.4. microgrants	
5.1.4.1. Individual or group product	
5.1.4.2. Amount (and number of grants)	
5.1.4.3. Eligibility requirements	
5.1.4.4. Grant use and other conditions	
5.1.4.5. Savings requirement or matched savings arrangement	
5.1.4.6. Straight grant, no interest or partial repayment	
5.1.4.7. Other	

Provide any further narrative and details relating to microfinance products that were not captured in the table above.

5.2. Microenterprise Development Services

Table 5.2. MED Service Details

Service Types and Features	
5.2.1. Training	
5.2.1.1. Financial literacy	
5.2.1.2. Business planning and management	
5.2.1.3. Marketing	
5.2.1.4. Recordkeeping and bookkeeping	
5.2.1.5. Skill development	
5.2.1.6. Technical assistance	
5.2.1.7. Training method	
5.2.1.8. Other?	
5.2.1.9. Costs to client	
5.2.2. Business Consultancy and Advisory Services	
5.2.2.1. Individual or group sessions	
5.2.2.2. Frequency	
5.2.2.3. Topics	
5.2.2.4. Confidence Building	
5.2.2.5. Other	
5.2.2.6. Costs to client	
5.2.3. Market Linkages	
5.2.3.1. Input supply	
5.2.3.2. Marketing Assistance	

Service Types and Features	
5.2.3.3. Market Information	
5.2.3.4. Producer organizations	
5.2.3.5. Business linkage promotion	
5.2.3.6. Quality Control	
5.2.3.7. Other	
5.2.3.8. Costs to client	
5.2.4. Other	
5.2.4.1. Employment generation	
5.2.4.2. Technology development	

Provide any further narrative and details relating to microenterprise development services that were not captured in the table above.

5.3. Non-financial Services

In the table below, list services under each of the non-financial categories that are offered to the very poor clients of the organization. Mention whether the organization itself provides these services or a partner organization (such as NGO, government, etc.)

Table 5.3. Non-financial Services Details

Service Types and Features	
5.3.1. Nutrition	

Service Types and Features	
5.3.2. Health and Sanitation	
5.3.3. Education	
5.3.4. Social Capital Development	
5.3.5. Other	

Provide any further narrative and details relating to non-financial services that were not captured in the table above.

5.3.6. Empowerment and confidence building

What type of activities and programs help build confidence of clients?

To what extent are clients involved in decision related to product and service design, loan terms and use, loan approval, etc. To what extent do clients have more negotiating power in financial and business transactions?

Which challenges remain?

5.3.7. Graduation of very poor clients into mainstream MF/MED services

What type of activities and programs help build confidence of clients?

5.4. Design and Product Development:

5.4.1. Program rationale/ theory of change?

How are the program's services and products (and other outputs) envisioned to create changes?

5.4.1.1. Main issues and challenges of very poor clients which the organization seeks to address

What did the organization learn about client behavior that led to the services and products aimed at very poor people?

5.4.1.2. Intended outcomes and impacts

What are the intended (short-term) outcomes at client, household, microenterprise and community level? What types of impact are expected in the long term?

5.4.1.3. How are products and inputs designed to achieve those intended impacts?

5.4.2. Concept development

5.4.2.1. Client Survey Demand/Needs assessment

Did the organization conduct client surveys, needs assessment or other research related to issues faced by very poor people? (if not specifically by very poor people, was any such research conducted on poor clients in general?) What types of tools were used? What were the main findings?

5.4.2.2. Competition analysis

Has the organization analyzed its competitors? If so, how has this affected its niche in terms of products/services and costs especially with a focus on very poor clients?

Are other organizations working with same type of clients? What is their approach?

5.4.2.3. Self-assessment

Does the organization conduct self-assessments? If so, how are they conducted? Who is involved? What have been lessons learned from such exercises?

<u>5.4.3. Product/Service design</u>

5.4.3.1. Product/service design process

Explain how the organization decided to provide products/services to very poor clients, how these were designed?

5.4.3.2. New versus modified products/services for very poor clients

Was a new product/service specifically tailored to the needs of very poor clients or was an existing product/service tweaked to meet their needs? What were the cost trade-offs?

5.4.3.2. Risk assessment and product design

What types of risks were identified for working with very poor clients? How did this affect product/service design?

5.4.3.1. Prototype development and testing

How prototypes were eventually developed? Did the organization rely on internal or expertise? Who was involved in development? What type of initial feedback was solicited before pilot testing?

<u>5.4.4. Pilot testing</u>

Which clients (and how many) were involved in pilot testing of new products/services for very poor clients? What lessons were learned during pilot testing? What product modifications were made?

<u>5.4.5. Rollout</u>

How did the rollout of the new product go? Were any new issues encountered? Modifications within the organization needed?

5.4.5. Product/Service review and assessment

How has the organization obtained feedback on its new services/products? Who is involved in collecting this information?

5.4.6. The Product Development Cost

5.4.6.1. Total cost
Any information available on the total cost of developing a new product or service?

5.4.6.2. How were they funded?

Which financial resources make new product development possible?

5.4.6.3. Outsourcing during the development process

Did organization outsource the product development process? If so, to whom? Why?

5.4.7. Feedback loop

What are the organization's systems of information flow and feedback? What type of essential client information is used to better understand their needs and ultimately guide decision making for product development?

5.5. Implementation Process

5.5.1. Process

Provide a short step-by-step description of the process (and timeline) from targeting a new area or group and selecting/recruiting clients to providing products/services and potentially graduating very poor clients to new services.

5.5.2. Logistics

What are important logistical considerations in reaching and assisting very poor people? Issues can include mobility/distance, selection, training, monitoring/counseling, money transfer…

5.5.3. Information System

How are data obtained, processed, analyzed and used? Who keeps what type of records (and in what form)? Details on type of data can be further explained in 6.1.1.

6. Results

Are these captured From Original Survey: How replicable is the program? Scale? Impact? Summary of program indicators, outputs and impact i.e..highlights from evaluations, results of impact studies, anecdotal evidence of improvement in economic status, household income level, health and welfare of beneficiaries and their families (especially children) etc. Include end of project indicators if available.

6.1. Method of measuring results

6.1.1. Type of data

What information does management use to track results (effectiveness), performance (efficiency), client feedback and impact?

6.1.2. Data analysis and use

How are the data analyzed? How often? How are the data used for day-to-day operations, for strategic planning?

6.2. Impact

Review of existing evidence on outcomes and impact. Compare with 5.4.1.2. Intended Outcomes and Impact.

6.2.1. Poverty Impact
Provide any evidence from internal monitoring or impact assessments as well as from third-party impact studies related to the movement out of poverty of very poor clients, both according to economic and non-economic poverty indicators. If impact

data cannot be disaggregated between poor and very poor, provide overall data and clearly identify poverty range. If possible, also provide indications of how long clients have been in program before impact is noted.

6.2.2. Client satisfaction and feedback

- *What have been client satisfaction levels with services provided? What suggestions are made to change products/services?*

- *Provide three short client stories, including at least one that was not successful, on which services were used, how they were used, and what the main impact was on the client, her household income, etc.*

6.3. Cost Effectiveness and Sustainability

6.3.1. Scale and replicability

6.3.1.1. Strategy for scale?

What is the organization’s strategy for increasing scale? How many very poor clients does the organization want to reach (and when)? What is planned proportion of very poor clients of total clients? What actions and resources are needed to achieve this?

6.3.1.2. Replicability of program or service

How replicable is this program or service under other conditions (other parts of the country, other countries, and other cultural/geographic/socioeconomic conditions? What are essential factors for replication?

6.3.2. Financial and operational self-sufficiency (if applicable)

Provide information on following ratios, if applicable. Indicate whether ratios relate to entire client population or to very poor clients only.

Explain if other measures are used (for non-credit programs especially).

6.3.2.1. Financial expense ratio

6.3.2.1. Operational expense ratio

6.3.2.1. Cost per client

6.3.2.1. Clients per staff member

6.3.2.1. Average loan balance per borrower

6.3.2.1. Average savings balance per saver

6.3.2.1. Portfolio at risk

6.3.2.1. Tailoring of product/service

If products/services were tailored specifically to the needs of very poor clients, how did this affect cost and efficiency?

6.3.2.1. Other?

6.3.3. Cost-effectiveness of non-financial services?

Distinguish different types of non-financial services and indicate cost and cost recovery.

6.3.4. Strategies to cover/reduce costs?

Why measures were taken to reduce costs and to make products/services financially sustainable. Examples are delivery mechanisms, technological innovation, scale, cross-subsidization, private or public partnerships… Distinguish between financial and non-financial services.

If no full cost recovery, what is the strategy for future sustainability?

Annex 3. Case Study Executive Summaries

Below are the executive summaries from each of the twelve case studies used in this research project. Note that the organizations sometimes used placeholders in their case studies rather than reporting specific figures, so that sentences like"… with a budget of XXX million…" will appear in this annex. For copies of the complete case studies, please contact Melissa Nussbaum at the SEEP Network, (202) 884-8581, www.seepnetwork.org.

1. ALEXANDRIA BUSINESS ASSOCIATION (ABA)

Alexandria Business Association (ABA) was created in 1983 as an association of businessmen to provide support to the private sector, promote the interests of the business community, and provide networking opportunities. It acted very much like a chamber of commerce or employers' association. However, its activities soon developed beyond advocacy to encompass community service. In 1988, ABA became an NGO.

In 1989, ABA and the United States Agency for International Development (USAID) signed a seven-year exclusive cooperation agreement. This resulted in the creation of ABA's Small and Micro Enterprises Project (ABA-SME), which is one of the many activities and projects of ABA. USAID provided financial and technical support to ABA, and ABA implemented a programme to offer financing to the existing small and microentrepreneurs of the governorate[6] of Alexandria. ABA-SME was launched in 1990 and it became for a long period the market leader in SME financing in the Middle East/North Africa (MENA) region. It started by providing enterprise loans in Alexandria, and then expanded its activities to neighbouring governorates (Behira, Menoufia, Kafr El Sheikh and Matrouh). Later, the ABA model was replicated by other USAID-supported organizations in other governorates of Egypt using the same methodology.

Under the pressure of the donor, financial self-sufficiency was a primary goal for ABA-SME. It opted to provide individual loans mainly to men, targeting existing small and microentrepreneurs who are mostly above the poverty line. Before starting experimentation with poverty products, ABA-SME preferred to have a strong base of operations, both methodologically and financially. Once the requirements of the donor were met (after two years of activity), ABA-SME began to go down market serving more vulnerable populations. In 1999, it introduced a new poverty product "Blossom of Microenterprise", for female-headed households using a solidarity group methodology. The new product brought down the average loan size per borrower and increased the share of women borrowers. Besides the usual goals of income generation and better yield for the microentrepreneurs, this

[6] A governorate is an administrative division. Egypt has 27 governorates.

programme aims at improving social, cultural and health standards among borrowers.

In 2001, ABA-SME strengthened its down market operations with a grant scheme, the Towards Self Employment Programme (TSEP). This programme aims to help unemployed poor people to start or strengthen business through a two-part conditional grant (150 EGP / 30 US$ each) funded by ABA's Zakat Charity Committee. TSEP rounds up ABA-SME's products proposed to clients with an underlying concern: graduation. As ABA-SME says, their objective is to "reach down and scale up".

TSEP is the result of a partnership between ABA's Zakat committee and its SME project. It is separated from the MFI (in terms of inclusion in its income statement or balance sheet), but supported on the ground by the SME staff members, in the headquarters by the top managers, and funded by the Zakat committee of the business association.

This case study focuses on ABA's "Towards Self Employment Programme" (TSEP) as it deals with the poorest. It also gives details on the Blossom group loan scheme, which has enabled ABA-SME reach out to poorer clients, particularly women, and facilitates the transition out of poverty. The contrast between Blossom and TSEP operations, and how they are perceived by ABA-SME's management is worth the comparison.

TSEP targets female-headed households with many children, or where a husband is unable to work (e.g. due to disability or old age), particularly households having insufficient income to pay for basic needs, such as food and shelter. To participate in the programme, one must have a business idea and the willingness to put it into practise. Once the beneficiary gets her business started and demonstrates a sufficient commitment to running it, the second part of the grant is disbursed. The project staff remind the recipient about the possibility of subsequently accessing a loan, and suggests that they contact a Blossom branch.

Since the inception of the different products on different periods, the proportion of TSEP clients is 2 per cent and the number of grants disbursed (1^{st} and 2^{nd} part) is 7 681 and the number of graduates to Blossom group loan is 245.

Over the years, the TSEP scheme has been housed in a variety of different places in ABA-SME, and none have been an ideal fit. To minimize the costs of issuing grants, ABA-SME has relied primarily on staff volunteers. Currently, the Operational Audit Unit assumes responsibility for the grant programme, in addition to its primary responsibilities of auditing the branches periodically. To assist the Audit Unit's efforts to manage the grant scheme, ABA-SME collaborates with a variety of charity NGOs, which assume the primary responsibility for identifying and selecting beneficiaries. In addition, the NGOs also provide other services not connected to ABA, such as food aid, beginning of school year aid, which complement the efforts of ABA and assist the grant recipients to move out of poverty.

ABA-SME used many innovations to serve the bottom end of the market, including:

- Similar to the Trickle Up approach, the conditionality of the second part of the grant encourages beneficiaries to take their business activity seriously, at least until they receive the second tranche.
- Partnership with charity NGOs allows for a geographic targeting (area of NGO's activity) rather than an individual one. It allows also using the knowledge of the NGO about its members for screening purposes. This partnership significantly reduces the costs, even if the additional layer impedes the information flow between ABA and TSEP beneficiaries
- By using staff that is not involved in its lending activities to give grants, ABA-SME avoids sending mixed messages both to beneficiaries and to borrowers. The fact that the Operational Audit staff is experienced in evaluating and flushing out dishonesty is a plus.
- Use of the Operational Audit staff unused time to do another activity saves costs
- ABA calls the commitment of staff with TSEP volunteering. This enhances their image in a society where charity is important and motivates them.

The NGO partnership is an important method to reduce costs. In combination with the so-called volunteering of staff, which is part of a disguised cross-subsidization, ABA benefits from substantial economies. It is appreciable because even though the resources are not a problem for ABA to fund TSEP, this cost reduction gives a guarantee to the donors that their money goes to the needy and not to cover inefficiencies.

TSEP is funded from the contributions of ABA members to Zakat Charity Committee. Members allocate funds specifically to this programme. Zakat is one of ABA's committees and coordinates the social and welfare activities of ABA. It collects the religious charity contributions of ABA's businessmen members. Zakat is an obligatory duty and one of the five pillars of Islam. It is an amount of money that Muslims have to pay to support the poor and needy, which typically should amount to 2.5% of the untouched fortune of someone during one year, although "fortune" has to reach a certain threshold for Zakat to be due. Above this threshold, Zakat is obligatory. As Zakat is due every year, it is a relatively secure source of local funding for TSEP.

Muslims are also encouraged to give voluntary charity. According to ABA-SME management, TSEP is a top priority for ABA and its Charity Committee. Even if the funding comes up short, the president of the board (and ABA's founder) is willing to finance the programme personally, which already happened.

The results of TSEP are measured by number of grants disbursed and of graduates to the Blossom loan programme. Since inception in 2000, ABA has disbursed 7681 grants (1st and 2nd parts) to x individuals; the total amount disbursed has been xxx EGP (US$). In 2004, 75% of the grant recipients were eligible for the second part of the grant, but in 2006 the “continuity ratio” was only 58%. This drop is because of the housing change of TSEP among different units of ABA-SME. Since inception, only 245 TSEP beneficiaries graduated to Blossoms. Some of the reasons for the low graduation rate include a non continuous responsibility of the programme under a unique department, a philosophy based on charity which makes management not keen on fixing objectives and motivating staff to reach them. The non formalized procedure is also a hindrance.

It is difficult to assess whether or not this is a success since the results cannot be compared to any planned targets or objectives. Many aspects are ‘deliberately’ missing in the results measurement of TSEP performance:

- No evaluation and translation into monetary terms of the time dedicated by Operational Audit staff to the TSEP activity. This would make it possible to calculate the cost of moving someone out of poverty and graduating him or her to Blossoms.
- The graduation timeline is missing as a measure of success
- The continuation and repayment rates of graduates through Blossoms is not measured either

The TSEP SWOT analysis shows that the strengths and opportunities make it very easy for ABA to upgrade TSEP into a more professional and organized programme, if it wants to. TSEP is a breeding ground for future clients, faithful and risk free. Once it is seen this way, weaknesses can be solved by strategic planning involving all the actors, and through additional training, particularly for the partner charity NGOs.

Strengths

- The backing of the Charity Committee and its network
- Availability of funds
- TSEP is now under a neutral department with highly motivated staff (for now)

Weaknesses

- TSEP has not been sufficiently planned or managed
- Results are not properly measured
- TSEP is considered much more as a charity programme than as a standing alone product
- The operations are not formalized through an operations manual
- Lack of monetary incentives for poverty outreach (even for Blossom)

Opportunities

- The only programme in Egypt doing this activity
- No interest in this segment by other MFIs, for now.

Threats

- Disagreement with Zakat and Charity Committee
- Downscaling banks are a direct competitor on the upper segment. Focus shortage on the down market position might generate missed opportunities.

2. ACTIVISTS FOR SOCIAL ALTERNATIVES (ASA)

The Activists for Social Alternatives (ASA) is a not-for-profit non-governmental organization (NGO) registered as a public charitable trust, working for the development of poor in the drought prone, poverty ridden area of central Tamilnadu (TN). ASA started its operations in 1986 in Marungapuri block with the objective of addressing the rights of the downtrodden and the exploited, most of whom belonging to the Dalit community. ASA formed Sanghas and/or societies of such people and built sustainable institutions out of such groups through education, conscientization, skill based training and capacity building and lobbying and advocacy. Watershed was the entry point activity during the initial years. During the developmental efforts ASA has undertaken and implemented several relief activities including drought relief and flood relief activities. Through the 20 years of close association with the community at grassroots ASA has acquired competence in building sustainable Community Based Institutions, owned and managed by the people for their benefit.

During the late eighties, ASA found that rights and issues based formation of groups might not ensure sustainability of the groups. It was found that once the issue at hand is solved the group tended to disintegrate. There was also the growing realization that economic empowerment could be the strongest base for social, cultural and political empowerment of the poor. The search for a strategic tool which would help in achieving the multiple objectives of ensuring sustainability of the groups, provide economic progress and a platform for political, social and cultural empowerment, so that the multifaceted poverty is addressed holistically, ended with the exposure of ASA to the microfinance. The early nineties found the Visionary behind the institution, Mr. Devaraj and his colleagues visiting Bangladesh studying the Grameen Model of MF and host of other NGO/MFI projects for learning the principles of MF and designing an MF program to suit the needs of ASA. These efforts culminated in the adoption of MF as entry point activity for ASA in 1992 and the birth of the NGO- the “Grama Vidiyal” (GV).

The microfinance program started in 1992 was registered as a separate entity, the Grama Vidiyal Trust in 1997 due to the need for a separate organizational structure and systems to meet the demands of the program. GV operates with the mission of improving the standard of living of members and provides the structure for delivery of MF-plus services of ASA aimed at political and social empowerment. GV, after ten years of experience of managing an integrated MF program GV has developed competence to run an MF program.

The overall strategy of ASA-GV is based on these competences developed, integrating them for addressing the multi-dimensional poverty. ASA promotes groups and creates people’s structure to which GV provides microfinance services for economic progress. ASA provides a wide range of microfinance-plus services through various programs to the members held together by the MF program for their social and political progress.

Today GV is one of the largest microfinance institutions in the India reaching out to about numerous very poor families with an annual growth rate of over 100 percent.

Grama Vidiyal Women Micro-credit Program:

The micro-credit program was implemented through the women federation of Grama Vidiyal which is a mile stone development of ASA in the efforts of economic empowerment of the poor women. Grama Vidiyal was started in the year 1995 through women federation which is an offshoot of ASA to attain its vision. The Grama Vidiyal women are the users, managers and owners of this entire program. Moreover, the women themselves elect their leaders to identify and solve problems pertaining to their socio-economic life and to discuss about the progress of the program. In this program, the target is the poorest of the poor women.

The method of identifying target clients is itself unique and interesting. At first, by using housing index and PRA wealth ranking tools, the poverty level of target group clients is identified. There are three major groups who are eligible to become a member: the poorest, poor and less poor (based on scoring). While the poorest members are the core target of ASA, there is no product or service exclusively for the poorest clients as they are not merely a sub-segment: they define ASA’s microfinance and microfinance plus program design and delivery.

Once eligible members are identified, a five-member group is formed where the members should not have blood relationship, should belong to same village, should have like mindedness with common cause, should have same age group and should follow the group norms. In the same way four such groups are formed and united to have one centre with 20 members where a common leader for administering the centre activities. In a branch, there are 150 centers. Every week, centre meeting takes place where a common centre song and member’s pledge and staff pledge is followed.

Savings and loan amortizations are collected in the centre meeting and new loan applications are reviewed. Then the loan application is approved by group members and recommended by the center leader, field officer and finally approved by the branch manager and disbursed to the members through the branch office. Usually the loans are disbursed twice in a week and after 15 days of disbursement; the branch manager makes spot verification of loan utilization. The loans are disbursed to different purposes like agriculture, business, income generation activities, contest in panchayat election etc. The loan amount is divided in to 50 weekly installments and repaid by the members. The members repay the loan due regularly and in case of default due to genuine reasons, then the loan is rescheduled and motivated to pay back fully.

The loans are disbursed through ASA-Grama Vidiyal to meet the multidimensional needs of income generation activities such as cottage industries, small scale trades and industries, basket making, hand made articles, milk business etc. Members are also provided loans to start Kiosks, computer internet information providing centre.

As of June 2007, ASA is serving 199, 345 members of whom all are women through 65 branches. Repayment rate is 99.56%. The total value of loans outstanding is USD16.42 millions. The number of loans disbursed is 699, 726 with a total amount disbursed accounting to USD 78.37 million.

Credit Plus development Programs:

ASA Grama Vidiyal has adopted Micro Credit scheme as a tool for eradicating poverty and to the betterment of poor women. Further, to attain the vision, ASA has been rendering various developmental schemes for the welfare of the needy women. One among the development efforts is forming of women federation of Grama Vidiyal. The federation of women has a three-tier system such as branch, district and state level. In the branch level, the center meeting is held once in a week and 10 centers form a cluster. The cluster meeting is held once in 3 months and all members meeting is held once in a year. In the yearly all members meeting, the issues pertaining to women rights, political rights and also social problems and policy level changes are discussed and resolutions are also arrived.

Besides Micro Credit program, ASA also work for the cause of poverty alleviation through Watershed development program, women empowerment program, dalit empowerment program, Matriculation School for the members' children and Child labor eradication program, social welfare program, and Insurance scheme and also organizes training programs. Moreover, ASA has adopted impact assessment tools such as ILS internal learning System, PLP Participatory learning process to see the impact of the program and to find out needs and make refinements in the program.

By establishing a strong collaboration with international and national level donor agencies and likeminded agencies, ASA has been making constant efforts to implement innovative models of others in its areas of operation. One among such efforts is the implementation of ICT information and communication technology program to help the rural poor women to access the information. Results of the ICT program include helping educated, unemployed youth find employment and helping the poor access various government welfare programs.

International Womens Day:

Every year the celebration of international woman's day program is organized in all the branch areas through Grama Vidiyal federation. Through this program the unity and integrity are strengthened and also awareness education is given on the problems relating to women, violence against women, rights of women. Besides this, the members interact with each other and share their different kind of experience they had in their areas. An exhibition of different products of our members is also organized through which best entrepreneurs are encouraged and a strong market linkage is built to help each other.

Moreover, through best entrepreneurs, the members who need skill up gradation training is offered and the government officials are also introduced to our members, out of which, they could easily tap government welfare programs in the future.

Panchayat Raj System (Participation in Local Governance)

Grama Vidiyal members are imparted training on Panchayat Raj Institution and the roles and responsibilities as per the legal purview and also motivated to participate in the local governance to achieve the goal of political empowerment. Moreover, the members are provided with the loan to contest in the election and also all the other members are motivated to support our members and vote for her. In this manner, the participation in the local self governance and creating best administrators in the political scenario to attain sustainable development is enhanced.

Above all, there is discrimination and lots of disparities among dalits and women in contesting in the panchayat raj election. Therefore a strong federation has been formed in the state level to bring a policy level change in the government. During the last election, 175 Grama Vidiyal members contested and out of which, 103 members won.

MEDP (Micro Enterprises Development Program:

Through the MEDP (Micro Enterprises Development Program), ASA provides professional training support to its beneficiaries for improving the quality of the product and to enhance their entrepreneurial skills. The program also benefits the members to exhibit their products through the Vidiyal model stalls in every branch by which the products become popular. The common Vidiyal members products exhibitions are also organized during special meetings and celebrations like International Women's Day celebration, training programs, etc. Through this program a strong marketing linkage is created among our members by which the members who are willing to learn any new business are paired with the best entrepreneurs of ASA.

Child Labor Elimination and Effective Rehabilitation Program:

This program was commenced in the year 1997 under the fund support of “CHEERS” which is a government project to eliminate child labor problem and to educate and rehabilitate child laborers. Through this program, child labor children are given free education, stipend, vocational training, free health care facility and free issue of note books. Brilliant students are also identified and given assistance to continue higher education.

Program Details (as of February 2006)**:**

Child labor schools	-	5
No. of Child laborers benefited	-	140
Previous year Beneficiaries	-	234
No. of Students who are admitted in regular school	-	203

Vidiyal Matriculation School:

Vidiyal Matriculation School is a boon to the Grama Vidiyal members which has made their longstanding dream come true. The members were longing to give good quality education to their children through English medium and they were thinking that it is a high hanging fruit to the poor. So ASA realized their dream and started the school in the year 2001. The main aim of ASA is to build sustainable development by exterminating poverty. So that attainment of its aim is not very far off dream, because the process is already initiated and the future of the members children is being cherished with best environ. More than 75% of the people of India live in the villages. The real development of India lies in the development of villages. The school adopts the best curriculum with well qualified and experienced teaching staff. The school campus is well equipped with all kinds of learning facilities suitable to have joyful learning to the children.

Grama Vidiyal members are given awareness about the importance of education to their children. The school continues its services to the cause of sustainable development and building better future for our members.

ILS –Internal Learning System:

ILS –Internal Learning System is a participatory impact assessment program of ASA to study the impact of the program by using simple pictorial diaries. This program was implemented to learn the real development of the members. Through the pictorial diaries, the women learn by themselves and make a note about how they run their enterprises successfully by getting loans from Grama Vidiyal. This project was launched in October 2002 and the diaries are designed to use for three years. It helps us and members to make a comparison between the development of this year and last year. Moreover, the members and organization are able to understand the overall program impact and needs of the members.

PLP-Participatory Learning Process:

This is a process that has taken on by ASA to monitor not only impact but also clients' feedback on the products and services. It is a participatory approach and assists the organization to learn the strengths and gaps in the program, hence improve continuously. On a participatory method, the information is collected and a common data base is created and updated at the time of loan disbursement. Moreover, by conducting sample survey and focus group discussions with drop out members, exited members and present clients, the feed back is collected to know the wider impact of the program and to make refinements in the program to make it more beneficial and people friendly.

Impact findings

Above all, the poor women have proved that they are credit worthy and there is concrete and significant growth in their life through this scheme and also their status in the family as well as in the society has been enormously enhanced. There is no doubt that the women federation has been a force of instigating the welfare and upliftment of the poor. Moreover, the women federation is helping the poor women by not only providing loans for the enterprises but also up gradation of their enterprises skills.

According a three-year panel study, the following results have been achieved[7]:

> "The ASA program appears to be reaching its target group given the high level of landlessness, few productive assets, low literacy, and poor living conditions for newly joined members. Over time, ASA members are able to make significant improvement in their productive activities. With the help of their loans ASA participants have repaid debts, reclaimed mortgaged land, started new enterprises, reinvested in or improved existing ones, or changed activities. Long-term ASA members in particular were able to increase their ownership of land and livestock assets and improve their conditions of work with respect to workspace, inputs and markets.
>
> The women members of ASA are mostly active participants in the household economy retaining sole or joint decision-making control of the use of the loan, the operation of the business and the use of the profits. Gender relations

[7] Noponen, ASA Impact Study Report, 2004.

were generally good with low levels of violence and abuse overall. There were improved gender-results for long-term members in terms of greater female participation in household decision-making and female sole or joint ownership of land and shelter assets. Long-term ASA members are also more physically mobile visiting important government institutions and participating by speaking out more in public meetings. The improvement in productive work activities and greater role played in home, workplace and community activities for long term ASA women members has gone in step with improved family well-being and living standards for their households. Long-term ASA members enjoy improved housing conditions and report greater satisfaction with nutrition and health care access. There was a higher rate of school attendance and greater gender equity and corresponding lower rate of child labor for long-term ASA members.

These positive results did not come at the expense of women and the burden of her participation in the program. There were low levels of credit stress indicated by incidents of suffering deprivation or using exorbitant moneylender loans, or taking help of group members to repay the ASA loan. Overall women were satisfied with the size of loan, the interest charged and the timeliness in receiving the loan. Participants gave high satisfaction rating marks to their own involvement in the program, the functioning of their center group and the treatment and services rendered by field officers. Long-term ASA members were even more satisfied on these issues than newer members."

Below are three tables that present ASA's results in terms of reaching the poorest target clients, making a difference and building a sustainable institution for its target clients.

Table 1: *Reaching the Poorest.*[8]

	ASA GV
% clients living at or below US$1/day	NA
% clients living below national poverty line	95%
% of entering clients defined as Very Poor (Housing Index score of less than 4)[9]	58%

[8] Three sources of info are used for Poverty Outreach data: (1) Member database; and (2) Annual report with Audited financial statements (2005).
[9] Analysis of Housing Index results is done using member database – Housing Index measured on every new member at the time they enter the program.

% of entering clients defined as Poor (Housing Index score of 5-8)	37%
% of entering clients defined as Non-poor (Housing Index score > 8)	5%
% of clients women	100%
Poverty focus: Design, Geography, Targeting, Screening, Motivation, Culture of organization	D, G, T, M, C
Average loan size[10]	US$106

Table 2: Impact[11]

	ASA GV
% all clients experience reduction in economic poverty	63%
% very poor clients experience reduction in economic poverty	65.7%
% client experiencing increase in voluntary savings	70%
Drop-out rate for very poor[12]	4.6%
Overall drop-out rate	6.6%

Table 3: Overall Performance[13]

Sl.No.	Description	Cumulative
1.0	**HUMAN RESOURCE**	
1.1	Total Number of Staff	**752**
1.2	Micro Finance	**752**
2.0	**OUTREACH**	
2.1	Number of Districts	**17**

[10] Exchange rate of US$1=Rp. 45 (as of March 2006).
[11] Two sources are used for the impact data: (1) Hishigsuren (forthcoming) and (2) MIS.
[12] Very poor is defined as those members who had less than 4 points on the Housing Index at the time they entered the program. Information is retrieved from MIS as of March 2006.
[13] ASA MIS report, July 2007. More info on financial ratios is in Section 6.

2.2	Number of Branches	**72**
2.3	Number of Villages	**3,960**
2.4	Number of Centers	**12,820**
2.5	Number of Groups	**12,820**
2.6	Number of Peer Groups	**40,939**
2.7	Number of Members	**203,176**
3.0	**MEMBERS**	
3.1	Number of Borrowers	**186,328**
3.2	Number of Insured Persons	**27,064**
4.0	**SECURITY DEPOSIT**	
4.1	Amount of Security Deposit	**117,977,983**
5.0	**PORTFOLIO**	
5.1	Number of Loan Disbursed	**729,423**
5.2	Amount of Loan Disbursed	**3,270,139,255**
5.3	Amount of Loan Repaid	**2,597,342,714**
5.4	Amount of Loan Outstanding	**672,796,541**
6.0	**PERFORMANCE**	
6.1	Rate of Repayment	**99.54%**
6.2	Portfolio At Risk (PAR)	**0.62%**
7.0	**PERCENTAGE OF WOMEN MEMBERS**	**100%**

Cost effectiveness and sustainability:

ASA has been striving to find innovative solutions to reduce cost while not compromising on the quality and outreach of its services. Examples of such innovations for cost effectiveness include: streamlined branch offices, low cost field operations by minimizing the staff visits to centers (while empowering center leaders to take more responsibilities and leadership) and using information and communication technology to improve efficiency in data management. As a result of such cost effective innovations, ASA has been able to cover its costs from internally generated revenue with operational self sufficiency of 100% and financial self sufficiency of 95% as of 2005.[14]

Sustainability is not only seen in terms of cost recovery but also in terms of institutional sustainability. ASA always believes in participatory development approaches and thereby adopts the policy of 100% transparency and maintain accountability among its target clientele groups and staff. The organization structure itself is streamlined with well defined roles and responsibilities with which the aims and objectives are set to reach the vision of the organization. ASA has designed responsive welfare schemes to its staff members.

The staff members are given 8.33% of their salary from the management with which a same amount is also deducted from the monthly salary and the same is added to their savings and when the staff relieve from the organization, the total amount will be given to them as service benefit. Besides this, the traveling allowance, out station work allowance, over time work allowance are also provided to the staff members.

Conclusion (SWOT approach):

STRENGTHS

The strength of ASA is really in the commitment of leadership and management with a strong motto to serve the poor communities especially the poorest of the poor women. The mission is communicated and is followed in every layer of the organization. Also, ASA encourages its members to take active role in decision making and management of the organization by promoting federation of women members, hiring women members as community field officers and branch managers. Also, ASA is constantly changing its products and services in response to the changing demand of its target market. ASA is highly innovative and open to new ideas and experimentation with new technology. In addition, the following are identified as the strengths in the rating report:

- Well established presence in the area of operation
- Focused microfinance operations
- Good MIS and accounting system
- Stable and experienced staff
- Good portfolio quality
- Improved profitability and sustainability

[14] M-GRIL, Rating report, 2005. www.asadev.com

WEAKNESSES

In general, the SWOT analysis missed identification of weaknesses. Of course, we can learn as much, maybe more, from what didn't work as well. The case raised some possible points, like the tension with mission drift, but not many weaknesses. I feel a summary of the challenges that ASA faces would be useful here.

THREATS

Legal Status: For more than two years now, ASA has been contemplating transformation into an NBFC-Mutual Benefit Trust structure for its microfinance programme. Although, the organization has received the required initial equity for the registration of the NBFC, lack of clarity with the structuring of the equity capital among the different stakeholders and the operational intricacies of transformation presents some uncertainty regarding its future governance and operating structure.

Unfavourable external environment: Although the Tamil Nadu Prohibition of Charging Exorbitant Interest Rate Ordinance, 2003 has been stayed by the High Court, the uncertainty on account of it is likely to continue in the absence of a proper regulatory framework differentiating MFIs from moneylenders.

OPPORTUNITIES

Opportunities include:

- GVMFL's potential market is the 9 million unbanked households in Tamil Nadu, in addition to the unbanked in neighboring states
- Of these 9 million households, GVMFL targets 15% saturation after taking into account suitability and competitive forces
- GVMFL will saturate Tamil Nadu and expand to Kerala, Karnataka, and Puducherry

However, there are some competitions from large national MFIs (SKS, Spandana). Most competition comes from Tier II MFIs in Tamil Nadu (e.g. SMILE, BWDA, Sarvodhaya, IASC).

3. CARE RWANDA

This case study describes the CLASSE-Intambwe program of CARE Rwanda, which started and has evolved since 1999.

CARE International's Village Savings and Loan (VS&L) approach to microfinance started with Niger's Mata Masu Dubara (MMD) program, a self managed system of financial intermediation. Based solely on member savings and small, self-managed groups, MMD became a model for replication in several other (mainly but not exclusively African) countries, including Rwanda. While many of these show variations on the basic methodology, they adhere to a basic set of principles:

- "Savings-based" financial services: individual savings are the primary source for credit funds;
- Self-management;
- Simplicity and transparency of operations;
- Flexibility in loan sizes and terms;
- Very low group management costs met through group earnings; and
- Earnings retention in the group and local community.
- Individual Savings and Loan Groups that are sustainable and profitable, providing high positive real rates of interest on client savings;
- Meeting the basic needs of clients for simple, accessible savings and credit and insurance facilities;
- Very low cost per client to the program between US$18-30 long-term;
- Programs locally staffed and managed after very short periods of orientation; and
- Spontaneous replication and flexible adaptation of the basic model.

CARE International Rwanda has adapted its own version of the VS&L methodology known as CLASSE-Intambwe since 1999 in half of the country's rural Provinces: Umutara, Gikongoro, Gitarama, Byumba, Butare and Kigali Ngali (Rural Kigali). CLASSE-Intambwe distinguishes itself from most other VS&L programs because of the establishment of "Integroupments" (IGs), federative structures of Savings and Loan Associations (SLAs), that provide a link between SLAs and rural credit unions of the Union des Bank Populaires du Rwanda. By 2006, CLASSE had helped establish 1,428 SLAs with a total number of 28,806 members.

CARE Rwanda targets poor and very poor people who are not able to access any other form of traditional formal finance and who belong to the poorest rural communities. CARE employs geographical targeting (priority to the poorest districts and villages) and shows a bias towards high-vulnerability groups, especially women and female heads of households. Usually CLASSE programs target existing associations (often farmers) and trains them in self-management and basic financial operations (savings, loans, record keeping).

CARE’s main implementing partners are UBPR (Union des Banques Populaires du Rwanda, a national network of rural credit unions or “People’s Banks”) and RESAFI (Réseau d’Épargne sans Frontières or Savings without Borders Network, a network of local NGO partners trained in the CLASSE methodology). While RESAFI NGOs have been predominantly responsible for training, capacity building and advocacy for SLAs, the UBPR credit unions provided access to a loan fund to respond to the demand for higher loans than what the SLAs themselves could offer from member savings only. To facilitate that financial linkage program, SLAs in a given area formed federations, known as Intergroupments, whose main role consists of evaluating and strengthening loan applications from SLAs to the local People’s Bank. In order to reduce the risk of the bank in granting loans without its usual collateral requirement, CARE provides credit lines for this purpose. Following very high repayment rates, local banks became more confident and started lending from their own funds in addition to CARE credit lines. IGs have been a key factor in achieving this success, as they took on some of the roles that loan officers typically play by screening credit applications before handing them to the Bank, thereby receiving part of the interest revenue for each loan accepted.

One of the most tangible outcomes of CLASSE is the establishment of a number of self-managing, financially literate SLAs. Likewise, while most existing associations typically were not engaged in savings, after the CLASSE intervention, all SLAs were actively saving. When asked about significant changes as the result of belonging to an SLA, 30 % of interviewees said that they learned how to manage an enterprise, 17% reported that they had been able to come out of previous isolation, and 17% had learned how to manage their resources and savings. More than half of the SLA members interviewed reported that they did not have to resort anymore to selling their crops immediately after harvest (and livestock after birth of offspring), but instead were able to meet immediate financial needs through savings or loans from the SLA. Other reported impacts were: breaking isolation, empowerment (home, community), improvements in wellbeing (housing, nutrition, closing, etc.), and increased education of children.

The CLASSE model has the potential to reach very large numbers of the poor, because it can be implemented in a wide variety of institutional settings, from multi-sector rural development projects to stand-alone financial services projects, as long as the following conditions are met:
• There needs to be a wide network of rural-based financial service providers (credit unions, banks or MFIs, preferably, but perhaps NGOs, too) to provide the professional financial services (term deposits and loans) that are key to success. Said service providers should be no more than a day's walk from the ultimate borrowers.
• There must be a competent and sufficiently funded NGO or other organization capable of creating, nurturing, training and encouraging the institutional development of the village associations and the regional Inter-Group bodies, who in

addition must be capable of and willing to assist in loan follow-up and recovery.

• The legal and regulatory framework should encourage this type of approach, or at least not disallow it.

4. CHRISTIAN CHILDREN'S FUND – LIVELIHOOD AND ECONOMIC ENHANCEMENT OF POOR (CCF-LEEP)

Christian Children's Fund (CCF) is a child development organization dedicated to the wellbeing of children belonging to poor communities all over the world. In India, CCF works through local NGOs, and assists them to implement its child sponsorship program. The partner NGOs implement programs in the core areas of Health, Education, Livelihood, Emergencies and Child Protection in a defined cluster of CCF project villages. The livelihood program of CCF-India is known as Livelihood and Economic Enhancement of Poor (LEEP) Program - a child centered program that focuses on enhancing the economic condition of poor families so that they will be in a position to meet the basic and growing needs of their children. Launched in 2004, LEEP Program has a very specific objective of moving families from Below Poverty Line (BPL) to Above Poverty Line (APL). For LEEP, this translates into achieving a minimum standard of Rs. 24000 net income per family per annum.

LEEP Program operates in 54 districts, covering 16 States and Union Territories of India. The Central States where CCF primarily works are mostly rural and include remote forest areas where 75% of the tribal populations of India live. The primary target group of LEEP Program is the 70,000 families of CCF sponsored children. The secondary target group is all poor families living in the villages where CCF children live. Assisting the poorest, especially vulnerable children, defines the organizational culture and core values of both CCF-India and the 74 NGO partners that implement LEEP Program as part of their child sponsorship activities.

LEEP Program uses both an absolute and relative measure of poverty to determine eligibility, and all LEEP participants are poor at the time of entry into the program. The absolute measure of poverty is the appearance of a family on the government's list as being BPL, defined as income of less than Rs. 18000 per year. In addition, a NGO administered Participatory Wealth Ranking (PWR) process provides a ranking of who in the village is the poorest, in relative terms. CCF-India finds it is important to use both the absolute and relative tools. The government BPL list is useful in identifying communities with large concentrations of poor families, and helps prioritize area selection. However, experience shows that in a given community, 60% to 70% of the poor may not get identified through the government survey process. The PWR tool catches those cases where a misclassification may have occurred, i.e. poor but not on the government list. While it only classifies families as being BPL or APL, CCF-India and NGO staffs estimate that 30% of LEEP participants are very poor when they enter the program.

The LEEP approach ensures that a capacity to provide technical assistance precedes financial assistance. LEEP only supports a limited number of priority activities, and CCF-India takes the responsibility for doing the analysis that confirms those activities can generate the desired income level. Participants are only offered the opportunity to do a priority activity, which has been approved by CCF-India for their district. The focus is on the income to be earned, not necessarily the preference of the client. The lending product is an individual loan. Rs 20000 – 40000 ($500 - $1,000). This loan size is higher than a typical poverty lending program; however, it is central to the approach of LEEP, as it relates back to the objective of financing an enterprise that will generate Rs. 24000 net income per annum. Everything else remaining constant, the amount of return is related to the amount of investment, e.g. one can not expect a large return from a small investment. CCF-India understands that offering the very poor a relatively large loan can present a risk. LEEP addresses this by providing a comprehensive technical assistance package of support to ensure clients succeed. Because each NGO partner only provides support for one or two types of businesses, they become proficient in all aspects of that specific operation.

LEEP clients are assisted, step-by-step, through the critical aspects of business operation. Having predictable outcomes is important, and helps to keep the risk tolerance in an acceptable range. The strategic part of the business planning exercise is provided to them, i.e. the combination of resources that will result in the target income. Clients are essentially made responsible for the production side of the business, with CCF-India taking the lead on orchestrating the input procurement and output marketing. At the beginning, even the production process is carefully monitored. The strategy is to provide inexperienced clients a standardized business model that generates a predictable income. Services provided in conjunction with the loan include: 1) <u>technical advisory services for production</u>. Each NGO has a technical expert for the core activity, who maintains direct contact with each of the ~1,000 participants in his/her geographic area; 2) <u>input supply services</u>. The NGO plays a role in reducing the cost and/or improving the quality of key inputs; and 3) <u>marketing assistance.</u> Even before a core activity is selected, the market has been identified. Knowing the specifics of the market is essential to accurate income projections.

Data on client income that is generated from the LEEP supported business is the primary measure of effectiveness and success. This relates back to the objective of LEEP to lift poor families above the poverty line. With respect to operational efficiency, data on loan disbursements and repayments are also tracked. Aggregate statistics on movement of LEEP clients above the poverty line is not currently available. All income and portfolio information is currently at the NGO level, and even there it is often in the client level data sheets. That being said, the NGO technical expert reviews all client data monthly, and knows those clients that are not progressing as expected. CCF-India is in the process of installing a software package that will consolidate this data at the national level. Impact is quite quick under LEEP Program. It is expected that all clients will be earning Rs. 24000 from LEEP Program alone within five years of beginning operation. Even when the priority activity is not the first choice of employment options for a client, what is ultimately attractive is the “guaranteed” income that will result

LEEP Program is based on the belief that cost must be evaluated in the context of the benefit that it generates. For example, the provision of technical assistance is the largest cost, but it also is the element that LEEP has determined is key to its success. LEEP controls technical assistance costs by limiting the number of core activities an NGO undertakes, most often to one. Not only does this strategy reduce staff costs, but the increased scale of an activity also allows for the introduction of supporting activities like feed milling, bulk purchase of inputs, etc.   LEEP has also been able to keep its costs low by building upon the existing service delivery structure of its NGO partners. As participants of an integrated program, LEEP clients have frequent contact with numerous NGO staffs, which are trained to be proficient at specific, cross-sectoral tasks.

Its 55 year history of working with very poor families has convinced CCF-India that a strategy that contributes to poverty reduction is not sufficient. Rather, it opted for a strategy that results in the poor being lifted above the poverty line. This decision means that a significant investment has to be made in each family. The trade-off is whether a large number of family’s economic situation is improved, or a smaller number of families are taken out of poverty on a sustainable basis. LEEP has opted for the later, and uses the perpetual stream of sponsorship funds to systematically introduce new families over time.

More than any other factor, what is seen as defining LEEP’s success is the commitment of CCF-India and its NGO partners to helping the most vulnerable members of a community. A pro-poor ethos is evident at all levels of the organizations and in printed material. While it is the parents that participate in livelihood activities, the voices behind all program interventions are those of deprived, vulnerable, marginalized and excluded children. An ever present child wellbeing focus keeps the livelihood outcomes in-line with the objective of providing economic security through a stable source of family income so that child needs can be met.

5. FRIENDSHIP BRIDGE, GUATEMALA (FBG)

In 1998, Friendship Bridge, Inc (FB) started working in Guatemala in microcredit and education or as Friendship Bridge refers to it as *microcredit plus*. Friendship Bridge-Guatemala (FBG) began its program in the southwestern region of Guatemala in the Department of Solola because of its large population of rural poor. FBG has a mission of serving rural and peri-urban indigenous women because they remain the most underserved and vulnerable populations with very limited economic opportunity.

Currently, FBG serves 13,803 women with microcredit and education programs. In July 2007, Friendship Bridge partnered with FINCA International to assess clients' poverty levels. Based on that study and using Guatemala's national poverty indices (ENCOVI), 34% of all FBG clients live in extreme poverty (<$1.15/day) and 44% live in moderate poverty (between $1.15 and $2.61/day). FBG uses mostly geographic targeting to reach the poorest clients. The majority of extreme poor in Guatemala are located in the rural areas with large indigenous populations. Thus, FBG uses poverty maps and market analysis to target new areas for expanding services. FBG also provides very small initial loans (average first loan is $125) and a group guarantee program that tends to attract the poorest clients. FBG makes a point to bring credit and education services to the clients in the communities where they live.

FBG uses the trust bank methodology, with group guarantees on loans as the only prerequisite for receiving a loan. Currently, FBG offers between 4-9 month loans to microentreprenuers. FBG also provides short-term festival loans. In addition to providing financial services to clients, FBG has a very strong non-financial services program understanding the variety of challenges facing its target population. Participatory non-formal education opportunities are provided to all clients in the area of business development and financial management, health, education and personal development. Since more than half of FBG clients cannot read or write, all trainings are created for illiterate populations using pictures, games and role play as the main form of learning. Understanding the persistent cycle of poverty generation after generation, FBG provides support for children's education through scholarships and learning centers set up through the branch offices. Ensuring the children of FBG clients are in school and passing from grade to grade, will allow the gains made in poverty alleviation today continue into the next generation.

FB has a corporate culture of listening and valuing the voice of everyone in the organization from the client to the staff and board. Thus, FBG makes every effort to create space within the programs to listen to clients and staff and allow that feedback to impact programs. An assembly of borrowers meets annually to provide feedback to management on a variety of issues. Field staff is also brought in on monthly management meetings to understand the needs and issues faced by loan officers. Also, leadership training is provided to staff at all levels to ensure a consistent supply of qualified staff to support growth and expansion. In addition, clients are serviced in their native Mayan language so field staff are from the community they serve and speak at least one Mayan language. Approximately 30 percent of our field staff have been former clients with FBG. Local resources and talent are always looked to first.

As clients continue with FBG their average loan size increases implying an increase in their microbusiness. It was reported that 65% of clients have only one business providing income into the household. Therefore, the growth of that business is extremely important factor to increasing income into the household. In addition, the children of FBG clients have higher participation in school than the regional average, revealing the support provided in the area of children’s education will create greater opportunities for the next generation.

Given the commitment to *microcredit plus* and reaching rural populations, FBG has taken longer to reach a level of operational sustainability. However in March of 2007, FBG reached operational sustainability. Continued funding from FB and subsidies are needed to continue growing FBG at the current rate. FBG continues to look for ways to increase efficiencies and productivity so that it can keep its interest rate on financial services as low as possible. FBG has not taken advantage of income generating opportunities within its non-financial services programs leaving room for increases in sustainability in the future.

6. KENYA BDS

Kenya BDS is a 6-year USAID-funded program implemented by the Emerging Markets Group with a budget of XXX million. The program's objective is to increase growth and incomes among rural micro and small enterprises (MSEs) via 1) access to markets; and 2) commercial access to skills, resources, and information needed to compete in those markets. The program works in several promising value chains where there is opportunity for increased competitiveness and scale in terms of the numbers of MSEs that may increase their incomes over the long term. To date over 63,583 MSEs are accessing skills, resources and information that enable them to compete in higher value markets and 17,578 MSEs are linked directly to buyers selling their products at a premium in Kenya and abroad. Kenya BDS is recognized as a model for many subsequent value chain programs that have followed—given its success in enabling thousands of MSE to link into higher value markets sustainably.

This case study highlights the methodology that Kenya BDS first developed in tree fruits value chains (avocado, passion and mango fruit) to commercially link over 10,000 small farmers with 13 exporters and processors, and how the methodology was adapted to work in a more challenging context with very poor clients—women fish dryers in the Omena Fish Value Chain in the Nyanza Province on the shores of Lake Victoria. Today in the Omena Value Chain 434 women are selling grade one omena for export to Malawi and in the coming season this will increase to approximately 642 women in 27 groups across 12 beaches.

Client Targeting

Kenya BDS used geography and value chain selection as a means of targeting the very poor. The Omena Value Chain Program is based in the Suba District of the Nyanza Province, which at the time of the program design was considered one of the poorest districts in Kenya. A 2005 nationwide poverty mapping, found that Nyanza Province contributes the third largest number of very poor people to Kenya's total. Similar to the Western Province which is the poorest province in Kenya, between 60% to 70% of the population (headcount index), in the majority of districts in the Nyanza Province, live below the national poverty line, including Suba District.

Equally important in the selection of Suba was the role that the district plays in Kenya's profitable fishing industry and the potential this offered. The district supplies 25% of the total fishing catch for Lake Victoria and is the largest source of fish for Kenya, pumping over 3.5 billion Ksh annually into the Kenyan economy. Fishing provides 10,000 direct jobs in Suba district and another 20,000 indirectly. The main fish harvested from Lake Victoria are nile perch, tilapia and omena, otherwise known as minnow.

The Omena Value Chain was of particular interest, since there are large numbers of very poor women working at a near subsistence level drying and selling omena. These women are very vulnerable, since their operations are of such a small scale that they have no bargaining power and little capital. This forces many of them to rely on the traditional practice of *Jaboya*, where the fisherman sell fish only to those women who are willing to have sexual relationships with them. As a result Suba district has the highest prevalence of HIV/AIDS in Kenya at 35% versus the national level of 7%.

Program Methodology

Kenya BDS selects value chains that have high growth potential, as well as large numbers of microenterprises currently working in the chain, or where there is an opportunity to significantly increase the number of MSEs participating successfully. A value chain analysis is then conducted to identify market inefficiencies along the value-chain and particularly the constraints for MSEs to contribute to and benefit from their participation in the chain. As critical constraints are identified, the program designs interventions to address and overcome these challenges thereby ensuring MSE participation and the ongoing competitiveness of the chain. These interventions are financed through a “Market Intervention Fund” - a centralized pool of funding which allows Kenya BDS to operate flexibly, and to introduce new interventions on an ongoing basis in response to changes in the market. It also encourages pilot-testing and innovation – after the one year period, those interventions that achieved impact and commercial viability are ramped up and replicated. Those interventions which achieve less impressive results are either discontinued or modified; however, always provide lessons learned.

Another important element of Kenya BDS is partnerships with lead firms. Kenya BDS seeks out large firms where there are potential win-win opportunities for these firms and MSEs to trade with one another. These large private firms act as technical champions for the project, bringing the critical skills, information, markets and sometimes financing needed by MSEs to upgrade their productivity. These firms often invest financially in the program and the MSEs as well, since it offers them opportunities to grow and stabilize their supply lines.

Selecting a value chain

To design the Omena Value Chain Program, Kenya BDS first conducted an analysis of the fish subsector, focusing specifically on the omena, nile perch and tilapia value chains. This analysis looked at the commercial potential of fish and what interventions would be needed at the industry and MSE levels to provide for the future competitiveness of the subsector. Omena was chosen as one of the value chains to focus on, since it employed large numbers of poor, women-owned microenterprises, whose owners were very vulnerable given their operations were at little more than a subsistence level. Importantly in addition to offering the opportunity to work with a very poor and vulnerable group, the omena value chain showed commercial promise. This ensures the commercial viability of the program and offers opportunities for sustainability and scale.

Omena accounts for 31% of the total catch landed in Kenya. The fish are caught at night by fishermen with lamps, then on-sold to women artisanal processors in the morning. The women dry the omena on the ground and sell them a couple days later to brokers. This practice, which is widespread throughout Lake Victoria, has typically resulted in: 1) poor quality omena with ground-based drying; 2) poor marketing channels with spot-market brokers; and 3) lack of credit to purchase omena from the fishermen, leading to a sex-for-fish industry among the women processors. If these conditions could be addressed commercially, there was an opportunity for the women to upgrade their production and achieve significant increases in income, which would also make them less vulnerable to *Jaboya.*

Working with the private sector and lead firms

Promisdor's steady market and willingness to provide technical assistance and financing to the women upfront acted as the catalyst to quickly get the program off the ground. Promasidor had a strong commercial incentive to participate, since it needed a greater and more steady supply of grade one omena to serve export markets in Malawi and other parts of Africa. Working with the women would provide this. Another benefit of working with Promasidor is that it allows for greater expansion of the program, since by partnering with the private sector the program operates with few subsidies, while reaching larger numbers of the very poor through private investment rather than relying on limited donor funds.

To start the program, Kenya BDS hired three field extension officers (FEO) with the approval of Promasidor. The role of these FEOs is to provide the women with training and technical assistance in drying the fish to Promasidor's specifications; to assist the women in forming groups and setting up systems to manage the groups; and to administer disbursements and repayments of credits for racks and working capital (to purchase the fish.) Kenya BDS mentored and trained these FEOs for three months, while fully covering their salary. They then became full-time salaried employees paid by Promasidor.

Clustering the women into groups

Often the challenge of working with large numbers of MSEs is the sheer numbers of enterprises and their dispersion over a wide geographical area. To address this, Kenya BDS assisted the women to form business-minded processing groups. This enabled Kenya BDS and Promasidor's staff to work more easily with the women, since they would work with a group rather than one on one. The group structure also provides the women with moral support and group momentum. Using a curriculum developed in the tree fruit value chains, the women received training by Promasidor's field extension officers in processing omena to meet grade one standards, individual and group bookkeeping, leadership and mobilizing group savings.

Introduction of new technology & credit

To ensure the women could produce grade one omena, Promasidor introduced a rack-drying technology among the women groups, and provided construction materials on credit. To mitigate the practice of "sex-for-fish," Promasidor also provided the women working capital, so that the women could purchase larger quantities of fish from the fishermen each morning. A total of 247 wooden racks have been constructed by the women to date, with plans to construct more in the coming year. The racks enable the women to dry the fish to 8% moisture content required and moved the drying off the ground where the fish were often contaminated. The new process is also much less labor intensive, allowing the women to dry more and with less effort.

Adaptations for Working with the Women

Generally the greatest risks for MSEs to upgrade their production are the costs involved, and many therefore opt not to upgrade because they do not have enough assurances or personal comfort that greater income streams will result. This risk aversion is further heightened when a client is very poor and has little leeway to take business risks. Promasidor's willingness to finance the upgrading at cost lessened this risk for the women, as did the guaranteed market Promasidor offered for the product. Clustering the women into groups also lessened the risks, since they could share the costs of upgrading together, while providing one another with mutual support. Promasidor also agreed to take on a larger number of field extension staff, committed to working regularly with the women to support their production and business groups.

Kenya BDS is also working with the women to better manage the four month period annually when Omena fishing is banned in Suba District and they have no incomes or are forced to migrate to other areas in search of work. The women are encouraged to save a percentage of them income as a group, which can be used to supplement their income during the fishing ban or to diversify into other businesses.

Currently Kenya BDS is further refining the group training and on-going support provided to the women groups by Promasidor's FEOs, since it was found that the women need even more support than was initially anticipated. Kenya BDS based its model of support upon its experiences in working with groups of microenterprises in the tree fruit value chains. The greater levels of support needed by the women may be due to the lower levels of education (in terms of literacy, innumeracy) among the women compared to the tree growers and their more vulnerable position.

Lessons Learned

In implementing the program, Kenya BDS and Promasidor face two main challenges to date: 1) successfully managing the credit for racks and working capital and 2) providing competitive pricing to sufficiently dissuade the women from side-selling the dried fish to other buyers.

Promasidor was new to managing a credit program for its suppliers (the women) and previously did not have sufficient systems to manage a lending program both centrally and at the level of its new field extension agents. As a result there were problems with the management of the loan disbursements and repayments by the FEOs and the women were also found to have difficulty in managing the credit. All three of the FEOs were found to have cash balances they could not account for (in terms of the disbursements and many of the women's groups were delinquent on their loans or their loan balances did not reflect all of the repayments they had made.) Kenya BDS is now working with Promasidor to establish better central management systems as well as improved record keeping systems at the level of both the FEOs and the women.

Another challenge to the program is that many of the women are selling their fish to outside brokers. The women and Promasidor had signed a memorandum of understanding, stating for a fixed price (higher than the average price of dried fish over the entire year) that they would exclusively buy and sell to one another. However, when flooding lessened the anticipated yield for the year and prices shot up, the guaranteed price offered by Promasidor was no longer competitive. As a result the total fish sold to Promasidor was less than expected. In the coming season, Promasidor will still not find it profitable to purchase fish from the women when prices rise above the guaranteed price. So to meet Promasidor's needs, Kenya BDS is working with Promasidor to develop a strategy whereby the women will be encouraged to process larger quantities when the guaranteed price is competitive, so that Promasidor can purchase sufficient supply for the year. When prices then are higher than Promasidor's guaranteed estimate, the women will have the choice to sell to other buyers.

Another broader lesson, beyond just the scope of the Omena Value Chain is that value chain programs that target the very poor may be less scaleable than those that work with the poor. In comparison to the tree fruit value chain programs in which Kenya BDS works with poor MSEs rather than the very poor the program is reaching tens of thousands of MSEs, rather than the few hundred participating in the Omena Value Chain program.

Accomplishments/Impact

This program is still ongoing so program impact and accomplishments are still in progress. For the 642 women participating in the program, the benefits of commercially linking to Promasidor are both an increase in the gross margins they generate and in their confidence. To date the 624 women engaged in the program have sold over 11 million Ksh to Promasidor, generating 1,158,127 Ksh, or approximately 10% more in revenues, than if they had sold the same amount of fish on the open market. The women are also processing more than they had previously, given the working capital and technology they are accessing. However, how much more in terms of volumes and therefore income cannot be included, since a baseline is not available. The women also report that participation in the program has increased their self-confidence and feeling of empowerment. They can now engage in the fish trade without participating in *Jaboya* if they choose, putting them as less rish for HIV/AIDS. Some of the women groups are also successful in mobilizing group savings and they are using these savings to diversity in additional activities in the Omena value chain to further increase their margins (by buying fishing boats for example) or to stabilize their income during the low season.

Another important aspect in terms of impact is the program's ongoing sustainability. Kenya BDS established this program with minimal subsidy, paying for three months salary to the FEOs. All over costs and the business transactions undertaken in the program are covered by Promasidor and the women. This ensures the future of these linkages between the women and Promasidor, since it is based on commercial incentives rather than donor funds. What is less clear, is how the program might be further scaled without the involvement of Kenya BDS. Two possibilities are that if Promasidor continues to grow the market, it will need still more fish and will have to enroll more women into the program. Another possibility is that other lead firms working in the fishing industry will observe and then copy the Promasidor model to further develop their supply chains.

7. MENNONITE ECONOMIC DEVELOPMENT ASSOCIATES (MEDA)

Mennonite Economic Development Associates (MEDA) and Enterprise and Career Development Institute (ECDI) are implementing the “Behind the Veil” program with a budget of $600,000 over 3 years. The program helps home-bound, rural women in Pakistan to reach lucrative urban markets for hand-embroidered cloth, through a network of commercial, women sales agents. It is an award winning value-chain development program that has reached over 9,000 women embroiderers by strengthening sustainable market structures and services. In addition to putting cash in the hand of women who – for the most part – have never been paid for their labor, the program empowers oppressed women. As one participant put it, “this woman (Perveen Shaik, ECDI’s program leader) has taken me step by step and shown me a world where I can succeed. Now I have seen what is possible and I will keep moving forward because I want to be a part of this world she’s shown me.”

Target Group

MEDA and ECDI estimate that the women in the program are at poverty level 2 in a 5 tiered system, with 1 being the poorest. Quantitative indicators of poverty include:

- Average earnings from embroidery work were around $6 per month or $72/year before the project.
- Poverty rates in the geographic areas targeted are estimated at 25% for two states and 33% for the third state. This compares to a national poverty rate of 35% (in 2001). These estimates are very rough and based on average figures and do not reflect the poverty rates or living conditions of the specific villages the program targets.
- The program targets women. Pakistan has a gender index of 144. Adult literacy is 63% for men and 36% for women.
- The program targets rural producers. The poverty rate in rural areas (40%) is significantly higher than in urban areas (23%).

MEDA and ECDI rely more on the following qualitative indicators of poverty:

- Gender: women have significantly lower economic opportunities, mobility, access to resources and autonomy in Pakistan due to cultural and religious customs and other forms of gender discrimination. The program specifically targeted home-bound women by targeting areas of Pakistan where this tradition is prevalent.
- Living conditions: The homes of target clients are run-down, built from mud bricks or mud and stick, often open to the elements. If the family owns animals, they are often tethered very close to the homes due to lack of land. Clients have no electricity, telephone, running water, sewage or toilet facilities and often use shared pit latrines or fields. Their clothing is old and worn.
- Health conditions: children are visibly malnourished, have discoloured hair, have distended stomachs and vacant looks. Women look very old for their years, marry young. People have disabilities or scaring related to diseases, such as small pox.

- Social conditions: Clients are living under social conditions in which it is difficult for them to assert their rights and they are often exploited by wealthier people. A "feudal" elite dominates rural society. Farmers are dependant for their basic needs on a traditional landlord, and do not have property rights over their land. Rural society is male-dominated. Purdah is common. Target clients are restricted from most forms of paid labor and from interacting with men. Since men control the markets and trading, women are therefore cut off from economic opportunity.
- Working conditions and materials: clients find scraps of cloth to embroider and sell these "patches" to low-value markets through their male relatives as they are unable to go to markets themselves. They know little about the market and often pay more for their thread than they receive in payment for the product. In most cases, since women do not receive payment for the produce – payment is received by male relatives – they have little control over how the money is spent and are not aware of how much they really earn.

MEDA and ECDI describe their clients as not being the poorest of the poor in that they are not destitute, they are not starving, although they are sometimes hungry or malnourished. They have some kind of tenure in their homes, and access to health services and free primary school through the government. They also have a valuable and marketable skill – embroidery – and creative talent which they use to generate designs based on nature and their cultural traditions.

Targeting Methodology:

This target population is new both to MEDA and to ECDI and was selected by the program designers primarily to fulfil personal mission and, in part, in an attempt to win funding. The entire program targeted the poor. MEDA's tradition target population is the working poor and ECDI's is middle class women. The main drive of the program, at the design phase, was to empower women using a value chain development approach. When looking for a sector with large numbers of active women-owned businesses, researchers discovered the embroidery sector as a high potential sector with large numbers of poor producers. Embroidered cloth is used to make Shalwar Kamiz, popular throughout the region among middle and upper class women. Specific geographic areas were targeted because they had high concentrations of embroiderers. Specific villages were penetrated through years of relationship building during entrepreneurship training programs and market research. Individual clients were not selected. Rather, they came forward to sell their products. The program did selected female sales agents. The SAs were selected based on certain criteria. After initial meetings and focus group discussions, women from the following categories were selected: those women who already had some REs working under them; women who belonged to a community or group where REs worked and were REs themselves with leadership potential; or were women with pronounced skills who were keen to have REs under them.

MED Methodology

The program methodology is sustainable value chain development, and was the first sustainable value chain development program to reach very poor women. The program links rural embroiderers to high value urban clothing markets by identifying and training a network of women sales agents, helping them access markets, input and design services, and helping them to pass on inputs, design services and other support to the women embroiderers. The main innovations in reaching the very poor included:

- Helping them access high value markets through sustainable market mechanisms.
- Offering a holistic package of services to women, through sustainable market mechanisms.
- Working with microenterprise intermediaries who have appropriate social connections to target clients, and linking the sales agents with the range of businesses needed to get product to market.
- Developing a market culture of social enterprise, rather than exploitative business practices, through training, leadership and ensuring adequate “competition” or market options for producers.

Program managers also emphasize the luck involved in finding large numbers of poor people with a marketable skill. To reach downmarket further, to populations without a marketable skill, the program would subsidise technical training and apprenticeships in embroidery (or in other marketable skills) to help get client market ready, and then apply the sustainable value chain development approach.

Results:

The main impact MEDA and ECDI are assessing is increased sales (which in most cases translates directly to income because inputs are supplied by the buyer) and qualitative lifestyle improvements reported by women.

- Income:
    - For most embroiderers, income prior to the program was negligible. The average income for all embroiderers reached as of June, 2007 (3 years into the program) is $170 a year.
    - For more active embroiderers, average annual income was around $70 per year prior, and is now around to the program increased to $240.
- Qualitative Improvements:
    - Almost all women report increased contributions to household decision making, control over their income, greater respect from their husbands and in-laws, enhanced feelings of self-confidence, more hope for their future, and general empowerment.
    - “Graduation:” Community sales agents have emerged from rural embroiderers to become sales agents.
    - Leadership development: Sales agents have much greater mobility in their own communities and for traveling to urban centers to participate in exhibitions and to negotiate with buyers. These women have developed their capacity to travel across Pakistan, to run businesses,

to engage with men in business, and to form support networks. Commonly, sales agents have become women's advocates, community mobilizers and social entrepreneurs.
    - Women groups: women participating in the market now have more flexibility to form and meet in all female groups, with increasingly less monitoring by men in the community.
- Family benefits: Through women's contributions, more children are attending school, household nutrition has improved, families experience increased facilities and comfort, and girls are being brought into the family business, and sons are growing up in households where mothers are respected contributors in thousands of families.
- Male Involvement: Men have become involved in the program in various ways – supporting their wives, mothers or sisters, accompanying their womenfolk to difficult areas, becoming partners in the business, picking up things at the market, making deliveries, and so on. In general, men seem proud of women's accomplishments, and respect the value that they contribute to the household.

Organizational Aspects:

Both MEDA and ECDI are small, entrepreneurial institutions that cultivate learning and give staff flexibility to try new things. In both organizations, extraordinary women leaders – recognized by international peers for their innovations - pioneered the program and led staff and the board toward a new way of working. The intended outcome was an enhancement to the organizational mission, and not a threat to "viability," although doubts were expressed along the way about whether it was possible to work effectively with this population on a sustainable basis.

Cost-Effectiveness and Sustainability:

The program is very cost effective: Less than $25/per client reached.

The initiative is sustainable. The program has stimulated already hearty demand for rural embroidered clothing, launched into the market 213 sales agents (6 are men), who continue to bring additional sales agents and embroiderers into the market, and created a viable market for design and pattern services. The sales agents supply embroiderers with a full package of services, and embroiderers generally have a choice of buyers to work with. There is a fledgling association of sales agents in place gradually taking over many project functions.

Conclusion: "Behind the Veil" demonstrates that markets can work for the poor, and that sustainable value chain development – or market development - is a viable, cost-effective and sustainable approach to reducing the poor, even under challenging social and logistical conditions. Program leaders have ideas for how the model could be adapted to reach even further down market and to help marginalized people access a fuller range of social services that would translate the cash they earn into a better standard of living. They also recognize that more could be learned with a more rigorous poverty measurement and impact assessment system.

Strengths: internal to the organization that have made MEDA and ECDI successful and/or are needed to make other organizations successful to adopting sustainable value chain development strategies that reach the very poor:

- Innovative, entrepreneurial, insightful, skilled leadership with dedication to reaching the poor using sustainable market systems.
- Funding for, management support and access to professional development in market research and value chain development.
- Institutional autonomy/flexibility to adapt services and strategies to the market and the target population.
- Sufficient funding: at least $500,000 for a 3 year period for a small market.
- Links, or the ability to establish social links, to communities and networks of the target population, and entrepreneurs who can do business with the target population – the ability to work both with target clients and more sophisticated businesses in the market.

Weaknesses: or challenges internal to an organization, that it must overcome or mitigate in order to successfully adopt value chain development to reach the very poor – MEDA and ECDI overcame most of these challenges:

- Complexity of implementing value chain development, especially sustainable and comprehensive approaches.
- The timeframe for building relationships and developing markets, compared with funding program timeframes.

Opportunities: external conditions that make it easier for an organization to successfully adopt sustainable value chain development for the very poor:

- Target population with a marketable skill
- Demand for the products or services that the target population has skills and/or resources to produce
- Sufficient density of populations or physical concentrations of producers

Threats: external conditions that could keep an organization from successfully adopting sustainable value chain development for the very poor:

- Insecurity, political instability and disruption
- Weather conditions, for agricultural related products and services

- Over-subsidized markets
- Conservative social movements, cultural or social constraints, for example men being suspicious about the nature of the program
- Monopolistic or exploitative tendencies of traders
- Logistical and physical constraints to efficiently reaching more remote areas – including natural disasters

Helen Loftin, the MEDA program manager, captures the spirit of the program as follows:

"… the project is making a profound impact in the lives of these women. There is no preaching or sermonizing or criticisms of any sort. We make no comments or conduct no activities specifically directed at women's social empowerment. And yet it's happening for the women of this project. They are treated better by their families; they channel the funds back into the household through education, better nutrition, and medicines. Their children - their daughters - are learning about opportunities other than the yolk of poverty and suppression. And they have a spirit that goes beyond inspirational. It's indominatable. It's humbling. It reflects humanity at its best – in fact, it's divine. In the midst of abject oppression and poverty – I experienced joy, generosity, ambition, good humour and pure hope. What better foundation for an entrepreneur? Or for a community?"

Speech to MEDA associates, 2007.

Parveen Shaik, Executive Director of ECDI and the program's founder and leader, offer the following advice for other practitioners: "Delivering on promises is key to success at the grass-root level. It is critical that the project team is committed and able to earn the respect and trust of women with whom they work. One of the main reasons this project was able to have such an overwhelming impact was that the rural women felt like they were truly a part of the initiative. They were always given complete information and the team never failed to actualize any promises that were made – large or small. ECDI's past credibility in the sector and its large and varied experience meant that partners at all levels were eager to engage with the project. The fact that both project partners, ECDI and MEDA, did not break with cultural norms, such as covering their heads when in the villages and when interacting with rural women augmented their (the REs) ability to take part in the initiative and also generated trust and respect within the communities."

8. NIRDHAN UTTHAN BANK, IN COOPERATION WITH SAVE THE CHILDREN

Save the Children and Nirdhan Utthan Bank have worked together since 1997 to increase access to financial services for poor women and other vulnerable groups in rural Nepal. With institutional capacity building and technical assistance from Save the Children, Nirdhan has successfully re-engineered its methodology and introduced flexible new products to reach those in remote areas with little or no assets. These innovations have driven Nirdhan's growth from 3,000 clients to over 70,000 clients, making it Nepal's leading women-focused microfinance institution.

Nirdhan Utthan Bank is headquartered in Bahairawa, with branch offices in ten districts in the southern lowland and central hilly areas of Nepal. Nirdhan was founded as an NGO in 1991 and began offering financial services in 1993. In 1998 Nirdhan Utthan Bank ("the bank for the uplifting of the poor") was registered. A year later, Nirdhan Bank received a license from the Nepalese Central Bank and began operations as a microfinance bank.

Nirdhan's mission is to offer financial services and to improve the social awareness of underserved poor people in Nepal. The leadership of the organization is fully committed to serving the poor **through sustainable activities**. Nirdhan's Chief Executive Officer is a visionary former central banker who has been a major force in the development of the microfinance industry in Nepal. The General Manager is a pragmatic former commercial banker with a firm grasp on the finances of the organization. The work culture that pervades the organization is a reflection of this leadership. While serving the poor is the paramount value of Nirdhan's organizational culture, there is an equally strong awareness that without a healthy loan portfolio that generates sufficient revenue to cover costs, Nirdhan will cease operations. New staff members are trained on these principles from their first days with the organization.

Nirdhan Bank targets the poor in underserved areas of Nepal. As of May 2006, Nirdhan serves 74,000 clients, including 58,000 borrowers. A recent external poverty impact study estimated that 37%, or approximately 27,000 of Nirdhan clients, are poor and 26%, or approximately 19,000 of Nirdhan clients, are very poor.

To ensure that its services are reaching the poor, Nirdhan has developed a number of poverty targeting methods. One very simple method of targeting the poor has been to open branch offices in areas where poverty is endemic. Poverty levels in Nepal are highest in the rural hills and mountains, where Nirdhan has recently opened several new branches. Once Nirdhan identifies a potential area for expansion, they implement a rapid rural appraisal survey and speak with local leaders to determine areas which could support a branch office. After choosing a new branch location, Nirdhan staff organize household surveys to identify potential clients. Once potential clients have been selected, Nirdhan's main targeting tool is a means test which is implemented by loan officers at the household level and intended to select only those who qualify as poor to become group members. Another relatively simple method of targeting the very poor has been to work with socially marginalized women, such as untouchables and ex-bonded laborers.

Although Nirdhan's primary financial service methodology remains Grameen Bank group lending, they have recently experimented with modifications to increase its flexibility and to offer additional non-credit services. These have included the creation of self-reliance group village banks, changes to repayment schedules and terms, and offering individual and other specialized loans. Additional financial services offered by Nirdhan include life and livestock insurance and remittances. Nirdhan has also developed products for very poor clients which combine financial and non-financial services in order to first bring clients out of destitution and build their business and life skills, then offer them small loans for income generating activities.

In order to measure the impact of its programs over time, Nirdhan has periodically hired local consulting firms to assess changes in assets and empowerment among its clients. Indicators used in these assessments include economic assets, educational assets, social assets and health assets. Findings from a recent study indicate that Nirdhan has had an impact on a range of poverty indicators. For example, 30% of Nirdhan clients had increased their income and 30% also increased savings. Of all clients surveyed, 28% improved their nutritional status and 74% improved food security. Finally, 86% reported an increase in their empowerment to make decisions regarding loans and savings use.

In both absolute and relative terms, Nirdhan is a cost-effective and sustainable organization. Nirdhan's efficiency is demonstrated by its operating expense to loan portfolio ratio of 13.5%, which compares favorably to the regional benchmark of 22%. In addition, Nirdhan's cost per borrower is $15, with an average loan balance per borrower of $113. These figures also compare well to the Asian benchmark cost per borrower of $25. It is Nirdhan's stated goal to cover costs, but not to maximize profits. The impact of this policy is demonstrated in Nirdhan's sustainability ratios, which are 100.7% operational self-sufficiency and 100.6% financial sustainability. (Benchmark ratios for medium-sized Asian Micro Finance Institutions are 113% and 110% respectively.) One area for concern with Nirdhan's portfolio is their very high portfolio at risk ratio, which as of June 2006 stood at 14.25%.

While there is room for debate regarding whether there is room for improvement in Nirdhan's outreach to poor clients, this discussion must take into consideration the challenges of the context in which Nirdhan is working. Nepal is one of the poorest countries in the world, and Nirdhan has been serving poor clients in remote rural regions during an active political insurgency that has already killed 13,000 civilians.

While this does not necessarily mean Nirdhan should be given leeway for basic issues such as their high portfolio at risk ratio, they should be given credit for overcoming fundamental challenges that have daunted less dedicated institutions. Through these challenges they have continued to actively target and serve poor women.

9. PACT WORTH, NEPAL

The Women Empowerment Project (WEP) was a USAID funded project that took place in Nepal from 1998 to 2001, and was carried out by Pact, its NGO partner ECTA, and a network of local NGOs at the district level.

With 10years' experience in Nepal, Pact had a long-term commitment in the country to women's issues, the promotion of literacy, the growth of democracy and increasing the economic and social status of vulnerable peoples. Pact began in Nepal managing a subgrant for World Education to develop *Naya Goreto*, a national literacy program funded by USAID. With the opening of Pact's first office in Nepal in 1988, an expanded design team helped to further *Naya Goreto's* reach. In 1994, Pact received a grant from USAID to implement an innovative pilot project, Women Reading for Development (WORD). Working through 1,100 NGOs, WORD reached women in 70 of the country's 75 districts with remarkable results. Through WORD, over 550,000 women participated in adult literacy classes and nearly 350,000 Nepali women learned to read at a third grade level.

While this project proved the role of literacy to be a powerful entry point for working with women, it did not address the priority needs expressed by women, especially income generation. Further, Pact recognized that there was a serious shortage of post-literacy materials geared to rural neoliterate women. At the same time USAID's research found that, compared to those who only complete literacy classes, women who furthered their skills through post-literacy courses had higher self-confidence, more children who attended school, and increased involvement in collective activities. This evidence, combined with women's continuing demand for literacy, their hunger for post-literacy materials, and the top priority they gave to learning how to increase family incomes, demanded yet another approach. USAID/Nepal decided to embark on a new strategy that would promote economic empowerment as the focal point for furthering women's literacy skills. In doing so, USAID/Nepal became the only mission in the world to make women a primary objective of its national strategy. During this same period Pact also undertook its own research, leading to the development of the first *Savings* and *Credit* series, which was piloted in western Nepal.

WEP delivered a package of literacy, savings, credit, microenterprise, and microfinance to a target population of over 120,000 women in 21 Terai districts. Starting in 1999, Pact introduced its new action-oriented curriculum, *Women in Business*, to 125,000 women through over 100 field staff and 240 indigenous organizations. These organizations were primarily NGOs but also included cooperatives, Nirdhan (a Grameen bank replicator), and Parks and People funded by UNDP. In addition, over 800 Empowerment Workers hired by the local partners provided training and technical support.

Women were mobilized by local NGOs in predominantly rural areas, and either formed new groups or continued to work together in already existing literacy groups established during WORD, cooperatives or solidarity groups connected to Nirdhan. While there was no poverty targeting, an independent study established that 45% of the women enrolled were poor.

Pact's microfinance approach uses a group lending methodology and stimulates small business ventures by group members. Its savings-led approach (started as WEP and continuing to evolve as WORTH in several African countries and Cambodia) helps poor women establish and operate their own village banks and acquire skills in managing micro- and small enterprises. The microfinance approach cannot be understood in isolation from the WEP's integrated approach to empowering women, which also includes action-oriented literacy and (through a separate agreement with USAID) a legal rights awareness training and advocacy program implemented by The Asia Foundation.

All three components are meant to provide women with the tools to take their fate in their own hands: to read for themselves, to take social action for themselves, and even to provide their own financial services. In other words, rather than providing (and institutionalizing) financial services or products, perhaps WEP's most important service has been to build the capacity and confidence of the poor, and be a catalyst for illiterate women to deliver these services (saving and lending) to each other.

WEP uses an approach based on Appreciative Planning and Action (APA), which encourages women to build on their strengths. In essence, APA invites women to focus not on the problems they have, but on the opportunities they have to improve their lives and their community as well as on their previous successes in overcoming obstacles. These opportunities are translated into an action plan with a commitment to take an immediate first step.

Group members trained themselves through a four-book literacy program, which introduced WEP's objectives, group strengthening, basic business skills, empowerment and activism in the community. Literacy and savings were the focus of a first two-part series, *Women in Business*. The first book in the series, *Our Group*, utilizes the key word method and teaches women basic sounds, letters and numbers, and principles for developing strong groups. The second book used in WEP, *Forming Our Village Bank,* instructs women on how to set aside regular savings and use simple math to track the growth of savings. Practically all of the more than 6,000 groups went through this first phase and were called *Economic Groups*. Most groups started to disburse their first loans within several months of formation. Groups choose their own savings and interest rates based on a balance of the economic conditions of members and their financial goals (e.g., how much people can feasibly save vs. how fast they want to grow the loan fund). Similarly, groups have flexibility to decide upon adjustable loan amounts.

A third training manual, entitled *Village Bank Lending*, focused on helping groups manage their loan fund, set policy, and do the needed bookkeeping. The fourth manual, *Village Bank Entrepreneur,* teaches women how to manage their microenterprises. Building small businesses is a key component of WEP, and women are encouraged to build businesses on what they already know how to do, gearing their businesses to the local markets. Many women familiar with subsistence farming choose to grow market gardens, raise goats or keep chickens, while others near towns engaged in petty trade. WEP encouraged women to get into high cash turnover businesses so that they would be able to make their weekly loan installments on time.

While the entire training was self-guided, the role of so-called Empowerment Workers (EW) was extremely important in terms of providing guidance, additional training, and technical assistance (especially in bookkeeping) to the groups. Approximately ten groups based on geographic proximity were being visited twice a month by an Empowerment Worker (employee of partner NGO paid by the project) to backstop the group's efforts, troubleshoot issues as they arose, and mentor group members.

While the project's original aim was to help each Economic Group transform into a Village Bank through the self-guided training manuals and mastering the bookkeeping system, this proved unrealistic even with ample additional training and handholding by the EWs. The training strategy evolved over time as PACT started to realize that groups were not able to learn to keep their books just by reading them together, supported by the bi-weekly visits of the EW. Those groups who were deemed ready and capable to do so, sent their management committees to an intensive training (3 cycles of three days each) in leadership and group management, responsible savings and lending, and the village bank accounting system. By the end of the project funding, 1500 (almost 25 percent) of the Economic Groups had graduated to Village Banks. In order to qualify as a Village Bank, the following criteria had to be met:

- Compulsory weekly meeting
- Election of office holders
- Possession of a lockbox with 3 locks
- Implementation of Village Bank accounting system
- Ready to follow sixteen-week loan cycle

After less than two years, 110,000 women had learned to read (or: 74,000 women learned to read and write) and had begun saving actively. More than 30,000 had loans, 55,586 had started micro-enterprises, and 45,467 were meeting their income targets. WEP women have taken 45,667 collective actions for social change. After four years the women had increased their initial savings of $720,000 to more than

$2 million in savings, and self-financed loans for $1.5 million to more than 45,000 group members (average loan $33).

Pact had gained significant experience in obtaining this type of scale. In fact, its previous program in Nepal, WORD, was 4 times bigger in terms of number of program participants, and operated in almost every district of Nepal. As a result, Pact Nepal already had a huge network of local NGO partners, it was very familiar with the subgranting process, and it already had developed ample (literacy-related) training manuals for the Nepal context. Program costs were extremely low and calculated at $42 per program participant. On average, there were 10 groups and 120-250 group members per Empowerment Worker. As a savings-led self-managed village bank model, WEP is easily replicable in different country contexts, as has been demonstrated through WORTH, which is now in operation in several African countries and Cambodia. However, certain factors tend to determine the degree of success:

- There is a need to have available a strong and extensive network of local NGOs or other organizations (in Kenya, for example, the Salvation Army has an extensive church community-based network to build upon).
- The program works especially well in near-urban and relatively densely populated rural areas, but would become significantly more expensive in remote rural areas.
- The self-guided manuals are especially effective for semi-literate groups (more so then illiterate groups).

Strengths

One of the strongest elements of the WEP model is the rapid fashion by which it invests women with the capacity to start, manage and grow self-sustaining village banks. Using a savings-led approach taps into local sources to fuel the growth of each group's loan fund, rather than depending on constant infusions of external capital. Literacy and training in bank management enables members to operate their village bank, rather than relying upon a cadre of outsiders to make decisions. Knowledge sharing between WEP groups and the presence of Empowerment Workers provides a constant source of technical assistance, support and dissemination of best practices. Women having to rely on themselves and their own resources also has the advantage of imparting self-confidence. Often the group also provides a valuable source of support beyond the program itself – it is a real solidarity group for members.

Weaknesses

Challenges include:

a) need for the group to identify four individuals two of whom provide the bookkeeping services that the group needs to run as a village bank. This can be a challenge if all or virtually all of the members of the group begin the program illiterate.

b) becoming literate takes time which not all women want to give to this.

c) while the women can and do generate profits in their operations (individual enterprises and village banks), the delivery system from the implementer does not produce income to cover delivery costs – the women collect their own interest, not the implementer.

d) the accounting system tends to be complicated and relies on forms. If groups don't have forms readily available, they often move away from using the system.

10. PRO MUJER, PERU

The present study presents the experience of Pro Mujer Inc. and its experience in Peru, principally in the extreme south of the country where poverty levels are high, in particular in the region of Puno, where operations began.

Pro Mujer Inc. was created in Peru at the end of 1999 and began micro credit operations using the communal banking technology on April 17, 2000. Since then it has served more than 35,000 clients, almost exclusively women (99.9%). In Peru, Pro Mujer is the second largest non regulated MFI in terms of number of clients. What makes Pro Mujer unique is the integral nature of the services it offers to its clientele which cover *financial services* – with a range of five different products – to *non financial* services that include preventative health training and business development, which are offered in a direct manner, and health services and technical advice that are provided through strategic alliances with specialized providers.

The institution seeks to reach women with limited resources in urban zones, peri-urban zones and, to a lesser extent, in the rural parts of the cities where it intervenes[15]. It carried out a study of social indicators in 2005 with the support of CGAP which indicated that 35% of households of new clients were very poor compared to 25% of the households of longstanding clients. According to the study, new clients live on US$1.26 per day compared with longstanding clients of Pro Mujer who survive on US$1.50 a day.

It is important to note that Pro Mujer Inc. does not discriminate or evaluate poverty levels at either an individual or group level in order to grant access to credit. Rather, this selection is a natural consequence of the credit methodology or technology, the size of the loans, or the zones in which it intervenes.

Pro Mujer has an organizational model based on horizontal leadership, which is above all participatory, something that is reinforced at every level through the fulfillment of the institutional mission. The Board of Directors, directors and managers constantly promote innovation and creativity, and one result of this is that our products have a high degree of acceptance in the market because they are frequently reviewed and adjusted, incorporating these innovative contributions.

From the beginning, Pro Mujer Peru (PMP) established a point of balance in its business plan which it had to reach in order to guarantee its permanence. All of PMP's interventions respond to this point of balance, which allows it to reach the highest number of people and also allows the institution to maintain itself with its own resources. PMP has been self-sufficient since 2002.

[15] In the next few months it will intervene in a more aggressive manner in the rural area for which we are developing new products.

With regards to the personal development services offered by PMP, the first option is to finance these expenditures with donations and later with a cross subsidy from financial services for the personal development services. This is something we do because it forms part of the institutional mission.

11. RESEAU DES CAISSES POPULAIRES DU BURKINA, IN COOPERATION WITH FREEDOM FROM HUNGER

Organizations

The Réseau des Caisses Populaires du Burkina (RCPB) is the leading microfinance institution in Burkina Faso. Starting from a single cooperative in South-western Burkina Faso in 1972, it currently enjoys national coverage and has significant presence in rural areas with high poverty incidence.[16] In 1993, RCPB adopted Freedom from Hunger's Credit with Education strategy, becoming the first cooperative institution to do so. In keeping with cooperative culture, RCPB refers to the product as "Crédit Epargne avec Education" (Credit and Savings with Education), hereafter abbreviated as CEE.

Target group

RCPB's clientele prior to introducing CEE (and its mainstream clientele to this day) came mainly from modest and lower-middle-class backgrounds, and was overwhelmingly male. CEE offered RCPB the opportunity to address its mandate of community service and inclusiveness, through increasing female membership, specifically reaching out to previously un-served poor and very poor women in rural areas in a wider perimeter around each cooperative or branch. RCPB's CEE clients are typically illiterate, have little or no formal education, and engage in subsistence agriculture. The infusion of credit has allowed to them to expand or start small-scale income-generating activities in the informal sector.

As of 31 December 2006, RCPB was offering the CEE service to 66,706 clients. A 2003 study of a representative sample of those clients found that 76% belonged to food-insecure households (a measure of extreme poverty), while consumption data showed that 20% of clients were under a "dollar-a-day", 70% were under "two-dollars-a-day" and 37% were below the national poverty line. Clients in rural communities, where RCPB focuses its CEE outreach, had higher levels of poverty than those in peri-urban and urban areas.

Targeting methodology

RCPB does not test or screen incoming clients for poverty levels. Client targeting is limited to geographic and gender dimensions. Consequently, outreach to very poor clients is achieved through promoting CEE in an inclusive way to all women in rural communities with high incidences of poverty. The composition of groups in terms of poverty generally mirrors that of the community as a whole. It therefore appears that in the absence of an active screening process, Credit with Education will more reliably achieve deep poverty outreach in rural communities with greater incidences of poverty.

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[16] 52.3% of the rural population is under the national poverty line, while 92.2% of the poor in Burkina Faso live in rural areas.

Microfinance Methodology

Credit with Education combines a modified village banking product with nonformal education sessions that promote behavior change in topics that most impact household food security. Both services are delivered in the same meeting opportunity by the same field agent, in the communities where clients reside. Each group is a full-fledged member in the cooperative, and opens a group (joint) account at the cooperative, where individual savings and the group fund are kept.[17]

The product reaches the very poor primarily by being inclusive in nature (it attracts a range of socio-economic circumstances, including the very poor, yet some of its features make it less attractive to the better off), and has been adapted by RCPB over the years to respond to client demand, in particular to take into account high levels of client illiteracy. The product serves the very poor by offering them financial and non-financial services that respond to their needs and wants and that are oftentimes not otherwise available in their communities.

Organizational features

Crucial to RCPB's adoption and true ownership of CEE in a very short time were the organization's mission and mandate, the leadership in place at the time, and the culture that has grown around the product.

As a network of open-membership financial cooperatives, RCPB was seeking ways to reach out to more women and to reach poorer clients. The organization's mission and mandate to serve the entire community could be achieved with a product that targeted a completely new market segment in a profitable way, therefore accruing benefits to existing members. Alpha Ouédraogo, RCPB's General Manager in 1993 (now the General Manager of CIF) immediately saw the social and business benefits of adopting Credit with Education and was able to convince the institution to pilot it.

Initially, CEE was directed from the national office, which ensured close supervision, timely adjustments, and created a strong culture among field staff. Conversely, as CEE grew, RCPB wisely decentralized the service to anchor it at the cooperative level to ensure local "ownership," with technical supervision from regional units.

Another key to RCPB's successful adoption of CEE was its flexibility with regards to some of its key tenets: CEE required decentralized services, the substitution of group guarantee for savings or physical collateral, credit before savings, delegated loan disbursement authorization, even the prioritization of CEE recapitalization over other loans. In the words of the current General Manager, CEE is a "produit phare" (beacon product) for RCPB.

Results

[17] Incremental client repayment installments are also kept in the group account, and transferred to the cooperative at the end of the loan cycle.

Credit with Education is designed to increase client income and savings, improve client knowledge and practices on key health, nutrition and microenterprise management topics, and improve client self-confidence and status. In turn, these outcomes are expected to lead to increased household food security and improved health and nutrition, which are key determinants of extreme poverty.

Several studies of RCPB's CEE clients have shown that the anticipated outcomes have been achieved, most notably with regards to increased income, asset acquisition, and improved health knowledge and practices. However, there is no available longitudinal data that could speak to demonstrated client movement out of food insecurity or above a certain consumption level.

There has been less impact on cooperative membership than had been anticipated. Each group is a cooperative member, yet most clients have been challenged (or unwilling) to become individual members. RCPB has responded to the evolving needs of clients by developing group lending products with education components (ACI, CFMU) that adapt the "classic" CEE to mature clients and urban settings.

Cost effectiveness and sustainability

A decentralized product such as Credit with Education requires significant start-up costs for equipment and the daily operations of a mobile team of dedicated field staff. Introducing Credit with Education to an existing financial institution already established in rural areas allows for considerable cost-effectiveness through "economies of scope," by leveraging existing physical infrastructure, management staff, and operational systems (whether internal or provided by a federating body), as opposed to building a new financial institution to offer the service. Working through cooperatives with available liquidity and/or the ability to refinance across a wide network both reduces the cost of funds and provides a profitable outlet to idle assets.

RCPB has been offering CEE for nearly 15 years, and has achieved overall operating self-sufficiency (115.5% in 2006). A complete product-line costing of CEE is currently not available, yet the service is part of a cooperative's standard "package" and is in high demand by cooperative managers, who are not overlooking their financial bottom line imperative. In fact, although no formal financial analysis was available, the leadership team at RCPB states that making CEE part of a new cooperative's product line has shortened the cooperative's break-even time to 2 to 3 years.

Conclusion

Whether or not Credit with Education is a "promising approach" to reach the very poor beyond the demonstrated successes of RCPB, as described in this case study, rests on the ability of local organizations to adopt and successfully operate the product. Federations of financial cooperatives in Mali, Benin, Togo, Senegal, Madagascar, and individual cooperatives in the Philippines and Ecuador have shown this to be the case.

What follows is a SWOT analysis from the point of view of a network of financial cooperatives (or a single financial cooperative) seeking to reach and impact very poor populations by adopting a Credit with Education service.[18]

Strengths internal to the organization that have made RCPB successful and/or are needed to make other organizations successful to adopting Credit with Education to reach the very poor:

- Steadfast vision of leadership for poverty alleviation
- Organizational mission to fight poverty
- Organizational mandate to serve the entire community
- Existing physical network in areas with high poverty incidence
- Existing back office systems that can be shared across product lines. This is more readily found in federations
- Cheap, available liquidity for lending as the product grows quickly.[19] This requires savings intermediation in a specific area, or through a network, since Credit with Education clients are net borrowers.
- Technical competence of leadership
- Experienced financial services institution – can better "own" and adapt the product's financial component
- Culture of market research and careful piloting
- Deep knowledge of community for better implementation

Weaknesses or challenges internal to an organization, that it must mitigate or overcome in order to successfully adopt Credit with Education to reach the very poor – RCPB overcame most of these challenges:

- Lack of experience in offering decentralized services – must overcome institutional / procedural challenges
- Initial bias against providing decentralized services
- Ingrained "savings before credit" culture – this is challenging when reaching out to a group of net borrowers with limited assets
- Lack of competency in education design and/or delivery, which makes "owning" the education component more challenging
- Slowness in credit processing (Credit Committee approval)

[18] Several of the points below draw on Stack and Thys, "A Business Model for Going Down Market: Combining Village Banking and Credit Unions", 2000.
[19] RCPB's transformation rate (loans/savings) in 1993 was 22%. "Study Design to Assess the Institutional Impacts of *Credit with Education* on Credit Unions in Mali, West Africa," 1998.

- Frequent turnover in governance, requiring frequent training and sensitization

Opportunities – external conditions that make it easier for an organization to successfully adopt Credit with Education to reach the very poor:

- Available, proven technology with operational systems – less costly to adapt than to design
- Organizational credibility in the community
- Little competition from financial service providers in many of the communities
- Integrated service a competitive advantage over competitors offering similar financial products
- Portfolio diversification (in terms of clients; maturity; sector)
- Product attractive to funders interested in deep outreach
- Support organization with the competence and funding to support a launch
- Existing network of peer implementers for lateral learning (more relevant today than when RCPB launched CEE)
- Prior client experience with group finance (ROSCAs)
- Regulatory scope to offer non-financial services

Threats – external conditions that could keep an organization from successfully adopting Credit with Education to reach the very poor:

- Interest rate ceilings below what is required to fully recover the costs of providing decentralized, integrated services.[20]
- Dispersed populations
- Movement of cash to and from the field
- Client lack of experience dealing with financial institutions
- Climatic threats to clients (drought)
- Seasonal nature of client investments

[20] In UMOA countries, the PARMEC law caps effective annual interest rates at 27% - but is not always enforced. The PARMEC law was adopted in Burkina Faso in 1994, yet has not prevented RCPB for charging 10% flat interest on 4-month loans. Other institutions in the region have been adversely affected.

12. TRICKLE UP, MALI

In 2003, Trickle Up initiated a successful program in the northern Mali regions of Timbuktu (Tombouctou) and Gao that focuses on helping very poor people, primarily women (94%), start or expand income generating activities, by providing conditional seed capital, access to savings via savings group formation, and business training and counseling.

Trickle Up has built and trained a network of more than 20 non-governmental organizations as partners, all local community development organizations in northern Mali. These local partners identify potential microentrepreneurs, provide market-oriented business training customized to low-literacy populations, administer seed capital, and evaluate the success of the businesses.

In less than four years, over 10,800 microentrepreneurs received seed capital grants in the amount of $100, and formed 430 business development savings fund (BDSF) groups, with 25 members each.

Trickle Up uses a two-step poverty targeting approach. Geographic targeting is the first step and programs are limited to the poorest regions of Mali: Timbuktu, Gao and Mopti. Within those regions, where very poor people are the majority, TU partner agencies use a participant selection tool, which focuses on three components:

- poverty
- commitment/motivation
- entrepreneurial ability

The poverty component scores each potential microentrepreneur on a set of locally relevant and easily verifiable poverty indicators: gender, disability, number of children, employment, school attendance of children, source of water for the household, and number of meals consumed each day.

In order to assist very poor people in engaging in profitable income generation activities, Trickle Up and its local partner NGOs offer microenterprise seed capital grants, microenterprise training, and training to local groups of Trickle Up participants in managing their own savings and loans. In addition to this “Trickle Up package’, local partner NGOs often provide microentrepreneurs with additional programs or services, such as capacity building, health and hygiene, women’s empowerment, agricultural extension, natural resource management, savings and credit activities, literacy classes, and artisanal skill development.

The seed capital grant is provided in two installments. The first installment (in the amount of $80 or $90) is provided immediately after a business plan has been prepared, and the second installment ($20 or $10) takes place after the entrepreneur completes a business report, at least three months since the first installment or after the business has at least gone through an entire business cycle, whichever is the longer period.

In order to receive the cash grant, participants need to meet a set of conditions, including:

- completion of a full business training curriculum ;
- presentation of a viable business plan and business report;
- investment of the seed capital grant in business assets only;
- contribution of approximately $1.40 per week to Business Development Savings Funds.

Trickle Up has found that very poor people, who struggle on an almost daily basis to make ends meet, have a very low savings capacity which often prevents them from saving a large enough lump sum to significantly change their income opportunities. Very poor people also typically lack any regular cash inflow, and therefore cannot afford the risks that come with a microloan. Trickle Up offers risk-free conditional seed capital in the form of $100 grants, buttressed by high-quality training and access to savings and other key services that are delivered by local community development organizations. This model is based on the hypothesis that a large portion of the poorest people are excluded from microcredit, whether self-excluded for fear of the risk, formally excluded because of MFIs' rules, or geographically excluded by virtue of a simple lack of MFIs in the area. Further, Trickle Up posits that this group can ascend to the first rung of the microfinance ladder with a package of risk-free seed capital, training, and savings. TU fills a niche that remains underserved, yet that represents a major proportion of the world's poor.

In order to build their microenterprises and assets, TU entrepreneurs are required to join a Business Development Savings Fund (BDSF) as soon as they receive their seed capital grant. Each group is made up of 25 Trickle Up entrepreneurs selected by a local NGO program partner, all starting their businesses at the same time and in the same village. Mandatory weekly contributions start at approximately $1.40. These funds can be used for business purposes only. Through the BDSF, women not only improve their financial security, but also have access to additional capital should they need to take out an individual business loan. Once they have successfully launched an income-generating activity and start making regular profits, many TU entrepreneurs are ready to take on more risk and often start taking small loans,.

In addition, members can also request a loan. Individual loans for group members are at 5% interest rate. For some groups, non-members are also eligible to receive loans (for business ventures) at a rate of 10%. Some groups also invest some of these savings in high-profit group ventures, such as purchasing and selling grain, farm animals, and produce.

Trickle Up's mission is to empower people living on less than a dollar a day to take the first steps out of poverty by providing them with resources to build microenterprises for a better quality of life. Reaching very poor people is required by the Trickle Up mission and this is made very clear as part of the contract with its local partner agencies. At the same time, Trickle Up has in the past never been able to accurately and reliably measure the poverty of its program participants. In Mali (and other core TU countries), a poverty scorecard has been recently developed and will be field tested before the end of 2007. Trickle Up plans to use this poverty scorecard routinely not only to assess the poverty level of incoming program participants, but also to measure their movement out of poverty as the program progresses.

Compared to microcredit programs, the Trickle Up approach appears less cost-effective. However, while TU continues to improve cost-efficiency through achieving larger economies of scale, it also strongly believes that assisting very poor in sustainably improving their livelihoods through microenterprise can only be achieved if sufficient assistance is provided (through intensive microenterprise training and seed capital) to move from below subsistence levels to economic self-reliance. Simply providing a loan to very poor people would not achieve this and might further worsen their livelihoods. On the other hand, Trickle Up is experimenting with new models to make its program more cost-effective. For example, in Mali, Trickle Up-supported savings groups are not only saving on a weekly basis to build up a loan fund, but each entrepreneur is also contributing a small amount each week (during three years) to provide a seed capital grant for a future microentrepreneur in her village.

<u>SWOT Analysis:</u>

Strengths

1) Trickle Up has a very strong commitment to assist only very poor people with microenterprise support. This commitment is solidified in contractual agreements with its local partner NGOs.
2) Trickle Up actively targets very poor people, first by geographic targeting, followed by a poverty selection tool. Trickle Up is currently testing a poverty scorecard to better gauge participant poverty levels.
3) Trickle Up's approach takes into account one of the biggest obstacles to moving out of poverty for very poor people, i.e., their lack of access to capital and very low risk-taking ability which prevents them from taking a loan.
4) Unlike credit approaches, Trickle Up seed capital can significantly improve the living conditions of subsistence based households, improving their food security for instance by increasing their food production for own consumption.
5) The program not only provides access to capital, but also trains people in basic enterprise and financial literacy skills, assists people to form savings groups, and very importantly, gradually builds their self-confidence.

Weaknesses

1) The TU model does not include financial self-sufficiency, which is the ultimate aim of most microcredit programs. Trickle Up, however, is not a microfinance program, and argues that in order to take a lasting step out of poverty, very poor people need both training and seed capital to significantly improve their income opportunities, enabling them to cross the poverty line.
2) Seed capital grants might send the wrong signal by not allowing budding microentrepreneurs to truly understand the costs of doing business and perhaps by not providing a strong enough incentive to make the microenterprise a success (as they are not using their own hard earned capital). Both these phenomena occur rarely, however. Very poor people tend to take this once-in-a-lifetime opportunity very seriously, and even though the TU seed capital might be risk free, they still take on significant risks by complementing the grant with their own assets, for instance, or by foregoing other income opportunities (such as day labor) to work on their new microenterprises.
3) Trickle Up's approach by itself is not a sufficient solution in areas with undeveloped or saturated markets. To be more effective, especially in remote rural areas, Trickle Up is moving further towards making new markets more accessible to the poor, including value chain approaches.

Opportunities

1) Trickle Up's approach targets a niche market that is difficult to reach by both savings-led and credit-led microfinance. The chronically poor, people with disabilities, people living with HIV/AIDS and other very vulnerable people have difficulty generating a steady cash flow, no matter how small the required amount to save or pay back a loan. Once their income activities take a jumpstart and remain sustainable, they will be in a much better position to graduate to savings and/or credit services.
2) Along the same lines, there are many opportunities for Trickle Up to partner with existing microfinance institutions who want to reach out to people who are poorer than their regular target clients. Trickle Up is already beginning to engage in a few of such partnerships, where Trickle Up helps program participants graduate to microcredit from MFIs or banks. In Mali, a recent assessment of the microfinance players in the northern regions where Trickle Up operates has been undertaken to investigate the feasibility of such 'bridging' strategies, where the most successful microentrepreneurs can access bigger loans than they could obtain from their BDSF.

Endnotes

[i] www.microcreditsummit.org

[ii] World Health Organization (WHO), *Reaching the Poor*, 2004.

[iii] World Bank, *World Development Report* 2000/2001; and WHO, *Reaching the Poor*, 2004.

[iv] See http://www.livelihoods.org.

[v] Most of what follows is synthesized from: Michelle Adato and Ruth Meinzen-Dick. (2002*) Assessing The Impact Of Agricultural Research On Poverty Using The Sustainable Livelihoods Framework*. IFPRI, Washington, D.C.

[vi] See www.chronicpoverty.org

[vii] Hickson, Robert. (1999) *Reaching Extreme Poverty*: Financial Services for Very Poor People.

[viii] Hickson, Robert. (2001) “Financial services for the very poor – thinking outside the box”. *Small Enterprise Development* Vol.12 No.1.