

Doing more with microfinance: A BRAC experience

IMRAN MATIN and AMINUL ALAM

THE poor are a diverse group with diverse livelihoods, needs and potential, which change over time due to lifecycle, new opportunities and external shocks. This diverse and dynamic reality of poor peoples' lives forms the canvas within which BRAC conceptualises and designs its repertoire of development programs, in which microfinance is a core element. Here, we would like to share a few examples from BRAC's programmatic experiences of using microfinance to serve a diverse group of poor women with diverse needs. The main argument we make is that we can do much more with microfinance. For this, we need to shift focus beyond microfinance (as a financial product) to the institutional capital and capacities embodied in the microfinance institutions.

Building opportunity ladders for the extreme poor

BRAC long realized the difficulties of reaching and addressing the needs of the extreme poor using conventional microfinance. But, for BRAC the challenge was developing mechanisms through which the extreme poor could be included in the programs in a way that was cost effective and yet went beyond transfers.

IGVGD programme: Including those left out: In 1985, BRAC approached the World Food Program, which at that time was providing a time bound food assistance to the extreme poor living in vulnerable areas under its Vulnerable Group Feeding (VGF) program, to implement a new linkage and sustainable model for the vulnerable group. The IGVGD program was thus designed to link extremely vulnerable women to mainstream development activities. Under this initiative, extreme poor women were organized into groups and provided with skill development training in sectors, such as poultry, where large-scale self-employment can be created. During the program period, these extremely poor women received food transfers. A savings scheme was developed at that time and later, small amounts of program credit was provided to the women, so that the training they received could be more meaningfully used for a more secure livelihood.

The whole program was focused on developing a systematic approach to take advantage of the window of opportunity in the lives of those extreme poor women while they received the food transfers and the short-term security. It provided support so that the women could stand on more solid ground once the transfer period was over. An independent study by WFP found that through this strategic linkage, more than three quarters of those who receive the VGD card in every cycle end up becoming regular clients of BRAC's microfinance program.

A study by CGAP found that the subsidy per VGD women is about

\$135, which according to the paper, [...] represents a small subsidy, given the overwhelming majority of IGVGD women who graduate out of a need for continuous handouts'. Needless to say the greater the proportion of the VGD women who graduate to BRAC's microfinance program and the better the quality of graduation, the more the possibility that over a period of time this cost of subsidy will be recouped.

CFPRP/TUP: Building more solid opportunity ladders: BRAC's IGVGD experiences demonstrated the possibility of creating opportunity ladders from safety nets for those who are left behind by conventional microfinance.

through specific targeting of the ultra poor by using a careful targeting methodology that combines participatory approaches with simple survey based tools. Secondly, it seeks to 'push out' the domain within which existing poverty alleviation programs operate, by addressing dimensions of poverty that many conventional approaches fail to address. Specifically, this involves a shift away from the conventional service delivery mode of development programming to focusing on human capital, the structures and processes that disempower the poor, especially women, and constrain their livelihood. It is an approach that

global market forces. The RMG sector workers are a case in point.

BRAC has an extensive coverage in the urban slum areas of Dhaka through the BRAC Urban Program which offers a whole range of development services, including microfinance. The challenge for BRAC in the face of the RMG sector uncertainties was how to design a programmatic approach to respond to the needs of the retrenched female garment sector workers. Most of these women were wage earners and trained in very specific skills, which they would not be able to use for new types of livelihoods outside the RMG sector. Just providing them credit for

These loans are given to individual entrepreneurs and are repayable in monthly installments with rebate in case of early repayment.

Our experiences suggest that the agricultural sector also suffers from a strong missing middle syndrome. BRAC has a good knowledge of this market segment and the 'progressive operators' in this market through its extensive network of the various agricultural sector programs. It makes use of this program knowledge to target areas with specific potential, and within it the enterprising operators, through a newly launched programme from October 2002 called Enterprise Development Program (EDP). Both crop and non-crop sectors are covered under EDP, such as agriculture, aquaculture, sericulture, and poultry and livestock. These loans are targeted towards farmers operating up to 100 decimals of land. Loans start from Taka 7,000 and BRAC's sector program organizers are responsible for the field operations of the program. Repayment of the loan is in monthly installments and rebate on interest is available for maturity loan repayment. A sector specific grace period has been designed to account for a gestation period. By October 2003, within one year of starting, the EDP program already has more than 50,000 members with a total disbursement of over Taka 256 million and an on-time repayment performance of almost 98%.

Microfinance, the financial product is a powerful poverty-alleviating weapon. A lot of research is now available on the role of microfinance in poverty alleviation. However, the institutional capital embedded in the microfinance institution that is created in delivering microfinance is also critically important for poverty alleviation. The discipline, professionalism, knowledge and network that the microfinance institution and the people running it at all levels possess and generate in their every day working engagements, is an extremely powerful asset in the fight to overcome poverty.

We are only beginning to harness the power embodied in the institutional capital of microfinance institutions. We have shared a few examples here to BRAC's attempts with such an approach. This will be the second generation challenge for all poverty focused microfinance institutions.

Imran Matin is the Director of BRAC Research and Aminul Alam is a Deputy Executive Director of BRAC

Psst ... Let's talk (foreign) affairs



FAREED ZAKARIA
writes from Washington

ONCE we've worked through the various scandals, rumours and gossip surrounding the American presidential election, could we please have a substantive discussion? In nine months the United States will elect the most powerful individual in the world. Conventional wisdom is that all elections are mainly about economics, and that might well be true. But for the first time in decades we have a chance at having a serious national conversation about foreign policy. In the last two-and-a-half years the United States has been attacked by terrorists, has waged a global war on terror in response, has overthrown two governments and Afghanistan, while trying to rebuild these societies at the cost of tens of billions of dollars. If this doesn't get us talking about foreign affairs, nothing will.

Americans have not had a serious presidential debate over foreign policy since at least 1980, when Jimmy Carter and Ronald Reagan offered two distinctly different views of the Soviet threat. That was a generation ago. With the end of the Cold War, foreign affairs simply disappeared from the political landscape, becoming a niche issue for the Council on Foreign Relations set.

Of course the world didn't go away, as we learned brutally on September 11, 2001. In fact, the years after the end of the Cold War have begun to erase the distinction between home and abroad. When Russia had a banking crisis, it turned into a global panic. When China had public-health problems, SARS spread across the region. When Arab regimes have failed to modernise, we've all had to deal with terrorism. And during these years, America has become the world's sole superpower. So at a time when the globe was becoming

smaller, when America came to occupy a historic position, when its actions were having a massive effect across the world, its leaders stopped talking to the public about foreign affairs. As a result, the American people have never had the conversation they deserve about America's role in this new world.

Foreign policy has made the occasional cameo appearance

contrasting set of principles for America's involvement with the world.

The challenge for Kerry is to steer clear of two temptations. The first is to have a foreign policy that is simply anti-Bush. Let's call this the Howard Dean position, in substance but also in tone; if Bush is in favour of something, it must be wrong. But while anti-Bush works well in the Democratic primaries, it

Why not take one of the three scheduled presidential debates and devote it entirely to foreign policy? After all, we're living in an age of terrorism, we have 140,000 American troops in Iraq and Afghanistan, are spending tens of billions of dollars on homeland security and are implementing new policies to deal with weapons proliferation and terror worldwide. Shouldn't we discuss all this?

during campaigns. But without a sustained discussion, all that anyone remembers is sound bites and attitudes. In the last campaign the little tidbits we heard -- Bush said he was against nation-building and in favour of humility -- turned out to be deeply misleading. In retrospect, it would have been worth having had those thoughts fleshed out some. This time we could do better, and not simply through stump speeches. Why not take one of the three scheduled presidential debates and devote it entirely to foreign policy?

(It's been done in the past.) After all, we're living in an age of terrorism, we have 140,000 American troops in Iraq and Afghanistan, are spending tens of billions of dollars on homeland security and are implementing new policies to deal with weapons proliferation and terror worldwide. Shouldn't we discuss all this?

In a sense George W. Bush has begun this process. Over the last three years, and especially since 9/11, President Bush has outlined a distinctive, even coherent, foreign policy. He has explained which general principles he would be guided by when addressing new threats, which instruments of foreign policy he values, what weight he places on alliances and international institutions, and so on. John Kerry has the perfect opportunity to explain his own

is too reactive and negative for the general election. It's also bad foreign policy. Some of George Bush's policies, after all, might be worth embracing. Pure anti-Bushism also sends a signal to some Americans that the Democratic Party is driven crazy by a warrior president, and that it is a party that remains uneasy about the use of military force.

The second temptation, far less tempting these days, is to be Bush-lite. Let's call this the Joe Lieberman position. It's wrong for two reasons. First, whenever voters have to choose between two such offerings, they will always go for the real thing. Second and more important, Bush's foreign policy is serious and coherent. But it is also quite radical, breaking with decades of previous policy in key areas. A Democrat must point this out and present an alternative to it.

That's the challenge for Kerry: to be something other than merely anti-Bush or Bush-lite. He will have to talk about how he would address the new threats America faces, but also what his vision is for America's place in the world. The good news is that after decades, the public may finally be listening.

Fareed Zakaria is Editor of Newsweek International.

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The Great Divide

TALKING BOOKS

YASMEEN MURSHED

I have a deep and abiding interest in history particularly the era of the British Raj in India and the great drama which ended in August 1947 with the Independence of India and its Partition. This led, I believe, by almost a natural process of evolution to the emergence of Bangladesh in 1971 as another nation state in the already crowded South Asian sub-continent.

It may seem irrelevant to be concerned with events of the last century in these turbulent times, however even a cursory glance at history will show that many of the issues and problems that confront us today have their roots in the historical events and national influences that gave birth to the countries of South Asia.

Fortunately there is no dearth of books in this field. The British have been prodigiously prolific and innumerable books have been written by British

novelists, historians, biographers, political analysts and constitutional experts about the complex love-hate affair between Britain and South Asia. Indians have also written copiously on the subject but the Pakistani output in English or translated into English has been comparatively meagre and certainly there is not enough writing by Bangladeshi authors to add our own perspective to these issues.

It is important to do so for the sake of posterity because as H.V. Hodson

writes in THE GREAT DIVIDE (pub: Hutchinson & Co., 1969), "every historian, however impartial and careful of the truth, as I have tried to be, must have a personal point of view without which history is anemic, and my viewpoint cannot but be British; and only an Indian or a Pakistani could write from the viewpoint of his own people and leaders." This is more than ever true of the viewpoint of a country like Bangladesh which has its own unique perspective on the events that led to the creation of the sovereign states of India and Pakistan and eventually to its own birth.

Therefore I, for one, eagerly await the publication of Mr. K.Z. Islam's *Magnus Opus* which I understand is in the offing. From the glimpses that we have had of his work in the weekly *Holiday*, which is serialising the book, I am sure that it will be a comprehensive account from the unique Bangladesh perspective and will become an authoritative text not merely for historical but also for political and constitutional studies of the period.

In the meantime I find Hodson's book one of the most comprehensive on the subject, because of the intimate insight that Hodson had into the complexities of Indian politics and the great issues involved. As Constitutional Advisor to the Viceroy, Lord Linlithgow, he knew personally most of the actors in the drama -- successive Viceroys, Mohamed Ali Jinnah, M.K. Gandhi, Jawaharlal Nehru et al as well as the brilliant administrators both British and Indian, such as Alan Campbell-Johnson and V.P. Menon, who actually presided over the immense task of vivisection. He also had the unique advantage of the unrestricted use of Lord Mountbatten's India papers including his personal reports to the King as well as the papers of Sir Stafford Cripps and Lord Ismay. Thus he was able, not merely to record history but also, to render an impartial assessment of the impact of the Divide.

His conclusions and answers to the hard questions that were asked in the aftermath of the bloodbath that followed Partition have a hard bedrock of fact. Was the Partition of India inevitable? How and why did it become so and what were its consequences for the Bengal that was to become Bangladesh only twenty four years later?

According to Hodson, because of the natural evolution of empire and the development of political and public opinion along liberal lines in Britain and the Western world, over time British Policy in India had progressed to the point of acknowledging that self-rule or independence would have to come. However, the catch was the game that the British played with the two largest religious communities that dominated the scene. It becomes evident that their policy tacitly, and even in some cases

clearly, stated that "self-government" meant taking into account not only what was perceived as the "backwardness" of the masses but also of the divisions of its communities and castes. There is thus, no doubt that Hindu-Muslim and other intercaste conflicts were used as practical aids to imperial government and to perpetuate British rule in India.

The Partition of Bengal in 1905 is a good example of how under an apparently sincere guise of administrative reform the British decided to divide Bengal into Muslim and Hindu halves. Sir Herbert Risley wrote in a government paper "One of our main objects is to split up and weaken a solid body of opponents to our rule. Bengal divided will pull different ways. Bengal united is a power".

My own opinion is that the rich and complex mosaic of cultural diversities that is the South Asian sub-continent is too various to perceive of the idea of India as a distinct geographical entity. History shows us that, even in periods of imperial consolidation, empire builders in South Asia generally aspired to a loose form of hegemony over various constituent units. The British, when they took over, did not really change the equation because they defined the unity solely in terms of the centralised institutions and structures of the Raj; therefore dismemberment was inevitable as was the eventual birth of Bangladesh.

Hodson bears out this view because, in an Epilogue added in 1985, he takes the narrative forward through the bitter vicissitudes of the crucial and formative years that followed Partition, ending finally with the truncation of Pakistan and the birth of Bangladesh. He observes that "The Islamic faith apart, their social cultures, economic interests and political traditions were so widely different that there wasan inherent incongruity in East and West Pakistan as parts of a single nation." He goes on to say that, "Nothing in human affairs is certainly predictable, but if in retrospect the partition of British India appears to have been inevitable so too does the re-partition of Pakistan".

Hodson's account of the deliberations, decisions and sequence of events that culminated at midnight on 14th August 1947 is meticulously detailed and scrupulously objective in so far as it was possible for him to be so. For anyone wishing to read a comprehensive and easily digested review of the subject The Great Divide can serve as a principal source.

Yasmeen Murshed is a full-time bookworm and a part-time educationist. She is also the founder of Scholastica School.