

# Chapter 6

## **Managing Scaling Up Challenges of a Program for the Poorest: Case Study of BRAC's IGVGD Program**

**BY IMRAN MATIN**

### **Executive Summary**

BRAC approaches microfinance as a key instrument to build ladders of opportunity for the poorest people, who tend to be left out. BRAC's main point of departure from conventional thinking is that, although the poorest do need subsidy-based programs to supply their immediate food needs, microfinance can play a fundamental role in constructing a long-term, sustainable foundation for improving food security and livelihoods. However, this is unlikely to happen automatically. BRAC's experiences suggest that creating a strategic linkage between grant-based and market-based microfinance programs requires careful planning, and solid and committed management. Scaling up this approach to reach significant numbers of the poorest requires constant learning and innovation, and ongoing negotiation with partners based on practical field experience. In particular, it requires an appetite for tackling the larger challenge of developing markets that can open up new opportunities for the very poor.

Most important of all, it requires vision and commitment to include the poorest. BRAC's experiences suggest that carefully designed strategic linkages, which include grants with a central role for microfinance, can work for the poorest. There certainly will be many different models and approaches for including the poorest, which will vary according to country contexts. However, the starting point has to be reversing the trend of apathy—which either excludes the poorest or treats them as “relief cases” to be dealt with by “others.” BRAC believes that the poorest are, can, and must be central to the vision and commitment of microfinance institutions. Only then will the search for possibilities and opportunities to include the poorest begin and develop.

### **Implementation Process**

#### **BRAC's Microfinance Canvas**

BRAC was originally set up as a relief and rehabilitation committee in 1971 to address the immediate needs of the refugees returning home after the nine-month war for independence.

## Managing Scaling-Up Challenges of a Program for the Poorest

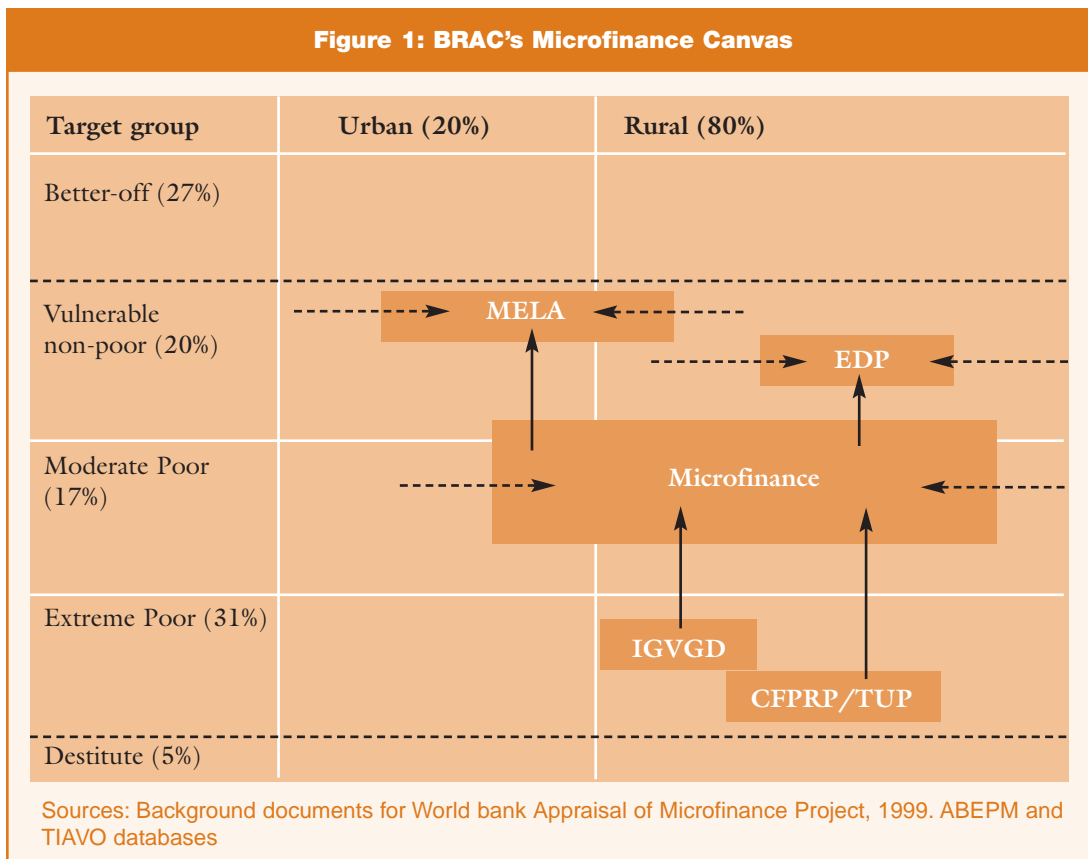
Today it is today one of the largest microfinance NGOs in the world, providing financial services to over 3.5 million poor women throughout Bangladesh. The distinctive feature of BRAC's microfinance is a perspective on the poor as a diverse group with diverse livelihoods, needs, and potential, which change over time in response to life events, new opportunities, and external shocks. This diversity and dynamism of poor peoples' lives is the canvas on which BRAC conceptualizes and designs its repertoire of development programs, where microfinance is a core element. If one maps the various categories of poverty, described in the Bangladesh literature that profiles poverty,

onto BRAC's different microfinance programs, one gets a picture like [Figure 1](#).

There are two principles of BRAC's concept of microfinance worth highlighting. One is the belief that microfinance can work for a diverse group of the poor, and two is the importance of creating deliberate linkages to support continuous progression in the livelihoods of the poor, including the poorest.

BRAC's microfinance programs are thus about building ladders of opportunity for the extreme poor—those who tend to be left out of conventional microfinance programs. The idea is to design subsidies in ways that strengthen the initiatives for the extreme poor, so that they, too, over a time can build

**Figure 1: BRAC's Microfinance Canvas**



the capacities to benefit from microfinance and other mainstream development programs. The Income Generation for Vulnerable Group Development (IGVDG) and the new BRAC program for the ultra poor, “Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor” (CFPR/TUP), are examples of this approach.

It is also about combining microfinance strategically with other interventions to create new livelihoods for people facing sudden vulnerabilities. Recently BRAC began pilot testing a microfinance program that offered training in new skills, for retrenched workers from the ready-made garments factories and state-owned enterprises, and counseling.

Finally, BRAC's microfinance vision supports growth by using the knowledge embodied in its institutional networks to provide financial services to new market segments. The Microenterprise Lending Program (MELA) and the Enterprise Development Program (EDP) both serve growth segments of the market with financial services. (See [Table 1](#) for key information on BRAC's microfinance programs.)

The main idea behind BRAC's microfinance programs for the poorest combines basic social service interventions (such as food aid), which are based on grants, with promotional ones (such as training, savings, and credit). IGVDG, which has been in operation since 1985, is a good example of such an approach. Even more interesting, it is a partnership between a donor (World Food Program), the government of Bangladesh, and an NGO (BRAC). This paper highlights the main challenges that

IGVDG faced in scaling up, what it learned from the dealing with those challenges, and the steps taken to address them. One of the primary outcomes gained from the IGVDG experience has been the design of a new BRAC program for the poorest, “Challenging the Frontiers of Poverty Reduction—Targeting the Ultra Poor” (CFPR/TUP), which is also discussed in brief.

### **IGVDG Program and Ladders of Opportunity for the Poorest**

In 1985 BRAC approached the World Food Program (WFP), which was providing time-limited food assistance to the extreme poor through its Vulnerable Group Feeding (VGF) initiative, to pilot a new program and model. The results were impressive. A BRAC study found that the income of women who participated in the pilot increased significantly, and that their additional income was more than the wheat donations from the VGF program. Around 80 percent of the women had also entered BRAC's Rural Development Program and gained access to its microcredit and social development services. A separate assessment of the VGF, by contrast, found that many of its participants were no better off when they left the VGF than when they joined.

### **Impact Analysis**

#### **Targeting the Poorest**

Reviews of the IGVDG have been favorable and a study commissioned by the WFP found evidence that the program reached

Table 1: BRAC's Microfinance Programs			
Program	Target Group	Term and Conditions	Product Details
<b>MELA</b>	Larger loans provided to BRAC and non-BRAC microentrepreneurs to scale up their enterprises	<ul style="list-style-type: none"> <li>• Must have good entrepreneurial skills</li> <li>• Must not have any outstanding loans from BRAC or other microfinance institutions</li> <li>• Must open a bank account to receive loan</li> </ul>	<ul style="list-style-type: none"> <li>• Loan size range US \$400–\$4,000</li> <li>• 15 % flat interest rate</li> <li>• 12-, 18-, and 24-month loan products repayable in monthly installments</li> </ul>
<b>Microfinance</b>	<ul style="list-style-type: none"> <li>• Less than 50 decimals* of land owned, live in slums, and earn a living by manual labor</li> <li>• Households headed by women and vulnerable poor households (targeted specifically through IGVD)</li> </ul>	<ul style="list-style-type: none"> <li>• Must be a member of BRAC VO</li> <li>• Must save</li> <li>• Must not have a loan with other NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Loan size range US \$50–\$350</li> <li>• 15 % flat interest rate</li> <li>• Loans repayable in weekly installments over a year</li> </ul>
<b>IGVD</b>	<ul style="list-style-type: none"> <li>• Households headed by women, who own no more than 10 decimals of land.</li> <li>• Women divorced, separated, or have a disabled husband.</li> </ul>	<ul style="list-style-type: none"> <li>• To be eligible for loans:</li> <li>• Must be a VO member</li> <li>• Must save</li> </ul>	<ul style="list-style-type: none"> <li>• Initial loan size about US \$50</li> <li>• Other conditions similar to Microfinance</li> </ul>
<b>CFPR/TUP</b>	<ul style="list-style-type: none"> <li>• No more than 10 decimals of land</li> <li>• No adult earning member</li> <li>• No productive assets</li> <li>• School-age children working Adult women in manual labor</li> </ul>	<ul style="list-style-type: none"> <li>• Must not be members of any government or NGO development program</li> <li>• Must have at least one adult woman who is physically able</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution of income earning assets</li> <li>• Subsistence allowance for a specified period</li> <li>• Employment and enterprise development training and technical support</li> <li>• Essential health care support</li> </ul>

\* A decimal is 1/100 of an acre.

the very poor, that the economic position of IGVD recipient households improved, and that access to NGO microfinance services was greatly enhanced. Hashemi's comparison<sup>1</sup> of the 1994 WFP baseline survey

with key poverty indicators for rural Bangladesh (see Figure 2) found that IGVD attracted members who had significantly higher levels of absolute landlessness, were functionally landless (owned less

than a half acre of land), owned two sarees or less, and lacked winter clothing, than the extremely poor identified by Rahman and Hossain.<sup>2</sup> While 8 percent of rural households and around 10 percent of extremely poor households overall were headed by widowed, divorced, or abandoned women, approximately 44 percent of households entering the IGVD program in 1994 were from this social category. This indicates that the program reached a substantial number of the population for whom poverty is likely to be persistent.

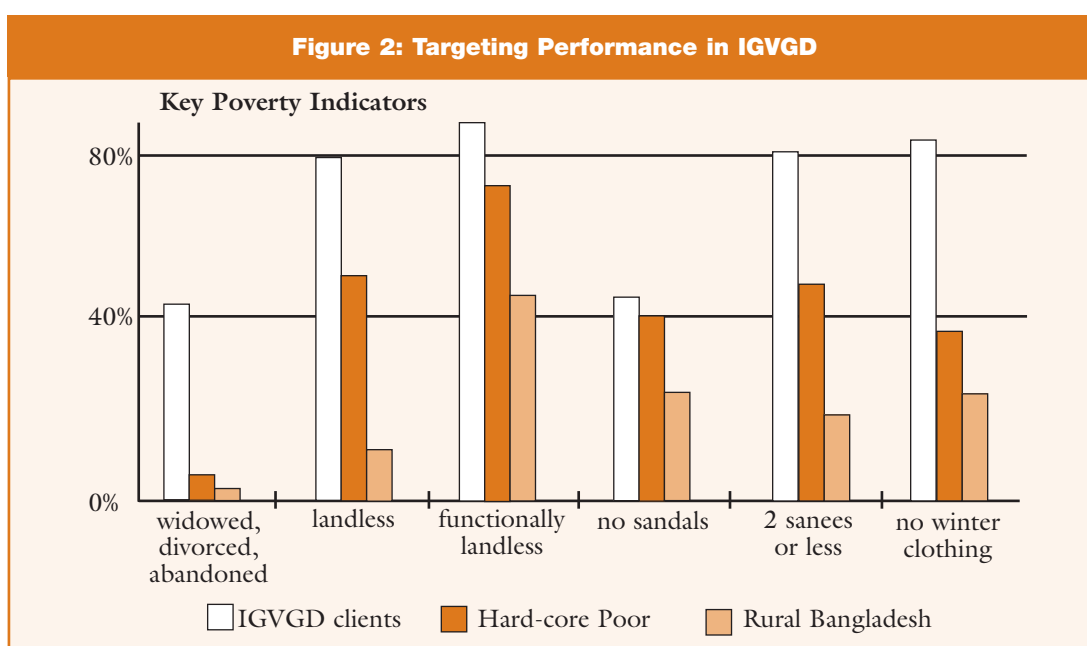
### Impacts and Graduation

In terms of economic indicators, the 1994 WFP survey found that, on average, incomes of IGVD clients rose significantly, material assets (ownership of home-stead plots, land, beds, and blankets) increased, and the percentage of households

engaged in begging dropped dramatically (see Table 2).

A cross-sectional study that compared IGVD participants at the various stages of the program cycle found significant positive impacts over a range of social and economic dimensions as the participants progress through the IGVD cycle.<sup>3</sup> [Inst. Tb 2-3]

Another performance indicator, which examined how successful the IGVD program is at “graduating” very poor households to regular microfinance programs, provided evidence of improvement. At the beginning of the program, only 15 percent of the IGVD participants were MFI clients. By the program end in 1996, this had increased to 28 percent, and by 2000 had reached 66 percent. Although access to microfinance increased across Bangladesh during the late 1990s, a 440 percent increase in MFI membership for such a cohort



<b>Table 2: IGVD Economic Impacts</b>			
Variables	Time		
	1994 (pre-program)	1996 (end of program)	1999 (3 years after program)
Monthly income (Taka)	75	717	415
Percentage of households earning more than TK300 per month	7	64	31
Percentage of households with homestead land	73	87	na
Percentage of functionally landless households	94	72	na
Percentage of households with beds	58	60	64
Percentage of households with blankets	14	na	na
Percentage of households begging	18	2	0

Source: Adapted from Hashemi et al. (2001, p. 9)

<b>Table 3: IGVD Social Impacts</b>			
	Food Aid + Savings	Food Aid + Savings + Training	First Loan
% Attending most VO <sup>1</sup> meetings	2	19	83
% Attending Gram Shobha meetings <sup>2</sup>	2	17	40
% Reporting positive difference due to meeting participation	38	55	83
% Reporting that they wanted to start an IGA after training	42	53	82
% Reporting greater levels of confidence	62	78	91
% Reporting that they aspired to be a VO leader	6	16	25
% Reporting that life now is better	24	32	54

<sup>1</sup> The Village Organization (VO) is the gateway of BRAC's development programs. About 30 BRAC members from a village form a VO.

<sup>2</sup> The Gram Shobhas are monthly meetings on specific issues, where both the women members and their spouses attend. These provide a fairly regular forum in which VO members are exposed to and discuss various social and economic problems, and potential solutions.

of very low-income, very low-asset people represents massive improvement in the numbers of the poor gaining access to financial services.

### Cost Effectiveness

There are no comprehensive cost-effectiveness or cost-benefit analyses of the IGVD available, but Hashemi estimates that the

amount of subsidy per household was US \$135 per cycle for the year 2000, which he argues was a reasonable cost for the improvements that have been recorded.<sup>4</sup> This evidence, plus other reviews, has certainly convinced aid agencies that IGVD can successfully reduce poverty for sections of the population that few other programs can reach. Over the last few years, donors and MFIs have been keen to build on the IGVD experience and expand programs for “those left behind.”

### Driving Factors

The IGVD program is a partnership between a donor (World Food Program), the

government of Bangladesh (specifically the Ministry of Women's and Children's Affairs, Directorate of Relief and Rehabilitation, and local government representatives), and a development organization (BRAC). The main role of the various important actors in the IGVD program is shown in [Table 4](#).

### Commitment and Political Economy for Change

BRAC's commitment to bring the most vulnerable into its development program in ways that are cost effective and sustainable in the long run has been the main driver for the IGVD program. Concerns over food security, safety nets, and improved nutrition for

**Table 4 Major Actors and Their Role in the IGVD Program**

Partners	Main role
Ministry of Women and Children Affairs	<ul style="list-style-type: none"> <li>- IGVD household selection</li> <li>- Arrange funds for training</li> <li>- Extend administrative support</li> <li>- Monitoring programme progress</li> </ul>
Directorate of Relief and Rehabilitation	<ul style="list-style-type: none"> <li>- Allocating and distributing food aid</li> <li>- Extending administrative support</li> </ul>
World Food Programme	<ul style="list-style-type: none"> <li>- Provide food aid</li> <li>- Arrange funds for training</li> <li>- Monitoring the programme progress</li> <li>- Research and Evaluation</li> <li>- Coordinate with GoB and BRAC</li> </ul>
PKSF and other banking institutions	<ul style="list-style-type: none"> <li>- Provide credit funds to IGVD programme</li> </ul>
BRAC	<ul style="list-style-type: none"> <li>- Development and implementation of the programme which includes:                             <ul style="list-style-type: none"> <li>- Arrange income generating activities (IGA) and social awareness training</li> <li>- Provide credit and other sector support</li> <li>- Savings management</li> <li>- Follow, supervision and monitoring</li> <li>- Mobilize donor funds for training</li> <li>- Research and Evaluation</li> </ul> </li> </ul>

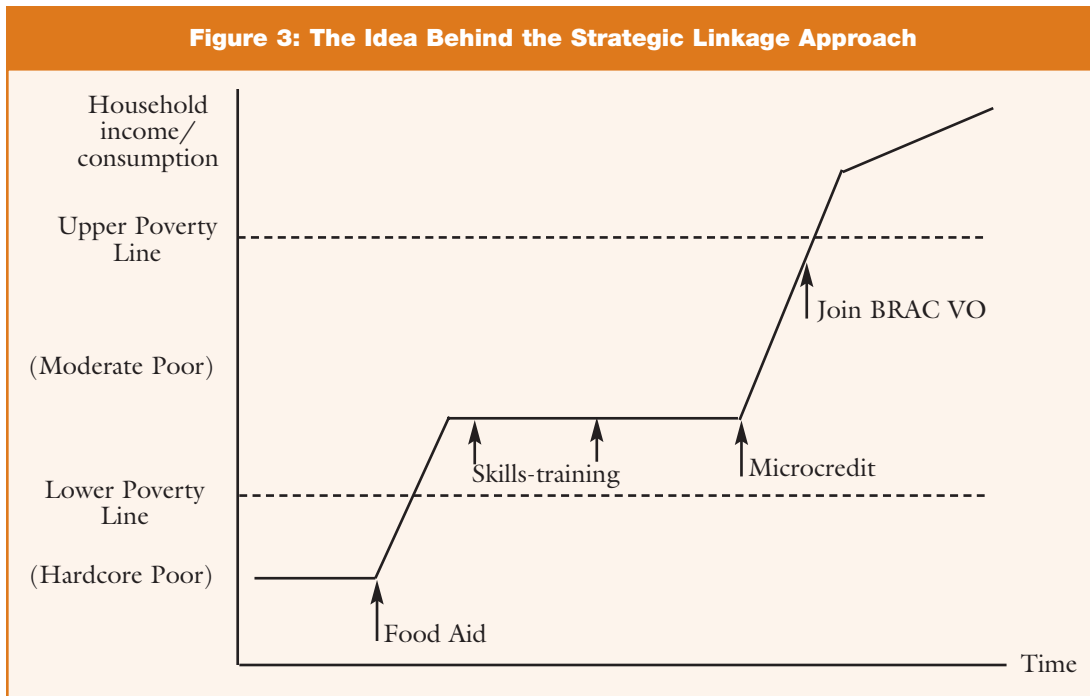
the most vulnerable women attracted the government of Bangladesh to the Vulnerable Group Feeding (VGF) program. Although these needs are central to the lives of the extreme poor, BRAC felt that without a more strategic approach, that linked these vulnerable women to development activities, the food aid-based program on its own would not be able to create sustainable, positive change in the lives of these women. The IGVD approach, therefore, grew out of BRAC's determination to leverage the existing commitment of the government of Bangladesh towards the most vulnerable women of rural Bangladesh.

### Institutional Innovation

In 1987, the government of Bangladesh and WFP transformed the VGF program into the Vulnerable Group Development, or

VGD, program. They also reached an agreement with BRAC to expand the pilot scheme into the IGVD program. Because the architects of this expansion did not grow complacent, the IGVD continued to evolve.<sup>5</sup> For example, in 1989, field staff pointed out that even though they were members of IGVD, many women could only buy and raise a single chicken at a time because of lack of capital. Why not provide loans to program recipients as soon as they completed their training? This led to the addition of a third element to the IGVD—microcredit—with the aim of speeding up client adoption of more productive livelihoods and graduation to BRAC's programs for the moderate poor. This three-pronged approach (food grant, skills training, and microcredit) has been the basis of IGVD throughout the 1990s.

[Insert Figure 3]



## Learning and Experimentation

### Challenges Faced in Scaling Up IGVGD.

During the scaling-up phase, the program expanded into areas with poor infrastructure and weak communications. The new focal ministry did not have offices in all the *thanas* where BRAC had expanded its IGVGD program.<sup>6</sup> Accordingly, per the agreement with the government of Bangladesh, in *thanas* where the new focal ministry did not have presence, the previous ministry responsible for the program would continue to fill in the gap. This was a complex and challenging arrangement because it required coordination between the old and new VGD focal ministries—a far from easy task.

Scaling up the IGVGD program, which was based on BRAC's existing area office infrastructure, also posed challenges for BRAC's microfinance program. The main component of the IGVGD program was ultimately to incorporate the VGD beneficiaries into BRAC's mainstream development programs that operated through Village Organizations (VOs)—the gateway of BRAC's development programs. However, once BRAC agreed to implement the IGVGD program in a thana, all of the existing VGD beneficiaries in the thana had to be covered.

It was not easy to provide the development package to VGD beneficiaries who lived in areas where BRAC had not extended its microfinance infrastructure. Setting up new VOs was not always feasible either, if there were too few VGD beneficiaries in the

areas. These areas generally had weak infrastructure and poor communication with the town in the thana where the AOs were typically located. This made organizing training, providing credit, and managing savings for VGD women difficult at best. Follow up and monitoring was also less than optimal, which led to repayment irregularities and eventual dropout of VGD members.

The current VGD cycle had been reduced to 18 months, from the 2-year cycle in 1996. The logic behind shortening the time frame was that more VGD beneficiaries could be helped with the resources at hand. The reduced cycle hampered the effectiveness of the overall objective, which was further affected by administrative delays in the beginning of the program.

The life of the program lost 3–4 months to finalizing the VGD beneficiaries and getting the contract between the government of Bangladesh and BRAC signed. Almost another two months passed before the government circular to the local officials was issued—without which BRAC could not start its work on the development package. This in effect meant that BRAC had only a year to implement the activities of the development package, which was exacerbated by the difficulties of the poor coverage, mentioned above. BRAC was also acutely aware that the period when VGD beneficiaries could benefit the most from a loan was when they had the food security offered by the VGD card. Their experience suggested that the VGD beneficiaries, who took out a loan early and completed the loan cycle while they had food assistance, would

be much more likely to stay in the microfinance program, compared to those who got loans late in the cycle and had to repay the loan after VGD support ended.

A lack of understanding about the main purpose of the IGVGD program between the various partners was a major challenge. The IGVGD program has a strong developmental focus in contrast to the earlier VGF program, which principally focused on relief. What this fundamental change in focus meant in terms of program design and approach was not adequately discussed with the most important partners—the local government officials. This gap led to major difficulties for BRAC as the implementer of the developmental component of the program.

One area which best captures this challenge is the issue of returning savings. Savings is not only a financial product, it is an important part of the process for VGD members who are moving from living hand-to-mouth to planning for the future. For development staff, too, the act of saving regularly by the VGD members is important. On one hand, it challenges the image of the members as beneficiaries and relief recipients. On the other hand, it provides a space for engagement. This is why savings constitutes such an important place in development programs. Abed aptly captured the whole idea behind savings as a developmental concept when he said: “In Bangla, we have a very apt word for planning, *porikolpona*, meaning “arranging imagination.” Regular savings, however meager, is a very powerful

mechanism that gets the poor to arrange their imaginations for tomorrow and beyond. It also is important for building relationship between the savings institution and the people it serves.”<sup>7</sup>

However, the other partners of IGVGD did not (and do not) readily understand the larger role of savings in development. This lack of conceptual congruence over savings becomes most evident when the food aid ends and there is pressure from other partners in IGVGD to return the savings to the VGD members. Returning their savings, for BRAC, signals the end of the relationship with the VGD members. This is inconsistent with the central logic of the IGVGD program—that of creating strategic linkages between a relief and a development program to include the poorest.

Another area of contest among the partners is targeting. The development focus of IGVGD targets the poorest women who are physically and mentally able to benefit from the income generating training and who can manage an income-generating project with microcredit. This condition excludes certain categories of the extreme poor for whom the IGVGD approach is not the most appropriate.<sup>8</sup> Yet, because the VGD food aid is one of the scarce resources that the local government representatives can allocate among the poorest, they face a lot of pressure to include different categories of the poorest, including the old and the disabled. This compromises the idea behind the IGVGD program.

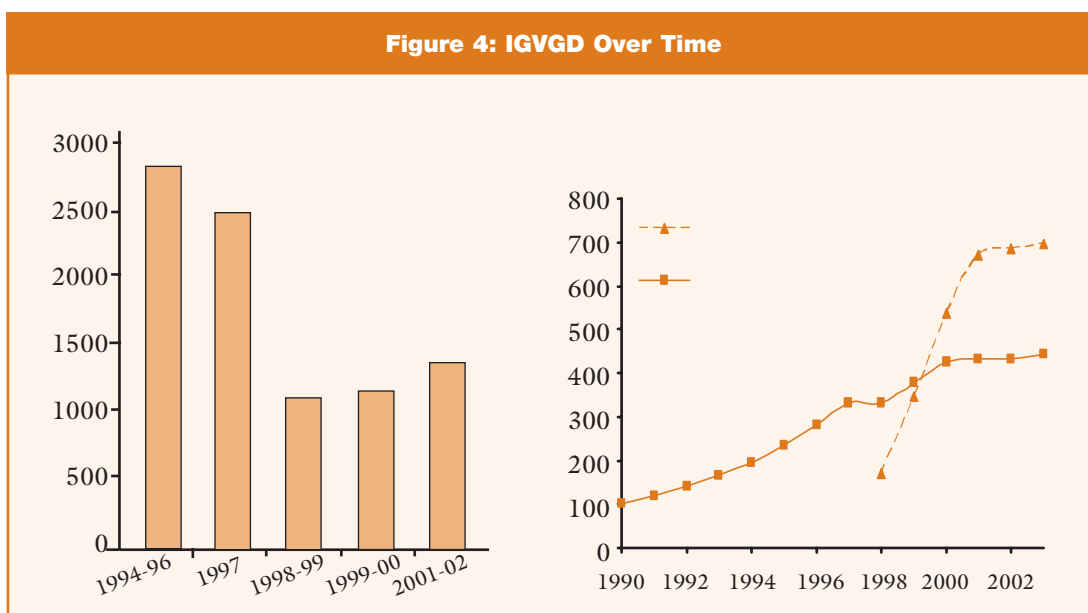
### Managing the Challenges

The main challenge to scaling up the IGVD program was providing effective coverage to areas that were outside the operating area of an Area Office—the lowest unit of BRAC management. Branch Offices were set up to provide better follow up and monitoring to members residing in areas beyond the operating area of an Area Office. The expansion of the Branch Office network is shown in Figure 4 below.

The density of VGD card holders in a thana is an important operational variable for the IGVD program. If the density is too low, organizing the VGD women becomes difficult, and the whole purpose of the program suffers. Figure 4 also shows the average number of VGD cards per thana for the VGD cycles in which BRAC's IGVD program was in operation. The average density of VGD cardholders decreased sharply during the time that the IGVD program

was scaling up. From the 1999 cycle, density gradually increased, related to a deliberate BRAC policy to focus on thanas with good VGD-card density.

Several steps were also taken to streamline the internal management system of the IGVD program. First, in management meetings at all levels, separate sessions on the IGVD program were held as a matter of routine. This had not been done systematically before. Second, the monitoring function was separated from management; it had been combined earlier. Separate monitors for IGVD were hired, who regularly monitor the program on specific issues. Third, a more intensive follow-up system was put in place by deploying staff at the regional (roughly district) rather than the divisional level. (Table 5 summarizes some of the steps that BRAC took in response to the challenges faced in scaling up the IGVD program.) [Insert Figure 4]



## Managing Scaling-Up Challenges of a Program for the Poorest

As the biggest implementing partner of a flagship program for the poorest, BRAC also had an important voice and role. BRAC repeatedly highlighted the importance of the government of Bangladesh and its local representatives to this program, especially the need to have a common understanding of the objectives and program activities. To support this, BRAC initiated regular workshops in the thanas for local government representatives. Coordination with local government representatives was the weakest in thanas where the focal ministry did not have any offices or presence. Repeatedly

emphasizing this as an important constraint for the program gradually led the focal ministry to take more initiative, such as promoting attendance at the BRAC workshops, expanding their infrastructure in the thanas, and strengthening their monitoring of the program. [Insert Table 5]

### External Catalysts

The IGVDG idea and the subsequent program has largely been driven by BRAC, especially during the scaling up phase of the program. However, during the initial piloting of the idea, WFP played a pivotal role.

**Table 5 Key Challenges, Consequences, and Steps Taken**

Challenges	Consequences	Steps Taken
Inadequate Area Office coverage	<ul style="list-style-type: none"> <li>• Poor follow up</li> <li>• Training program hampered</li> <li>• Credit disbursement hampered</li> </ul>	<ul style="list-style-type: none"> <li>• Branch offices set up to cover areas far from the Area Office</li> <li>• Separate sessions dedicated to IGVDG issues in all BRAC management meetings</li> <li>• IGVDG monitors deployed</li> <li>• Workshops held in the thanas to coordinate and get better support from local government</li> <li>• Infrastructure of focal Ministry increased in thanas</li> </ul>
Time for Implementing Development Package Limited by Procedural Matters	<ul style="list-style-type: none"> <li>• Credit not be given to all during the food aid cycle</li> <li>• Adequate time not available to provide technical support and supervision for sustainable graduation</li> </ul>	<ul style="list-style-type: none"> <li>• From the 2003 cycle, the VGD cycle increased to 24 months.</li> </ul>
Lack of Common Understanding	<ul style="list-style-type: none"> <li>• Pressure for savings return</li> <li>• Poor motivation</li> <li>• Drop out</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops in thanas with local government officials</li> <li>• Closer dialogues among the partners</li> <li>• Field level exposure</li> </ul>

As a matter of fact, when WFP decided to transform its Vulnerable Group Feeding program into the Vulnerable Group Development program, the government was running the program and was expected to implement this new approach. In practice, however, the change of the program name from “Feeding” to “Development” was in name only. Skeptics called it a “poverty containment program” rather than a “poverty alleviating” one.

In 1985, the founder of BRAC, F.H. Abed, had a meeting with the deputy executive director of WFP who told him that the government of Bangladesh was running the VGD program just like VGF, and that if it continued as such, it would be difficult to maintain support for the program. In terms of outreach, VGD was the largest safety net program in Bangladesh, and its withdrawal or contraction would be disastrous for the extremely poor. The matter was extensively discussed within BRAC to assess the pros and cons of BRAC participating in the program as a development partner along with the government.

BRAC asked WFP to allocate 700 VGD ration cards especially to test the VGD idea in one sub-district of Manikgonj where BRAC had significant presence. However, there was a hiccup during this pilot phase, which turned out to be a blessing in disguise. An influential national daily ran a story on the pilot, accusing BRAC of “taking 25 taka every month” and “making the VGD women work” for the “free card.” Yet the VGD guidelines, under which BRAC was operating, clearly mentioned

“savings” and “training” as the development components of the program. The government of Bangladesh, also without consulting the VGD guidelines, carried out an investigation into the matter and found BRAC “guilty.” In response, the WFP conducted its own investigation and found that BRAC was very effectively following the guidelines. This brought the matter out into the open, and the relevant government ministry started discussing the VGD approach more closely with BRAC. It was a turning point for BRAC as a major, credible actor in developing the IGVD idea.

### Lessons Learned

#### **The Complexity of Including the Poorest: Poultry Sector Development and IGVD**

The story of scaling up IGVD is closely linked to BRAC's entry and its poultry program. BRAC wanted to find appropriate products for the VGD women, that had large-scale potential; were relatively easy to market with existing skills; were home based, and could generate quick cash flow. BRAC also had to be able to provide or facilitate provision of the required support services. Poultry seemed to satisfy all of these conditions.

The human and physical infrastructure needed to support the development and scaling up of a poultry sector had to be created incrementally. This process needs elaboration to show that developing programs useful to the extreme poor is a complex undertaking that requires coordinated action at various levels.

BRAC observed that the various linkages that made the poultry sector viable was absent, especially for the poor living in rural areas. Poultry raising was not considered a business for the poor. BRAC realized that the crucial challenge for success would be controlling poultry mortality. Poultry extension services were non-existent, and there were many bottlenecks in the supply chain for poultry vaccination. The other big challenge was to improve the quality of the breed to increase yield. A local bird lays only 60 eggs a year. The government had a HYV (high yield variety) poultry setup, but because of the severe supply and support bottlenecks, effective demand was low. The government was very supportive when BRAC began to work on relieving these bottlenecks, because demand would increase all over Bangladesh.

BRAC used its local presence and grass-roots knowledge to create a cadre of poultry workers from the VGD women. They were trained in basic poultry diseases and provided medicine and vaccination services for a modest charge. BRAC facilitated the networking of these poultry workers with the government's local poultry and livestock infrastructure. Today BRAC has more than 40,000 such poultry workers working throughout rural Bangladesh.

BRAC started by buying day-old chick from government-run poultry farms, but there were several problems. The largest unit was in Dhaka and transporting large numbers of day-old chicks to rural areas was both expensive and hard on the chicks. The quality of the day-old chicks was not

satisfactory, and supply could not be delivered on time or in the right quantity. In 1996, BRAC modernized its small poultry farm. Today, BRAC has six such poultry farms which supply over 1 million day-old chicks every month.

Ensuring quality feed was another challenge that had to be addressed. Hybrid maize, the main ingredient of poultry feed, was not produced in Bangladesh, so BRAC imported five tons of hybrid maize seeds. To attract farmers to cultivate hybrid maize, a guaranteed floor price was set. In 1999, BRAC set up a poultry feed mill to guarantee a supply of high quality and timely feed for the expanding poultry sector. Recognizing that importing enough hybrid seed would be expensive and would translate into higher feed prices, BRAC entered into a joint venture with an Australian seed company. Today, BRAC's Maize Seed Production Program produces 400 tons of hybrid maize seeds, which in turn produces an annual maize crop of 100,000 tons.

### **Taking the Challenge Further: BRAC's New Program for the Ultra Poor**

BRAC's IGVGD experiences demonstrated the possibility that opportunities could be created from safety nets for those who are left behind by conventional micro-finance. This made BRAC experiment even more boldly with the concept of strategic linkages.

BRAC noticed that for a great majority of the poorest, the IGVGD increased their ability to benefit from regular microfinance programs, but for a significant minority, this

did not happen. It was more worrisome that those who failed to make it were among the poorest and most vulnerable. There were several reasons for this.

BRAC was at times dissatisfied with the targeting that local government representatives carried out, which was sometimes based on political and other motives. More importantly, the women often failed to get the full benefits of the VGD food aid. Often, one VGD card was unofficially shared between two or more women. Sometimes, women had to “buy” the VGD cards by bribing the government official. The destitute women would borrow the money for the card from wheat dealers, who would repay themselves by charging the women more than market rates for wheat bought with the VGD card. BRAC wanted a program where it had more control over the processes, and which was specifically designed to build a solid foundation from which the extreme poor could move forward.

In January 2002, BRAC started a new experimental program with these challenges in mind, called “Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor,” or TUP, for short. The program was designed to address the various interlocking constraints affecting rural women who live in severe poverty. The strategy is to help the ultra poor build a solid physical and socio-political asset base. The first two years of the program were the pilot phase, during which 5,000 ultra-poor households were selected each year. In 2004, the program will be scaled up, and 10,000 more ultra poor will participate. In the remaining two years (2005 and

2006) of this experimental program, 25,000 ultra-poor women will be targeted.

Program components for the ultra poor are selected by using a careful targeting methodology, that combines participatory approaches with a simple survey-based tool. The program also includes a special investment program that grants assets and a stipend, an enterprise specific skills development training program, a program of essential healthcare, and a social development program. The program aims to cover 70,000 ultra poor from 2002–2006.

The whole idea behind TUP is to enable the ultra poor develop new and better options for sustainable livelihoods. This requires a combination of approaches, some promotional, such as asset grants and skills training; and some protective, such as stipends and healthcare services. It also requires addressing constraints at various levels, household and the wider environments of institutions, structures, and policies.

The results from the pilot phase suggest that the targeting of the TUP has been successful. Comparison with the general IGVD membership profile suggests that TUP is targeting people more poor than VGD members. [Insert Table 6]

The changes that are taking place in the lives of the ultra poor targeted by the program also show promising results. The program, according to a recently conducted mid-term review, has produced noticeable gains in social and human capital. A consolidated view of the profiles indicates a majority have escaped their ultra-poor status and acquired a poor but improved standard

Table 6 Key Differences between VGD and TUP Members		
Variables	TUP	VGD
Average owning land	2.13	4.72
% of households owning no cultivable land	93	87
% of households not owning the land they live on	54	43
% of households reporting outstanding loan from any source	2.13	36
% of households reporting they eat at least two meals a day	2.13	61
% of households reporting deteriorating economic conditions over the last year	44	35

of living. About 40 percent are moving toward the standards of households targeted by microfinance institutions. Although predictions are premature, about 75 percent have some prospect for sustaining these improvements into the future.

At \$291 per member, financial allocation for a 18-month cycle of the TUP program is more expensive than IGVD, which has a financial allocation of \$225. However, the two programs target different groups of the extreme poor. TUP focuses on those who fail to benefit from the VGD card or do not get or it. The TUP approach is different and requires a more comprehensive, and more expensive, set of instruments for the types of ultra poor the program targets. The main question is the extent to which the benefits provided by the program are sustainable.

It may be too early to assess sustainability, but the mid-term review found that the mean increased net income for TUP members is actually significantly higher than that of IGVD members (CFPR Donor

Consortium, 2004). This very early result suggest that the TUP model may actually be quite cost effective.

In the long run, the most important variable will be the proportion of the ultra poor who manage to build sustainable livelihoods. Joining mainstream microfinance programs, especially being able to participate over a long time, can be an important marker. This has been widely used to assess graduation in IGVD. Although this will certainly be an important indicator for monitoring graduation, it may not be the only one, and the challenge will be to find more appropriate ones for the ultra poor targeted by the TUP program.

### Bringing in the Poorest

BRAC's conviction, underlying its microfinance programs for the poorest, has been simple yet unconventional—that the poorest can and should be included. The strategy for BRAC was not to force the existing model of microfinance, as it was

clear that the model itself was part of the problem. BRAC knew from experiences that the interlocking constraints and deprivations, within which extreme poverty exists, are too complex to be tackled by microfinance alone as a strategic intervention.

The IGVD program used the period of security provided by the food aid to develop the skills and confidence of the poorest, and finally provide them with credit to build on. The TUP program was based on the experience of IGVD—that there are people too poor to benefit from IGVD, who still should not be ignored as an eventual target group for microfinance.

The idea of building inclusive markets and systems, especially focusing on those who tend to be left out, has been central to the microfinance movement. Yet, ironically, mainstream microfinance models have not

only bypassed the poorest, but mainstream microfinance discourse did not consider them to be an area of concern or relevance for microfinance.

BRAC's experiences suggest that carefully designed strategic linkages that combine grants with a central role for microfinance can work for the poorest. There will surely be many different models and approaches for including the poorest, which will vary according to country contexts. However, the starting point will have to be reversing the trend of apathy, that either excludes the poorest or treats them as "relief cases" to be dealt by "others." The poorest are, can, and must be central to the vision and commitment of microfinance institutions. Only then will the search for possibilities and opportunities to include the poorest begin and develop.



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## End Notes

1 S. Hashemi, *Including the Poorest: Linking Microfinance and Safety Net Programs*. CGAP Focus Note No. 20, (Washington, D.C.: CGAP, 2001).

2 H. Rahman and M. Hossain, eds., *Rethinking Rural Poverty: Bangladesh as a Case Study*, (Dhaka: UPL, 1995).

3 P. Webb, et al, "Expectations of Success and Constraints among IGVD Women," report prepared for World Food Program, Bangladesh, 2001.

4 Hashemi, *Including the Poorest*, p. 11.

5 Imran Matin and D. Hulme. "Programs for the Poorest: Learning from the IGVD Program in Bangladesh," *World Development* 31, no. 3 (2003): 647-65.

6 In 1998, the focal ministry for the VGD program was changed from Ministry of Relief and Rehabilitation to the Ministry of Women's and Children's Affairs.

7 F.H. Abed, "Programs for the Extreme Poor: BRAC Experiences So Far," paper presented at the international conference, "Staying Poor: Chronic Poverty and Development Policy," Chronic Poverty Research Centre, IDPM, University of Manchester, UK, April 7-9, 2003.

8 Matin and Hulme, "Programs for the Poorest."



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