



2011 Global Microcredit Summit
Commissioned Workshop Paper
November 14-17, 2011 – Valladolid, Spain

How Can Microfinance Programs Help the Struggle Against Social Problems Such as Begging, Child Labor, Prostitution, Violence Against Women, Criminality, Gangs, and Drug Addiction?

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1. Introduction

Microfinance has a long history as a development tool that can address a wider range of social problems beyond access to credit. Some of the oldest and most respected microfinance programs were designed to address issues such as illiteracy, gender inequality, and social exclusion. However, as microfinance moved from isolated experiments to becoming a full-fledged field, an influential current of thought leaders made it clear that for microfinance to reach scale and be financially sustainable, it had to move away from trying to solve nonfinancial social ills. Over the decades of the emergence and growth of the microfinance field, a debate has raged between the “institutionists” supporting a financial systems approach, who saw the main business of microfinance as achieving scale and sustainability, and “welfarists,” who wanted microfinance to be a tool of poverty eradication. The question of how or even whether to integrate nonfinancial services into core financial services has been hotly debated (Woller, Dunford & Woodworth, 1999).

The maturing of the microfinance field has seen the adoption of the financial systems approach, which has built a global, internationally financed industry from the modest roots of an antipoverty strategy. This mainstreaming of microfinance institutions (MFIs) often has been at the expense of reaching the poorest or attacking other serious social problems poor people face such as illiteracy, health, and domestic violence (Woller et al, 1999).

Despite this overwhelming trend, several MFIs large and small have been able to make headway in solving seemingly intractable social problems, including begging, domestic violence, HIV, and discrimination against the disabled, while maintaining financial sustainability. The vast majority of the institutions that have been able to blend financial services and social programming have done so by using group-based methodologies. The debate about whether the poor should receive financial services through a group or individually is almost as hotly debated a topic as the debate between institutionists and welfarists.

This paper does not attempt to address either of these debates but instead looks squarely at how group-based programs that serve the poorest sectors of the developing world are able to build pathways to healthier, more fulfilling and productive lives for their members. What is it about women (and sometimes men) working together in a group that actually leads to concrete progress in challenging some of the core issues of poverty such as health, education, isolation, and gender violence? What happens in a group to successfully move people collectively toward a future they could not have imagined previously? While access to credit and savings is often the main feature of these programs, are the personal and associational bonds created through group interaction the real engine driving social and economic development?

This paper looks at several microfinance programs that have made an impact on social problems by taking group interaction beyond the product delivery and collection needs of the basic microfinance model. While this short exploration makes a case that there is an appropriate role for microfinance in reaching significantly marginalized populations (even those ostracized from larger groupings of poor

people), it also looks at the social dynamics that move these programs beyond the development finance arena into effective strategies for solving seemingly intractable social problems.

In the age of Facebook and Twitter, social networks take a very different form from poor women in the developing world working in solidarity groups. Despite this difference in form, the function may be essentially the same. Solving problems in small groups is probably a strategy as old as paleolithic human interaction, and like the social networks of the developed world, which solve problems through combining the intellect and ingenuity of many, the microfinance solidarity group can become a catalyst to help women in the developing world break away from patterns of oppression, low self-worth, and poverty by envisioning a world that is not visible from the individual perspective.

This paper examines how groups create restorative communities (Block, 2008) that move dialogue beyond revisiting group members' current plights to a creative reimagining of their individual and collective place in the world. Finally, the paper identifies the specific conditions that are needed for effective program design, examining how the pairing of appropriate financial services with transformative social programming is critical. Otherwise, these interventions actually can be an obstacle for mitigating serious social and economic problems.

The cases examined in this paper are as follows:

- Small Enterprise Foundation (SEF)/Intervention with Microfinance for AIDS and Gender Equity (IMAGE) in South Africa
- National Union of Disabled Persons of Uganda (NUDIPU) We Can Manage program
- Grameen Struggling Members (Beggars) program
- BRAC's Targeting the Ultra-Poor program and Graduation Model Pilot Projects
- Other group-based microfinance models that address social problems by building social capital: Jamii Bora and Pro Mujer

2. Microfinance and the Power of the Group

The use of groups by MFIs to facilitate financial services is almost as old as the earliest experiments with microcredit. There were practical reasons for this. Groups enabled an MFI to "reduce its transaction costs by giving the groups the task of selecting and monitoring borrowers, exerting peer pressure when necessary, even guaranteeing each other's loans" (Fisher & Sriram, 2002). This "group liability" model got donors and nongovernmental organizations (NGOs) off the hook for loan losses. For many NGOs, it was also part and parcel of their ambitious social change agendas that sought to "conscientize" the poor and mobilize them into social action. The idea of using groups to deliver credit and take on the larger development agenda had its roots in a process proposed by Brazilian educator Paulo Freire that challenged the dynamic in which the "socially dispossessed internalize the negative images of themselves created and propagated by the oppressor in situations of extreme poverty" (Freire, 2000). This process was widely criticized as being carried out by a "well intentioned elite of 'community development workers' taking hours of villagers' precious time attempting to 'raise consciousness of the poor' (with the implication the poor do not fully understand the situation in which they live day to day)"

(Wright, 2000). More often than not, group members put up with these dialectics in hope that they would eventually get access to credit. There was much debate in the 1990s about using groups to mobilize poor people toward social action to challenge poverty, and by and large, by the end of the decade, most microcredit organizations had abandoned these kinds of strategies.

While using groups to organize social action along with microcredit fell into disfavor, the use of groups as a central modality of the microfinance field did not. Many microfinance organizations continued to use the group process as a means to achieve social development goals beyond access to financial services. Among the most successful organizations pairing credit and social development is Freedom From Hunger (FFH), which has been using a Credit With Education (CWE) model since 1989. The program includes multiple education topics for health, nutrition, business, and money management. FFH calls the creation of social capital one of the four reasons that microfinance organizations exist. The CWE curriculum makes the building of social capital a central plank of its development strategy. FFH expresses its beliefs about building meaningful microfinance programs to assist the poor this way:

Social capital: social solidarity, personal empowerment, collective courage, social problem solving, community development. Lenders driven mainly by this motive are likely to favor lending to groups, especially women in poor communities, and to favor linkage to non-financial services, especially education about rights and problem-solving. (FFH, 2011)

Christopher Dunford, one of the creators of FFH's CWE methodology, says microfinance provides "a good opportunity to provide low-cost education services needed by the poor, if only to improve their performance as microfinance clients," especially with

delivery systems that bring large groups of relatively poor clients together in regular meetings. Good, non-formal adult education techniques can be used effectively at the regular meetings to promote changes in personal behavior and in child-care practices and also to promote awareness of and confidence in whatever good-quality health services are available locally. Such education technologies can also improve business skills that enable clients to put their loans to more productive use and generate more profit and savings. A variety of education topics can be covered effectively. (Dunford, 2002)

So do poor women just "tough it out" and put up with the learning, the sharing, and the problem solving as a means to bring additional financial resources into their households? Or is something more important happening as these women begin to share and learn together?

During the past several decades, changes in traditional community structures due to a variety of mostly economic factors have fragmented family and communal mechanisms that have historically helped families and individuals cope with poverty and hardship. In Bangladesh and South Africa, many younger people have moved out of villages to far-off cities or even overseas in pursuit of jobs and wages. In Uganda and India, communities often are so isolated that those on the economic margins cannot access the resources needed to build assets and improve their family's plight.

Building group structures ostensibly to create access to credit and savings products begins a process that rebuilds the structures that modern-day capitalism had often eroded. In *Better Together*, Robert Putnam and Lewis Feldstein talk about two important mechanisms of how social capital can exist or be created in groups and the larger community. In groups that already have strong familial, tribal, or cultural ties, *bonding social capital* may exist. The interaction that occurs in a solidarity group often can help deepen and strengthen those ties that bind people together. But when a solidarity group can unite those who do not necessarily have these bonds, such as women from different social strata or disabled and abled people, then the interactive process begins to create *bridging social capital*. Bridging “is about coming together to argue, as much as to share,” giving group members the opportunity to “mix and contend, to argue and to reason, to confront our problems and not merely to contain them” (Putnam & Feldstein, 2003). As we see in the following sections, microfinance programs that blend credit and savings with social development goals that are determined by group members’ concerns and interests and not imposed by “development professionals” have higher levels of ownership and success.

Peter Block describes the small group as a “bridge between our own individual existence and the larger community. In the small group discussion we discover that our own concerns are more universal than we imagined” (Block, 2008). Block says this group experience can lead to the development of a restorative community that “is created when we allow ourselves to use the language of healing and relatedness and belonging without embarrassment.” Communities where there are common bonds of poverty, sacrifice, and social isolation can move beyond looking at what is missing to what community consultant John McKnight has identified as a focus on the gifts of a community and building its associational life—that is, a group of people coming together to do some good. The restorative community bridges its members to a larger world by moving them toward “owning up to their own contribution, to be humble, to choose accountability, and to have faith in their own capacity to make authentic promises to create the alternative future” (Block, 2008).

With this introduction to some of the dynamics of groups, let us now examine microfinance program models that have built these concepts of creating social capital into their design.

3. Small Enterprise Foundation (SEF)/Intervention with Microfinance for AIDS and Gender Equity (IMAGE) in South Africa

The Small Enterprise Foundation (SEF) was founded in 1992 during the waning days of the apartheid era in South Africa. From its earliest days, SEF committed itself to serving the poorest women in the country, which was why it was established in Limpopo province, historically among the most remote and economically hardest hit areas in South Africa.

By the late 1990s, the post-apartheid government had made a significant commitment to social programs to stem the massive poverty and unemployment in South Africa, but it had done nothing to assist the microfinance sector. The new unregulated economic environment gave rise to a proliferation of consumer credit-based microlenders, which caused “considerable official uneasiness, over the high rates charged averaging 30% per month.” This was not a surprising development, since South African microlenders had been exempted from the Usury Act of 1992 (Porteous, 2003).

Microlenders committed to working with the poorest sectors of South African society struggled to achieve financial sustainability. A number of factors unique to South Africa made operational costs higher, including competition with the consumer credit lenders, pressure to keep loan sizes higher than clients' needs (to cover costs), and compliance with strict new employment regulations. Despite these challenges, SEF worked hard in its first decade to provide products needed by its rural women clients while meeting the demands of a very different economic environment than any of its counterparts in other regions of Africa.

SEF, already modeled after the Grameen Bank, made a decision in 1996 to create a specific loan program targeting the very poor after experiencing low participation rates among the poorest in many villages. A Participatory Wealth Ranking (PWR) system (Imp-Act, 2011) was used to identify the poorest, and the Tšhomišano Credit Program (TCP) was offered to these clients. The TCP strictly targeted women who lived below half the poverty line and aspired to operate a microenterprise but often had not been able to because of their limited financial means.

SEF walked a thin line between operational sustainability and meeting the needs of a population largely left behind by South Africa's much touted Black Economic Empowerment. It did this by developing sophisticated management information systems that monitored loan portfolio health, through strong management of field operations and loan centers and a social performance management system that measured the impact of the SEF loans on household wellbeing. Despite its lean operational approach and a relatively conservative growth curve compared with other South African microlenders, SEF was among only a handful of MFIs that had a propoor focus and were willing to work with clients often not served by the more profit-oriented consumer credit-based lenders.

By the early part of the new millennium, SEF had grown into a large MFI (by South African standards) with more than 12,000 clients and a staff of nearly 100. Despite its persistent efforts to maintain a high repayment rate, another much more devastating dynamic was challenging the sustainability of the organization. In the year 2000, South Africa was experiencing a raging epidemic of human immunodeficiency virus (HIV) and its inevitable consequence, acquired immune deficiency syndrome (AIDS). In 2000, more than 24% of all deaths in Limpopo province were attributed to AIDS, with women disproportionately affected at 28% (Bradshaw, et al, 2000). With a target population composed entirely of women, SEF was seeing the impact of HIV infection and AIDS on its clients and their communities.

In 2001, SEF began looking for ways to increase awareness of HIV/AIDS among its staff and clients. In cooperation with the Rural AIDS and Development Action Research (RADAR) program, a program of the School of Public Health, University of the Witwatersrand, SEF developed a three-year pilot study called Intervention with Microfinance for AIDS and Gender Equity (IMAGE) and a 10-session curriculum called Sisters for Life (SFL). Dr. Paul Pronyk, the director of RADAR, attributes the partnership between SEF and RADAR to Anton Simanowitz, a microfinance consultant who worked closely with SEF to develop its social performance monitoring system. Simanowitz's knowledge of the work of RADAR and their frustration that they "wanted to do more than just address clinical concerns and address what was going on physically" (Pronyk, 2011) suggested that a linked program between the microcredit operations of

SEF and the health education work of RADAR might provide a comprehensive approach to the health, social, and economic challenges that rural women in Limpopo province were facing.

Using community trainers, the IMAGE project met with SEF loan group members every two weeks after the regularly scheduled loan center meetings for the SFL sessions, which were

designed to stimulate awareness and discussion on issues related to gender inequalities, intimate partner violence, sexual health, and the role of culture in shaping behavioral norms ... these were followed by an open-ended phase of community mobilisation in which participant women worked together to identify local priority issues and develop appropriate responses. (Phetla et al, 2008)

At first, the women who came from conservative communities resisted the SFL training. As SEF director John DeWit describes it, “What we found was during the first four sessions of SFL training, the people really hated it; they really strongly opposed it because of the sensitive issues it was raising.” Getting people to understand the importance of SFL was a challenge. As DeWit recalls,

People in [South Africa] had a lot of resistance to HIV/AIDS education and especially when you get into really personal discussion, like, “Do you have a son who is a migrant worker who has a girlfriend in Joburg who, when he comes home, might be infected.” To be able to say these sorts of things and to have a really proper conversation about it, where you ask your audience what do you think about this, people really don’t like those conversations. In many ways it was because there was a captive audience, since people joined SEF for the microfinance loans. (DeWit, 2011)

In time the resistance wore off, and the women in the SFL groups understood and appreciated the importance of the training. According to DeWit,

When they joined and completed loans, some people returned who would otherwise not, because they valued the training and talking to fellow clients who were struggling with the same issues and the social support they could get ... the client retention rates of those people who went through the training stayed our best for quite a long time.

Dr. Paul Pronyk says,

The reason this all works is not just the microfinance. It’s a catalyst for a lot of the collective mobilization that happened, and the shift in social capital that we saw in terms of women doing street markets and working with schoolchildren and setting up partnerships with the police to address rape and gender violence, to mobilizing better clinical services to a whole range of unbelievable outcomes an intervention can have—that, to me, is critical. (Pronyk, 2011)

Unlike most microfinance programs, the IMAGE project received a large amount of scientific scrutiny on both its medical and sociological outcomes. As part of the three-year pilot, a community randomized controlled trial (RCT) was conducted that looked at a range of data points including “frequency of sexual

communication in the household over the past 12 months, whether respondents felt 'free/open' in discussing topics related to sex, and what topics were covered" (Phetla, et al., 2008).

Another study examined the social capital generated by participation in the program. Sociologist Robert Putnam defines social capital as "the features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated action" (Putnam, 2000). The social capital measurement instruments were based on the World Bank's Social Capital Assessment Tool for use in developing countries. These metrics include:

- Social capital as measured by an individual's participation in groups and networks
- The building of trust among members of a community
- Taking collective action to solve problems or improve social or economic standing
- Social inclusion as demonstrated by participation in collective action, decision making, and access to services and information
- Ability of the members of a community to communicate with each other, with other communities, and with members of their networks that live outside the community

The results of these research studies indicated that the SFL training coupled with microfinance reaped broad benefits for the clients, their communities, and SEF in terms of the retention and repayment rates of its borrowers. A report issued by the Dutch development aid organization HIVOS states that between

September 2001 and March 2005 a total of 1409 participants were enrolled, all female, with a median age of 45. Participants included both retained clients as well as those who dropped out. After 2 years, both the microfinance-only group and the IMAGE and microfinance group showed economic improvements relative to the control group. However, only the IMAGE group demonstrated consistent associations across all domains with regard to women's empowerment, intimate-partner violence and HIV risk behaviour. (Gommans, 2011)

The HIVOS study continues, "More specifically:

- In relation to women's empowerment, participation in the IMAGE and microfinance intervention was associated with increased 'power within' measured by greater self-confidence, financial confidence, as well as more progressive attitudes to gender norms. Women with an intimate partner reported an increase in 'power to' measured by higher levels of autonomy in decision making, greater valuation of their household contribution by their partners, improved household communication and better relationships with their partners. Also an increase in 'power with' in terms of higher levels of participation in social groups and collective action was noted amongst the women in the intervention group.
- Over a two-year period, levels of intimate partner violence were reduced by 55% in women in the intervention group relative to those in the comparison group. The reductions in violence resulted from a range of responses that enabled women to challenge the acceptability of such violence, expect and receive better treatment from partners, leave violent relationships, give material and moral support

to those experiencing abuse, mobilize new and existing community groups and raise public awareness about the need to address both gender-based violence and HIV infection.

- Young participants (14–35 years) had higher levels of sex and HIV-related communication, were more likely to have accessed voluntary counseling and testing and less likely to have had unprotected sex at last intercourse with a non-spousal partner.
- Women noted challenges with acceptance of condoms by men. (Gommans, 2011)

The SEF also saw significant positive benefits for their programmatic objectives from the IMAGE program, with quantitative data monitoring of microfinance performance indicators suggesting “that drop-out rates from the IMAGE loan centres have actually been substantially lower than the average for the MFI as a whole—a consistent fifty per cent reduction that has been sustained throughout the intervention” (Pronyk, 2006).

While the creation of social capital is usually seen as a byproduct of a development intervention, in the case of IMAGE the project design was specifically aimed at building social capital among villagers in Limpopo province. This included both those participating in the SEF/IMAGE project and other community members. According to an article in *Social Science & Medicine* coauthored by Paul Pronyk, program designers and researchers sought to challenge conventional notions that social capital accumulates slowly. The creation of social capital in the SEF/IMAGE project resulted in a number of bridging activities among the women in the participating communities, such as broadening of horizons by meeting new people and going to new places and a greater degree of openness in the home. As one woman described in a focus group discussion, “These things were secret [*sepiri*]. I never used to talk to my daughter about using condoms or prevention. I am grateful of health talks because they have helped me. My children are listening to me. Such knowledge makes any parent to be brave in facing their children” (Pronyk, et al., 2008). There was also greater participation in collective action, including a civil protest at a local police station after a center member was raped, a meeting with a local chief to discuss community safety issues, and loan centers that worked together to organize a civic protest in support of the 16 days of activism for no violence against women.

Since the pilot study was completed, in 2005, the IMAGE project has become an NGO and is expanding the SFL program into other parts of South Africa in partnership with SEF and into Kenya and Tanzania with other MFIs. While the success of this innovative project, which created a strong partnership between an MFI and a health sector program, is well documented, both Paul Pronyk and John DeWit emphasized several essential design factors:

- The potential for successfully pairing a social development program and an MFI is highly dependent on the presence of a well-functioning microfinance program that has an established track record and strong internal systems with strong links with the communities it serves. If not, there is a danger that the MFI’s repayment and management issues will affect recruitment and retention of the social development program.
- Proper deployment of human resources between the microfinance functions and the training and health program facilitation is critical. Project staff must operate as a well-organized team

with buy-in at all levels, from top management all the way down to loan officers presenting a unified front in terms of how clients are being approached. Expecting loan officers to be health trainers or health staff to manage the loan process is unrealistic. The two functions must be paired to operate closely but separately within the regular fortnightly gatherings of the clients. “You must have a good supervisory system in place with the trainers, to make sure they’re getting evaluated on a regular basis, if not weekly” (DeWit, 2011).

- From the very beginning, the program must have a formal monitoring and evaluation system. There must be incredible attention paid to detail, measuring impacts on both the health and the microfinance sides. Using innovations like rapid Short Message Service (SMS), which feeds into indicators and databases, can give you a sense of how progress is going in real time. Attention to quality must be present at all times, in terms of the microfinance operations and the training. “You’ve got to have monthly report cards coming out that can tell you what’s working and what isn’t. The monitoring and evaluation system is very important in terms of trying to get the word out to the broader scientific community with your findings” (Pronyk, 2011).
- “You must learn how to balance the technical correctness of evaluating this methodology with its complex social interactions and building a language to communicate this data to two very different constituencies. You must act as a bridge between the communities that you’re working with and with program management so you can translate what is working in a way that is meaningful to everyone. This is most helpful in scaling up the program and taking it to new locations” (Pronyk, 2011).
- The costs of running a comprehensive health/gender equity program are high, and SEF could not subsidize these costs with the narrow margins on which it operates. Seeking partners who can provide their own funding for parallel programming is essential.

4. **National Union of Disabled Persons of Uganda (NUDIPU) We Can Manage Program**

In much of the developing world, a safety net to assist the most vulnerable in society doesn’t exist. Being born physically or mentally disabled can often be a death sentence unless the disabled person is born into affluence or is surrounded by a strong family support system. According to the United Nations (Labiea, Méonb, Mersland, & Szafarzd, 2008), approximately 10% of the global population has disabilities, and 80% of the disabled live in developing countries. Moreover, among those who live on less than \$1 a day, one in five has a disability. Although only a small fraction of the disabled is unable to work, 80% to 90% of them have no formal job. As a consequence, they turn to self-employment. Few have access to microfinance. In Uganda, while the incidence of disability ranges from 3.5% to 20%, depending on the statistical method, only 0.5% of MFIs’ customers are disabled (Labiea, 2008).

Some of the barriers disabled people face in gaining access to microfinance products may be due to living too far away from urban or peri-urban centers, where MFIs often operate. However, other barriers are embedded in prejudices that the MFIs may harbor about disabled people. Discrimination in microfinance is widespread globally, but the reason for the discrimination and who is discriminated against varies widely (Labiea, 2010). The reasons for discrimination can vary from caste in India, to race in the United States, to belonging to the wrong ethnic or social group in the Caribbean and Latin

America. The Labiea study focused specifically on the Ugandan microfinance sector and determined that discrimination was present in several MFIs and was caused by a genuine distaste for disabled people among loan officers. This distaste was linked to the fact that many disabled people can be among the poorest people within a community and thus are perceived as being in need of smaller loans and having a greater risk of nonpayment. Several of the institutions that participated in the study were “socially oriented” MFIs whose front-line staff, the loan officers, serve as “gate keepers,” making subjective judgments about who should obtain access to credit. Even if an MFI says in its mission statement that it opposes discrimination of all kinds, the reality is that “fighting discrimination is costly” (Labiea, 2010) if the institution incentivizes its loan officers to seek out socially excluded clients. These costs are twofold: If a higher wage is paid to loan officers who recruit poorer people, this may result in fewer or smaller loans.

Each extra dollar devoted to paying incentives reduces the number of loans that can be granted. The MFI must then trade off two evils: discrimination and poverty. If the officer’s taste for discrimination is high enough, then the social cost, in terms of foregone loans, of eradicating discriminatory behaviors would be too large. The MFI tolerates some discrimination because the marginal benefit of devoting a dollar to combating discrimination would be lower than the benefit of granting an extra loan. (Labiea, 2010)

This can have implications for an MFI that is commercializing and may be seeking infusions of capital from private market players, who may not value the institution’s commitment to serving the bottom end of the social spectrum when that translates into loans to individuals who may seem too great a liability by rating agencies and investors. This, of course, depends on how the social development programming is funded and whether these added costs affect the financial sustainability of the MFI.

Discrimination by MFI staff is not the only reason that disabled people cannot access microfinance services. According to a study conducted by Roy Mersland and other researchers, additional barriers include:

- Exclusion because of low self-esteem (sometimes referred to as “self-exclusion”)
- Exclusion by other members (especially in self-selected, group-based microfinance models)
- Exclusion by service design (starting loans that are too high, weekly payments in places too far away, lack of a credit history)
- Exclusion because of disability itself (physical and/or informational exclusion due to lack of guide services for the blind; illiteracy in a deaf person, who is unable to read MFI promotional materials, signs, etc.)

A model of microfinance under development by the National Union of Disabled Persons of Uganda (NUDIPU) and the international NGO CARE has enjoyed considerable success in reaching more than 2,000 disabled people and their supporters in the eastern districts of Uganda, specifically Soroti, Serere, Kumi, Bulambuli, Sironko, and Mbale, in its first 18 months of operation. The model is a type of rotating savings and credit association, which organizes 20 to 25 members into village savings and lending associations (VSLAs).

NUDIPU is the largest member-based advocacy and service organization for disabled people in Uganda. Formed in November 1987, it “brings together all categories of disabilities including the physically, sensory and mentally impaired people. The coalition has always worked to break the tradition that tended to treat PWDs [people with disabilities] as objects of charity and medical care.” NUDIPU states as its vision “a dignified society for all,” and its mission is as follows: “A unified voice for People with Disabilities for the full realisation of their rights and inclusive development through support and advocacy” (NUDIPU, 2011).

Funded by a variety of government and private donors from the Ugandan government to the Norwegian Association of the Disabled, NUDIPU carries out its work through four programmatic areas:

- Economic Empowerment
- Disability and Human Rights
- Disability and HIV/AIDS
- Networking and Coordination

NUDIPU has been involved in sensitizing the microfinance field in Uganda to the barriers disability can present in accessing financial services. Working closely with the national microfinance network the Association of Microfinance Institutions of Uganda (AMFIU), a program was launched to “increase the outreach of sustainable mainstream microfinance services to persons with disabilities in Uganda” (Bwire, Mukasa & Mersland, 2010). The program is working to raise awareness among AMFIU’s member MFIs about how persons with disabilities can access their services. The program also wants to inform persons with disabilities and their organizations about the pros and cons of microfinance. Taking a market-oriented stance, “the project does not advocate reduced interest rates or any other special conditions for clients with disabilities” (Bwire et al, 2010). The program is comprehensively working with MFIs to confront all five of the exclusion mechanisms previously mentioned.

Globally, this kind of collaboration is unique, and the partnership between NUDIPU and AMFIU is strengthened, as both have strong national and international reputations. In addition to its disability awareness-raising work with the formal microfinance sector, NUDIPU is directly involved in informal microfinance programming that is making significant progress toward financial inclusion for many disabled people in Uganda.

NUDIPU’s We Can Manage (WCM) community-managed microfinance project uses a group-based microfinance model that provides both economic and social progress for its participants. Unlike formal institutional models in which clients are required only to borrow money and pay it back, the WCM VSLA group members serve as the loan committee, investors, borrowers, and savers in their groups. Unlike traditional MFIs, VSLAs don’t depend on outside sources of capital, as all loan funds are derived from members’ savings.

The basic technology of the VSLA group is quite simple. Twenty to twenty-five people who want to form a group come together every two weeks (or once a week or once a month—it’s up to the group) and elect officers who are responsible for running meetings and keeping track of savings, loans, and contributions to a group fund. The group must have several meetings before loans can begin, and

borrowers pay a fairly high interest on the funds they borrow (1% to 5% per week). Excess funds are kept in a unique three-lock metal box. Its keys are kept by other members of the group, not the officers, between meetings.

At the end of a year of meeting, all the loans are paid back. Each member receives a distribution of all the funds he or she saved, plus any interest earned minus any defaulted loans and group-fund payments made to group members (to assist with a late loan during an emergency or to assist a member who experiences a death in the family or some other traumatic situation.)

If you traveled from Senegal to Tanzania, Uganda to Mozambique, you would find savings groups following this basic framework of the highly successful VSLA methodology. But in dozens of villages in eastern Uganda, you will find innovations that are creating financial and social inclusion for thousands of disabled people. People with a range of disabilities join savings groups, but as George Mukasa, NUDIPU's director of the WCM program, explains, "We try as much as possible to enroll their caretakers as well." Caretakers, who are usually relatives, can benefit from access to savings and loans while they push the wheelchairs or guide the blind. Mukasa continues, "We have caretakers who are parents of children with disabilities. So we thought that the program should focus mainly on people with disabilities, but we thought they should work with other members of their community, so that's how we are doing it" (Mukasa, 2011).

In a 2010 evaluation of the WCM program, savings group expert Hugh Allen commended NUDIPU's strategy to assist its members.

The chosen target group is socially, economically and physically marginalized. Taking into account, also, the relatively low level of economic activity in the selected Districts and the lack of services provided even to the able-bodied, financial services are a logical entry level intervention, because they tend to secure livelihoods and protect assets and offer the capital that is needed to manage household cash flow better and start to invest in IGAs. The problem is that while financial services are a logical choice as an entry-level intervention, NUDIPU's experience in the past has led it to the conclusion that standard credit-led MFI approaches are inappropriate for the target group if only because their need is not for debt-led financial services, but savings-led services that MFIs cannot offer and banks are too remote to provide. Thus, NUDIPU's analysis has led it to the correct conclusion that savings-led financial services are the most appropriate, but that these will not for the foreseeable future be provided by formal sector institutions. (Allen, 2010)

NUDIPU uses its extensive network of local and district affiliates to recruit new groups. Mukasa explains that when recruitment begins,

we inform them that we will be visiting this area and we want them to help us identify members with disabilities. At the district level we have structures that are called the district team unions. The district team union comprises members of the different categories of disabilities, and they are organized into a committee. The committee is supposed to pull ahead and program an initiative that is targeting people with disabilities. Some are composed of the blind, other

physical disabilities, deaf, or people with epilepsy. We also mobilize the political leadership ... the local government, the legislators, opinion leaders, and we make it clear to them that we are there to work with people with disabilities mainly, but always we are there for them to come along if they are willing to work with us. The other parties who are not disabled will actually help us in the mobilization process. And what we are doing is setting a standard, that an ideal group would have 60% of its members with a disability, and the other 40% would not have a disability. (Mukasa, 2011)

Avoiding the many barriers that mainstream microfinance places in the path of disabled entrepreneurs is, of course, an important reason NUDIPU decided to organize separate VSLAs, but it's not the only reason. George Mukasa says another central objective of the program points directly to its name, We Can Manage.

We want to empower them so that they can own the process entirely. That's why we want them as much as possible to be the majority in the group, to be the majority in the management committee, so they can start practicing including nondisabled people in their initiative. Once this works, we believe we can use it as a tool to inform the world what people with disabilities can achieve. (Mukasa, 2011)

While providing leadership development and self-esteem building within the groups is essential, helping the disabled to develop viable enterprises is also vital to individual and group success. The majority of WCM members are subsistence agricultural producers. Once they join the savings group, they are encouraged to scale up their farming operations or go into another related type of business. This might include small retail shops or petty traders selling local poultry, livestock, handicrafts, or used clothing in the local markets. Those in the areas next to Lake Victoria are fishmongers. Others smoke the fish before they take it to the market. Their enterprises are mainly centered around the area in which they live.

As a way of helping the new entrepreneurs adjust to being in a competitive market environment, NUDIPU has developed a business training program that includes a mentoring component using established local businesses to assist the disabled entrepreneurs. Mukasa says that

at the same time, we are working with the established businesses to appreciate people with disabilities working near them and also to encourage them to teach business skills to the disabled business owners. We work with individual businesspeople to teach them business skills until they start to run the business on their own. (Mukasa, 2011)

Similar to the SFL program, the positive impacts of WCM extend beyond the individuals involved. The program creates positive rewards from which the whole community benefits. Mukasa says that for the first time, group members may be able to afford school fees for their children, or people with HIV can buy antiretroviral medication. For others, having more than one meal a day is possible. A group member explained this to Mukasa:

Since I joined the group, I have learned to look around for opportunities. We are working with other members to have plantations, to make sales when we make harvest. We always have enough money. We are now able to provide three meals in the day; to have that is a very big achievement. (Mukasa, 2011)

As with the SFL program, at least one member of a WCM group has become active in civic affairs and, in her case, even in politics.

This woman is totally blind and has four children. The husband is also blind, but as a result of joining this group, she was elected as chairperson of the group. And being blind, she made sure to mobilize other blind members to join the group. Right now as I speak, she has been able to start up a local restaurant, which she manages, it is in her hands, and she was also in the political leadership. She was recently elected as a city councilor representing people with disabilities, all disabilities, not only the blind. (Mukasa, 2011)

NUDIPU has big plans for the WCM program, targeting growth to 6,000 members by the end of the year. “We think we can make it,” Mukasa explains.

We also intend to make sure as much as possible that we increase the number of youth below 25 years of age in these groups. We are now working with young people with disabilities and encouraging them to join groups and also to scout more enterprises so they can be more productive in the groups. We have big dreams. We think we will be able next year to extend to three or four more districts. We intend to cover a bigger area, to cover a wider outreach of people with disabilities, and we are really determined and working hard toward that. (Mukasa, 2011)

While links to formal financial institutions are not required for NUDIPU’s savings group members, banks and MFIs can improve how they meet the needs of the disabled community. Disability and microfinance researcher Roy Mersland explains what actions MFIs can take:

- Hire a disabled employee. This would demonstrate the MFI’s inclusion policy. The message would be particularly strong if the employee were to be a credit officer.
- Make the offices available for disabled persons—for instance, by installing ramps for wheelchairs.
- Make public success stories of disabled entrepreneurs who are succeeding in business.
- Show their disabled clients together with able clients in, for instance, commercial posters, advertising articles, etc.
- Hold information sessions about the MFIs and their services with disabled people’s organizations (Mersland, 2010).

As the enterprises of the disabled members grow, so does the level of lending and saving in the groups. With the VSLA methodology used by WCM meeting the needs of more and more disabled people and their families in Uganda, it is unlikely that the mainstream MFIs will be needed to provide credit, even if they were committed to serving the disabled community.

5. Grameen Struggling Members (Beggars) Program

It is estimated that Bangladesh has more than 700,000 beggars. While this is only a small fraction of the population of more than 155 million, the concentration of beggars in the capital, Dhaka, and other large cities is a problem for both the beggars and society at large. There is no question that these beggars are among the poorest of the poor in Bangladesh, and many women come to the cities as a result of losing their homes to “river erosion, divorce, death of the earning member in the family, unemployment or disability” (Barua, 2006). But there are also more nefarious circumstances that force people into the streets, their hands outstretched. Some women and children fall victim to crime syndicates who abduct, torture, and starve them and put them on the streets to beg for money for the crime boss, according to Lieutenant Colonel Ziaul Ahsan, director of intelligence for Bangladesh’s Rapid Action Battalions. “The criminals running the business are part of a big racket” (*Guardian*, 2010).

While the horrors highlighted in the *Guardian* occurred in Dhaka, Bangladesh’s largest city, rural areas are not exempt from the scourges of begging. One of the more common reasons rural women are forced to take up begging is displacement caused by flooding from rivers swollen in the monsoon season. According to a 2008 report by the Women’s Environment & Development Organization (WEDO), the impact on women’s livelihoods can be extreme:

Floods and cyclones damage livestock (i.e. cows, goats, buffaloes), poultry (i.e. chickens, ducks), fisheries, trees, crops (i.e. rice, wheat, nuts, chilies, lentils), seeds and animal fodder. Productive tools such as ploughs and nets are also washed or blown away. Increased salinity after a cyclone and the difficulty in plowing wet soil after flooding decreases soil productivity. Sand deposition as a result of flood and river erosion affects production of crops such as nuts. During and after weather disasters, the lack of fodder for livestock and poultry results in reduced milk and meat production. (WEDO, 2008)

The WEDO study warns that there is

consensus among scientists that South Asia is among the regions most impacted by climate change. The International Panel on Climate Change (IPCC) 4th Assessment Report (2007) defines the following as the main climate change impacts in the region: increased frequency of droughts and floods affecting local production negatively; sea-level rise exposing coasts to increasing risks, including coastal erosion and increasing human-induced pressures on coastal areas; and glacier melt in the Himalayas, increasing flooding and rock avalanches. Crop yields could decrease up to 30 percent in Central and South Asia by the mid-21st century. Within South Asia, Bangladesh is the most vulnerable country because of its regional connectivity through geographical and hydrological features and its livelihood reliance on trade. (WEDO, 2008)

Climate-related disasters are increasing the economic pressure on families, causing both seasonal and permanent displacement. Most poverty-alleviation programs do not reach those forced into a life of begging, particularly in rural areas, leaving them to subsist on the margins of society (Barua, 2006). While there is little government-sponsored assistance for rural women who subsist on begging, the Struggling Members program started by the Grameen (or rural) Bank provides a direct pathway to a

more stable life for these women. The Grameen Bank was begun as an economic development research project by Mohamed Yunus, a young professor at the University of Chittagong. It has become world famous, earning the Nobel Peace Prize in 2006. For many, the Grameen Bank is the grandmother of all microfinance programs, and despite its transformation into a government-regulated bank, in 1983, it has maintained a deep commitment to assisting poor, rural women in Bangladesh.

Today the Grameen Bank has more than 8.5 million members and offers an impressive number of social development programs in addition to its basic microcredit products including fabric, mobile phone, housing, insurance, and energy companies. The Grameen Bank has always had an exclusive focus on serving the poorest of the poor, acting as a shock absorber for disasters both natural and human made. The core strategy of reaching the poorest is ensured by:

- Selection criteria for assetless, landless poor people of Bangladesh
- Exclusive focus on poor women
- Appropriate credit delivery system to meet the diverse socioeconomic development needs of the poor
- Development of (real-life situation) practical staff training
- Development of suitable organizational structures and a participatory decision-making process

Fostering social development and building social capital also are core competencies of the bank through the early adoption of a pledge taken by all members called the Sixteen Decisions. These slogans offer guideposts to health, safety, morality, and social consciousness, all within an ethical framework of the four principles of the Grameen Bank: “Discipline, Unity, Courage and Hard Work—in all walks [of] our lives” (Grameen, 2011).

The mainstay of Grameen’s assistance to rural women in Bangladesh has been a microloan that begins with a group of five borrowers. Eight to ten groups form a center, which in turn joins eight to ten other centers to constitute a branch. In 2000, the Grameen Generalized System (GGS) replaced the original Grameen lending program, known as Classical Grameen. GGS corrected some of the rigidity and inefficiency of the previous methodology, which had been used for more than 20 years. The new system offers one prime loan product, called the basic loan. It also offers a housing loan and a higher education loan, which run parallel to the basic loan. The main features of GGS include:

- The prime loan product, called the basic loan: Grameen microcredit highway
- Slower speed or detour (flexi-loan)
- Repayment according to income
- Loan ceiling as per repayment record and deposits
- Weekly savings varying with loan size
- Fresh loan after every six months, to top up the existing loan
- Full repayment at any time allowed
- Term of the loan: Any duration possible

Grameen also offers pension savings and other savings products, as well as a loan insurance fund (loans paid off at death). The extreme flexibility of the GGS is designed to keep members from defaulting and falling in disfavor with other group members (Barua, 2006).

The Grameen Bank has always made it clear that no one is too poor to access its lending, savings, and other services. However, because of the difficult and unpredictable circumstances beggars face daily, the bank realized the new GGS program would not meet their needs. Believing that microcredit and an associated system of support can help beggar women move toward better livelihoods, Grameen designed the Struggling Members (Beggars) program.

The Struggling Members program, initiated in 2002, has several unique features that distinguish it from the GGS microcredit program. All of these innovations came from the desires expressed by the beggars in the program. These features include:

- Existing rules of the Grameen Bank do not apply to beggar members; they make up their own rules.
- The struggling members are not required to form any microcredit group. While they may be affiliated with a regular group, they are not obliged to attend the weekly meetings.
- The bank treats its struggling members with the same respect and attention as regular members and refrains from using the term “beggar,” which is socially demeaning.
- Groups and centers are encouraged to become patrons of this type of member.
- All loans are collateral-free, and there is no interest charged.
- The repayment schedule is flexible; the installments are to be paid according to the members’ convenience and earning capability, decided by the struggling members themselves. Loans can be long term, making repayment installments small. For example, for a loan to buy a quilt or a mosquito net, many borrowers are paying Tk 2.00 (3.4 cents U.S.) per week.
- Installments must not be paid from money earned from begging, but from money earned from members’ new businesses.
- The struggling members are welcome to save with the Grameen Bank if they wish.
- Beggar members are covered under life insurance and loan insurance programs without paying any premium.
- Each member receives an identity badge with her picture and name and the Grameen Bank logo. The member can display this as she goes about her daily life, letting everybody know that she is a Grameen Bank member and this national institution stands behind her.
- Members are not required to give up begging but are encouraged to take up an additional income-generating activity such as selling popular consumer items door to door or at the place of begging.

(Barua, 2006)

The Struggling Members program provides financial services to beggars to help them find a dignified livelihood, send their children to school, and graduate into becoming regular Grameen Bank members. As of August 2011, there were 88,613 Struggling Members with a cumulative loan disbursement of \$2.41 million and a cumulative loan repayment of \$1.90 million, at a repayment rate of 98%. At least 19,763 have left begging, and 9,792 have joined as regular Grameen Bank members (fact sheet provided by N. Alam).

Mohamed Nurul Alam, who worked for the Grameen Bank for 12 years and now works with the Grameen Foundation USA, says,

Before the existence of the Struggling Members program group, members would be reluctant to have beggars join. They were shunned because the members feared they would not be able to repay their loans. Now Grameen Bank engages its branch managers to identify beggars in their communities and recruit them to join the Struggling Members program. Since they commute through the village every day on their way to work, they know who these beggars are. Center members also help to identify beggars and encourage them to join the Struggling Members. (Alam, 2011)

Staff and group members bridge social capital by working to break down the barriers that prevent beggars from participating in the social safety net the Grameen Bank provides. Alam described how staff go into the markets with Struggling Members and

help them learn how to negotiate prices for buying wholesale goods, act as a guarantor for the credit that merchants extend to the Struggling Members, and help them learn the techniques of selling on the street or soliciting from door to door, skills they would not have had the confidence to attempt before. (Alam, 2011)

In a 2006 BBC interview, a Struggling Member named Syman described in her own words the difference the program has made in her life. She now sells bracelets, lozenges, and candies in her village.

I struggled hard while raising my children. I don't have my father, or mother, or even my husband to look after us. We struggled a lot. No one suffered like me ... Even when we were struggling, we said to Allah that "no, Allah, we are very happy." We told him, "We aren't suffering." So, when you came and gave me a loan, and now I go selling biscuits [cookies] around the village, I honestly feel happy. This is much better than going around begging [with] empty hands. (Barua, 2006)

The participation of beggars in the Struggling Members program does not generate income for the bank but is seen as part of its agenda to defeat poverty, as Nurul Alam explains. "As a sustainable social enterprise, Grameen makes a profit from its core credit lending program and, in turn, is able to use some of these profits to advance their social mission to support education, health, and the Struggling members program" (Alam, 2011). In a summer 2008 article in the *Stanford Innovation Review*, Grameen Foundation CEO Alex Counts discussed the Grameen Bank's sustainability strategy, which is based not on high-interest rates but on high volumes of clients.

From its inception, Grameen Bank has conceived of its business as one based on volume, not margin. In its early years, the bank could have taken advantage of its near-monopoly and charged much higher interest rates. Experience has shown that in many countries without competition, clients are willing to pay rates of 30 percent to 60 percent (client attrition is usually very high above that level). Instead, Grameen Bank fixed its interest rates for commercial loans at 20 percent, offering lower rates for housing and student loans. Perhaps this business model is why Grameen Bank has enjoyed a reasonably good relationship with policymakers and regulators in Bangladesh. (Alam, 2011)

The comprehensive approach Grameen Bank has taken to create a social safety net for its members goes far beyond the role that many mainstream microfinance banks are often willing or able to assume.

6. BRAC's Targeting the Ultra-Poor Program and Graduation Model Pilot Program

Around the same time that Grameen Bank was launching its Struggling Members program, another large and esteemed MFI in Bangladesh, BRAC, was initiating a comprehensive program to assist the poorest in several of the communities it served. The Challenging the Frontiers of Poverty Reduction: Targeting the Ultra-Poor, Targeting Social Constraints (TUP) program addresses extreme poverty, initially targeting 100,000 ultra-poor households from 15 of the poorest districts of Bangladesh. TUP is a comprehensive program incorporating livelihood protection and promotion components. Since 2006, TUP has been scaled up to reach approximately 300,000 ultra-poor households. BRAC estimates that “over 75 percent of these households are currently food secure and managing sustainable economic activities” (Hashemi & de Montesquiou, 2011).

Founded in 1972, BRAC began as a social development NGO offering education, health, and grassroots development programs. It added microcredit through a solidarity group-based delivery system (called Village Organizations) a few years later. BRAC is now the largest MFI in Bangladesh and lays claim to being one of the largest NGOs in the world, serving 70,000 rural villages and 2,000 urban slums in Bangladesh, with more than 120,000 employees.

Today BRAC continues to provide a comprehensive range of services including education, health, and social services to a huge, mostly female clientele throughout Bangladesh. Similar to the Grameen experience, BRAC was not satisfied that it was reaching the poorest members of Bangladeshi society through its mainstream programming. To be a truly effective development program, BRAC's founder, Fazle Abed, believes that

microcredit helps more when combined with larger programs for economic development. It is often futile, in the BRAC view, to give an illiterate widow with no land and a lifetime of wounds a small loan and expect her to blossom into an entrepreneur. Would-be microentrepreneurs need not just capital but also advice, supplies, and links to markets where they can sell their products. (Roodman, 2011)

BRAC defines the ultra-poor as those who spend 80% of their total expenditures on food and cannot attain 80% of their basic calorie needs. The NGO began experimenting with models to create livelihoods and support services for the ultra-poor back in the 1980s through a program known as the Income Generation for Vulnerable Groups Development (IGVGD). The IGVGD worked closely with the World Food Program and the government of Bangladesh to provide a means to move up out of

dependency on an existing national safety net program that was providing a monthly allocation of food-grain for a two-year period. BRAC worked with these beneficiaries and added skills training, mandatory savings, and small loans to accelerate livelihoods development. In less than 20 years, the program reached 2.2 million households. (Hashemi & de Montesquiou, 2011)

BRAC refined the TUP approach in 2002 and used several strategies to identify who would be served by the program, including PWR. According to an evaluation of the program conducted by George Washington University, the PWR “utilizes local information available to the villagers” gained through meetings during which

a village map is drawn on the ground with each household labeled. The villagers agree on a wealth ranking among the households, to identify those who are the poorest of the poor. Those who can afford tin plate walls or roofs are less poor than those with straw walls or thatched roofs. Those who are known to have a steady, formal job are categorized as among the well-off. (Emran, Robano & Smith, 2009)

Once the program participants are identified in each village, the women receive physical assets (e.g., livestock, seeds, and other agricultural item) that can be used for small-scale enterprise activities, consumption stipends, health care support, enterprise training, and savings schemes for an 18-month period.

After implementing the TUP, BRAC identified a potentially serious issue facing many TUP members: theft and loss of the accumulated assets. Livestock became ill or were stolen, crops were not cultivated properly, and other losses. To mitigate this potential problem, BRAC worked with selected local village leaders to form committees that would help protect the assets of the TUP members by offering support, guidance, and protection.

These committees are known as Gram Shahayak Committees, or GSCs (Village Assistance Committees). They are composed of three local elites, two BRAC microfinance members, and one TUP member. The GSCs provide a bridging social network function for the TUP members by teaching them problem-solving skills and helping them gain the knowledge needed to put their assets to productive use (Huda & Rahman, 2005).

A 2005 study conducted by the BRAC Research and Evaluation Division and the Aga Khan Foundation found that the mediation of the GSCs “may provide a form of social capital that did not previously exist, promoting the further development of TUP members.” The research also determined that “relationships between TUP members and the GSC are patterned on pre-existing patronage relations,” and the assistance TUP members receive is through “institutionalised forms of charity, reinforcing feelings of dependency between GSC and TUP members.” The report emphasized that the “essence of social capital is relationships; unlike financial or physical capital, social capital is not a commodity that can simply be handed over.” It suggested that “a strong effort is required to maintain these relationships and to harness them for positive change” and that “GSC members should behave less like village altruists and more like a BRAC institution, focusing on community based aid for TUP members and treating them with a stronger sense of impartiality.” (Huda & Rahman, 2005)

Despite these challenges, evaluations have shown mostly positive results for TUP participants. The George Washington University study noted above found a “significant impact of program participation on net income, food security, ownership of livestock and household durables such as tubewells and blankets, and livestock of the ultra-poor.” The same study found “very weak or no evidence of any

significant effect of the TUP program on subjective health outcomes, women's empowerment, ownership of homestead land and stocks of other productive assets.” Progress on issues such as land ownership and improvements in health are intimately linked to women’s empowerment, and the weakness of the GSC support system may have some relation to the lack of improvement in these areas. Assets and a connection to a social network that maintains the status quo may be only a first step. Graduating women into a place of greater social status and economic self-sufficiency may require a more systemic approach, which BRAC has recognized and is working to achieve.

As BRAC continues to improve and scale up the TUP program, the model has also significantly influenced a global initiative sponsored by the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation. The Graduation Model Pilot project has launched 10 pilots, in Haiti, Pakistan, Honduras, Peru, Ethiopia, Yemen, Ghana, and three Indian locales (with Bandhan, SKS, and Trickle Up). Mirroring the BRAC TUP program, the CGAP-Ford pilots consist of partnerships among financial service providers, NGOs, and government agencies combining

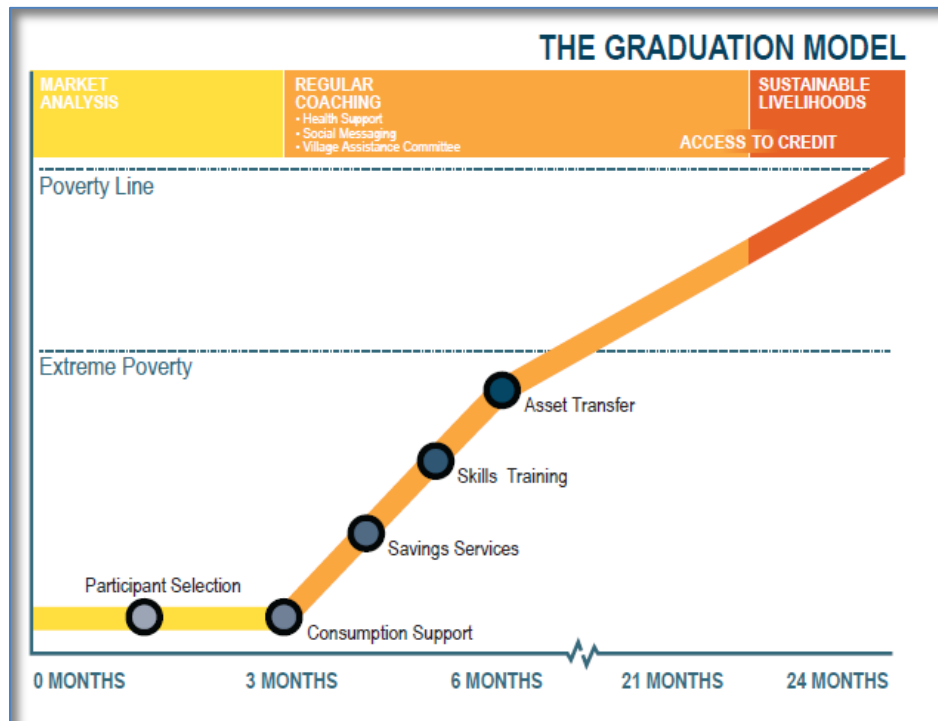
support for immediate needs with longer term investments in training, financial services, and business development so that within two years ultra-poor people are equipped to help themselves “graduate” out of extreme poverty. The graduation model is built on five core elements:

1. Targeting (deliberately targeting the poorest; excluding better off households)
2. Consumption support (cash or direct food aid)
3. Savings (the core of the program)
4. Skills training and regular coaching (goal setting, formation of strong bonds with staff mentors)
5. An asset transfer (livestock, equipment, commodities for re-sale) (Hashemi & de Montesquiou, 2011)

(See Table 1.)

The key to success for the graduation model is the proper blend of services and financial support sequenced in a way that is conscious of the market environment where the project is being implemented. “Understanding the core logic of the model and knowing how and when to bring in flexibility is a key role of the implementing partners—especially the program staff charged with the close monitoring and coaching of participants”. The development of long-term relationships between NGO or MFI staff and the clients ensures their progress will be fostered and monitored as they move through the stages of personal development. (Hashemi & de Montesquiou, 2011)

Table 1



(Hashemi & de Montesquiou, 2011)

Similar to the SEF/IMAGE SFL program, these pilots have been designed to include rigorous randomized impact evaluations and qualitative assessments to measure the effectiveness of the programs in moving people out of extreme poverty. In a recent blog posting, a staff member of one of the graduation pilots working in Bengal, India, described how using information gleaned from listening to the detailed life histories of its participants helps them

consider how we can differentiate services for different participants based on their existing “trajectory.” Trickle Up is exploring how integrating research of this kind into our ongoing monitoring strategy could have a positive effect on how we develop strategies for our individual participants. (CGAP, 2011)

The research on program impact conducted by the graduation model pilots, BRAC, and the SEF/IMAGE program are examples of a recent trend embraced by both donors and practitioners toward a more rigorous approach to studying microfinance programs, including a number of tools for measuring the depth of poverty such as the Progress out of Poverty Index (PPI). The PPI measures the poverty levels of groups and individuals within and across nations using existing data from either national household surveys or the World Bank Living Standards Measurement Survey. The PPI allows MFIs to divide their clients into distinct poverty bands (very poor, moderately poor, and above the poverty line) using this baseline to monitor client progress (Counts, 2008).

The field also has developed several social performance measurement tools that help institutions define their social objectives, develop systems to achieve those objectives, and measure outputs and outcomes. “After results are measured, an institution then uses that information to further refine social objectives and improve systems (such as products and market research)” (SPTF, 2011).

Dean Karlan of Yale University and Innovations for Poverty Action (one of the evaluators of the CGAP-Ford Graduation program) argues that failure to perform rigorous evaluations such as RCTs

can lead researchers and organizations to endorse suboptimal programs, mislead donors, and waste resources while failing to maximize the well-being of as many people as possible. In the end, ethics demands that we have clear answers as to what works and what does not so that we can be as effective as possible in our future investments and grantmaking. (Counts, 2008)

Replication of these comprehensive antipoverty strategies can be accomplished only when program promoters and donors can accurately and precisely understand the mechanisms that transform the lives of the poor people involved. In addition to the quantitative measures, qualitative research data can begin to unpack the complex changes taking place among clients who make significant economic and social progress. This understanding helps move the microfinance and social development fields closer to understanding exactly how to challenge endemic poverty among the world’s poorest. As the Trickle Up blogger Janet Heisey describes,

reviewing our quantitative data from the baseline and endline of the pilot project, we can see that 86 percent of Trickle Up Ultra-Poor Program pilot project participants “graduated,” meaning they were active in their savings groups, had maintained or grown their livelihood assets and met other project benchmarks. But why did they graduate? How did the components of the program combine with their efforts to create a positive outcome? Understanding change within the context of the life trajectory framework doesn’t “prove” causality, but it does provide a strong indication of why change has happened and where participants were most likely headed had the program not intervened. It also indicates why some may have achieved milestones that others did not, and how big the likely impact was on the lives of those who did succeed. (CGAP graduation blog, 2011)

7. Other Group-Based Microfinance Models That Address Social Problems by Building Social Capital: Jamii Bora and Pro Mujer

Two other innovative and successful microfinance programs have made inroads to solve difficult social problems through group-based methodologies that mobilize social capital as a change agent. Jamii Bora, in Kenya, and Pro Mujer, which works in Bolivia, Nicaragua, Mexico, and Argentina, are models that effectively blend financial services and social development for some of the poorest people in their respective regions.

Jamii Bora, founded in 1999 by Norwegian social entrepreneur Ingrid Munro, started as a loan program for beggars in the Mathari Valley slum in Nairobi. This MFI targets clients who would not be likely candidates for microcredit, including beggars, prostitutes, and thieves, and is staffed by many of its own

clients and former clients. According to Munro, the success in reaching the poorest and sometimes most troubled members of a community lies in the deep relationships the organization established with its members.

You have to be very close. You see, the beggar is a professional; it is a profession in itself. So, if you come and give a beggar \$100, and say, "You go and start a business," they will run away with that money. You have to prepare everybody for what it is, and we think you have to start by getting them to save, because then they are in that habit of setting aside a bit of money every day. That makes it easy for them to pay back the loan. (Daley-Harris, 2007)

Jamii Bora has made great strides in addressing two sides of another serious social problem facing its members and the local health care system. Early on, the young MFI noticed some members struggling to repay loans. The staff performed interviews with 100% of their members and learned that sickness and high hospital costs were the leading cause of these repayment problems. At the same time, local mission hospitals were teetering on the brink of bankruptcy. A win-win solution was built upon the real needs and financial means of the members. Rejecting proposals by large insurance companies that wanted exclusions for certain illnesses and people, Jamii Bora decided to create its own insurance program. It cost each member and their family of four just \$12 per year and did not exclude anyone. As Munro recalls, "We wanted it to be for everybody. We decided it would cover maternity, it would cover any kind of operations, it would cover any kind of inpatient treatment, and we would not exclude people with HIV and AIDS, because then it [would be] a useless insurance for us." Today the program has more than 70,000 subscribers covering 350,000 family members and is totally self-financed.

By August 2008, Jamii Bora had grown to 200,000 members. It is involved in housing development, business training, and other social development initiatives that meet the needs of its very poor membership. Its strategy to reach the poorest begins with a

philosophy that you must have been a beggar to be able to understand what it is like to have been a beggar and convince them. You must have been a thief and left that to be able to convince thieves that they can make it. You must have been desperate and poor to convince those who are desperate that they can make it (Daley-Harris, 2007)

Jamii Bora members are a social network of poverty survivors laying the stones on a pathway out of extreme poverty by their own examples. Munro emphasizes,

We don't talk about clients, we only talk about members. It's a matter of "I am part of this." Since we work with people who are very desperate when they come to us—some are thieves or prostitutes when they come to us—by becoming a member in Jamii Bora, you suddenly become somebody. Jamii Bora means "Good Families." So you are a member of good families and it helps you grow out of those problems. (Reed, 2011)

Latin America was the birthplace of some of the most successful microfinance organizations that exist today, but with an early focus on commercialization, the leadership of many of these institutions was not oriented toward social development programming (Christen, Drake & Rhyne, 2002). An exception is

the MFI Pro Mujer, which was founded in 1990 with both financial service and women's empowerment objectives. Pro Mujer describes themselves as an "an international microfinance and women's development network" with a mission to provide "Latin America's poorest women with the means to build livelihoods for themselves and futures for their families through microfinance, business training and healthcare support" (Pro Mujer, 2011). The NGO serves more than 200,000 clients in five Latin American countries through a village banking methodology that integrates business skills training with health education and access to health care services. Pro Mujer targets very poor women living on less than \$2 a day. Clients have an average of three children and operate one or more microbusinesses to support their families. Since 1990, Pro Mujer has distributed more than \$742 million in microloans (Pro Mujer, 2011).

Pro Mujer offers a range of basic health care services beginning with a health care curriculum that includes modules on family care, sexual and reproductive health, child and maternal health, hygiene, leadership, self-esteem, and civil and human rights. Its direct health care services are provided either at its own clinics or through strategic alliances with a number of key stakeholders in the countries where it operates. Examples of these alliances include:

- Agreement with NGOs specializing in health care to provide a referral service
- Agreement with the Ministry of Health to offer free universal health insurance
- Agreement with NGOs offering free counseling in civil rights and family violence issues

Access to credit is not offered in isolation but is part of a holistic strategy of integrated services that is a means "through which women organize, make decisions, and exercise leadership, and the village bank is a vehicle through which to offer multiple financial and non-financial services" (Imp-Act, 2011).

However, providing a menu of financial and nonfinancial services is costly and affects Pro Mujer's bottom line. Offering health services increases the total operational costs from 9%, when only health training is assured, such as in Peru, to a maximum of 27%, when direct service is delivered to a dispersed population, such as in Nicaragua (Velasco & Chiba, 2006).

As a means to reduce the costs of health care access for poor women and reduce transactions costs for the MFI, Pro Mujer offers loan repayment at its health care facilities that are located in "Focal Centers." This integrated approach to challenging poverty has been developed by Pro Mujer with the principal recognition that poor women are at greater risk of health-related issues because of poor sanitation, housing, and living conditions and comprehensive strategies are needed to break the cycle of poverty.

Pro Mujer is not timid about its role as a social change organization. It has taken steps toward increasing the social participation of its clients by making contributions to social action organizations and embracing broader social causes that support the empowerment of women. Its commitment to building social cohesion and social capital is demonstrated in impact evaluations carried out in Bolivia between 2003 and 2005:

- 44% of Pro Mujer clients participate in a social grassroots organization, versus 20% among the non-clients group.

- 31% of the women clients who are part of a social organization play a leadership role, compared with 13% of the non-clients.
- 30% of the new clients belong to a social organization, versus 39% of the long-term clients (10% of which are playing a leadership role; (Velasco & Chiba, 2006).

This commitment to improving its clients' physical health and reducing their social isolation has meant that Pro Mujer has not been as profitable as some of its Latin American counterparts. However, it has maintained its standing as a sustainable MFI as indicated by ratings from the MIX market on data from Pro Mujer Bolivia, which shows operational self-sufficiency rates between 113.97% and 134.31% during the period from 2007 to 2010.

Speaking at a White House Conference on the Americas in July 2007, Pro Mujer cofounder Carmen Velasco emphasized the importance of maintaining a double bottom-line mission dedicated to financial sustainability and challenging poverty. "Having a very strong microfinance institution is not enough. You have to show the return, the social return, of the microfinance institution in order to be able to claim success." With a more than 21-year track record, Pro Mujer has shown that this kind of success is possible (MicroCapital Monitor, 2007).

Conclusion

More than 30 years after the initiation of modest anti-poverty experiments in Bolivia and Bangladesh the microfinance field is now a multi-billion dollar industry. The wide range of methodologies, ownerships arrangements, management structures, market orientations, and organizational missions of MFIs run the gamut from noble anti-poverty social enterprises to highly profitable microfinance corporations with dubious social or economic impact for the poor. There is plenty to love or hate in microfinance today no matter what ones political or social orientation may be. Despite many years of innovation and reinvention one of the enduring themes that guides the poverty reduction oriented segment of the microfinance field is its ability to apply the principles of human compassion to the principles of sound business management. Specifically this paper has looked at microfinance models that directly challenged severe social problems through multifaceted approaches using group based methodologies to build social and economic capital in sustainable ways.

The SEF-IMAGE program successfully built social capital among poor women in South Africa challenging gender violence and helping break down taboos against frank and potentially lifesaving discussion about sex, sexual violence and sexually transmitted disease. The success of IMAGE can be attributed to its linkage to a strong and well established microfinance program that understood the population it served and put program sustainability in the forefront of its operational objectives.

In Uganda disabled people found a way to break down economic and social inclusion barriers through informal Village Savings and Lending Associations sponsored by NUDIPU's We Can Manage program. Going beyond just providing a safe way to save and borrow in groups We Can Manage helped create livelihoods, direct participation in the social life of communities and a pathway to entrepreneurship for a segment of the population often unable to access financial institution based microfinance products and programs.

The beggar represents the lowest form of economic activity in Bangladesh with their very existence completely reliant on handouts given by anyone of better circumstance who happens to pass by. The Grameen Bank took an innovative approach to challenge the social isolation of beggars by making them Struggling Members with flexible access to credit and most of the services better healed members of the Grameen Bank are entitled to. Without directly prohibiting begging the Struggling Members program helped these poor women grow the self-confidence and basic skills needed to become petty traders and begin building better lives for themselves and their families, gradually leaving the stigma of being a beggar behind.

The ultra-poor in Bangladesh were offered the possibility of a graduated approach to moving out of destitution by steadily building assets and connection to the social networks that other poor and more affluent people benefited from. The Targeting the Ultra Poor program was able to scale up to reach hundreds of thousands by letting go of rigid methodological models and by applying the principles applied in a noted taxonomy on scaling up which cautions that “replication does not mean duplication. The same structures and procedures that encouraged participation in one place can stifle it elsewhere if copied mindlessly” (Uvin & Miller 1996).

In one of the largest attempts to replicate the learning of BRAC and the TUP program the Ford CGAP Graduation Model Pilot project is attempting to export the proven BRAC model in very diverse economic and social contexts. Whether these programs can be sustained and eventually scaled up as the BRAC program has been able to have yet to be seen. But the coordination by donors of a global learning community consisting of the pilot project implementers and the larger development community means real time horizontal learning and problem solving are taking place as the pilots move forward. The MFIs involved can then make mid-course adjustments and not repeat errors made by others. Taking on entrenched and very complex social problems is extremely difficult and expensive for organizations which also need to maintain their financial sustainability. But working in alliance with public sector and private interests shares the costs and risks. Strategies Jamii Bora and Pro Mujer have used with great success to bring health services along with microfinance to their members.

Extreme poverty and its associated maladies of disease, disability, illiteracy and disenfranchisement literally disintegrate the social bonds that create civility, build and maintain the social capital needed to cope with adversity and imagine collective solutions. Organizations that marshal the aspirations of their poorest members into a well sequenced and rational series of small wins through learning, earning and accumulation of assets begin a process of reintegrating these forgotten people back into the larger society. But this must happen in an environment that involves all the stakeholders in a community or a nation to ensure the reintegration does not occur in isolation. This argues for MFIs to be about the business of addressing the root causes of poverty on both the supply and demand sides.

Economist Amartya Sen says that

“a variety of institutions—related to the operation of markets, administrations, legislatures, political parties, nongovernmental organizations, the judiciary, the media and the community in general—contribute to the process of development precisely through their effects on enhancing

individual freedoms ... analysis of development calls for an integrated understanding of the respective roles of these different institutions and their interactions. (Sen, 1999)

What a new breed of microfinance institutions have realized is that unlike almost any other organization in society the close proximity of these social businesses to the poor they serve is worth a great deal more than monetized value of their outstanding loans or savings deposits. Alex Counts of the Grameen foundation has argued an “MFIs’ most important assets are not their loan portfolios, but their high-quality relationships with the world’s poor.” Counts says that a new model of microfinance is emerging and that the dichotomy between mission led and profit led microfinance is a false and misleading chimera. The relationships MFI’s have built with the poor people they serve are a natural “platform from which to develop and distribute a range of products and services—not just financial ones” Counts believes (Counts, 2008).

Solving difficult and often deadly social problems requires holistic approaches for both the clients who need to be served and the organizations that take on the role of assisting them. This role may be well beyond the comfort zone of many mainstream, market-oriented MFIs. But if a new microfinance model is emerging, it will take pioneers, such as those highlighted in this paper, who are willing to look deeply into the causes of poverty and social exclusion and are committed to waging a multilateral assault on the conditions that make this poverty possible.

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