

Targeted Development Programmes
for the Extreme Poor: Experiences
from BRAC Experiments

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Abstract

For the chronic poor, the various livelihood constraints are structured and interlocked in complex knots that fail to carry forward automatic induced impacts through interventions, such as microfinance, that work on untying important strategic knots. BRAC, a poverty-focussed NGO in Bangladesh has been experimenting with various approaches on this problem of understanding the knots and trying to design programmes for the extreme poor.

The first approach was built around food insecurity as this is one of the most important constraints that trap the extreme poor into chronic forms of poverty. Yet, the impact of mere food transfers tends to be typically very short-lived. BRAC's Income Generation for Vulnerable Group Development (IGVGD) Programme aims to strategically link the food aid with training, savings and credit. In this way, the programme creates a missing rung in the ladder for the extreme poor. The subsequent programme for the extreme poor, which is still in its early phase, takes a far more comprehensive conceptualization of the knots in the poverty web of the extreme poor—ranging from lack of assets to lack of voice.

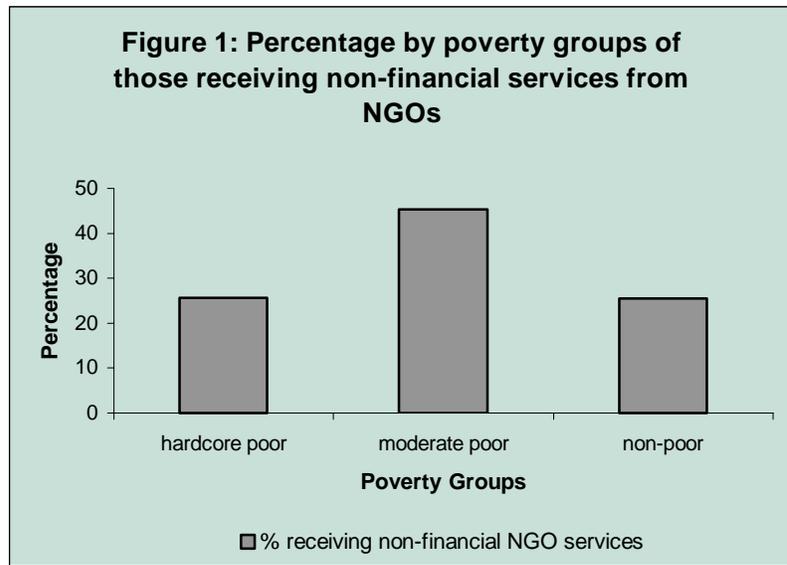
I. Introduction: Microfinance and Homogenising Poverty

The current crop of microcredit programmes in Bangladesh does not attract the extreme poor. Though this is almost a common-knowledge today, arriving at this was not easy. It is worth expanding on this theme at the outset as it will underpin the development of some of the core arguments that will be made in this paper.

Despite a phenomenally rapid growth of outreach of NGOs and in particular the microfinance programmes in Bangladesh, they tend to fail a significant proportion of the poor and especially those living in extreme poverty. The second round of Impact Assessment Study of BRAC's Rural Development Programme (RDP) carried out by BRAC's Research and Evaluation Division based on a nationally representative survey for instance finds that 41% of the eligible poor did not participate in any NGO activities (Hussain, M., 1998), microfinance or otherwise. Rahman and Razaque (2000) in a recent article on the issue of non-financial NGO services and their outreach to the hardcore poor find that almost three quarter of the hardcore poor do not participate. Indeed, they find that the percentage of households who do not receive these social development services provided by NGOs is almost the same between the hardcore poor and the non-poor (Figure 1). They argue that the main reason for this lies in the fact that most NGOs offering social development services such as essential health or basic education do so through the same structures which is essentially designed and developed to support microfinance, which by design tends to exclude the extreme poor¹. The NOVIB Report on Bangladesh echoes very similar concerns, to quote, "The NGOs have not yet taken a pro extreme-poor approach to poverty alleviation" (NOVIB, 1996).

Microfinance, the mainstay of most NGO programmes in Bangladesh, though a very effective and powerful poverty alleviating instrument, it is not suitable for all categories of the poor. For those trapped in chronic food insecurity with no asset base to protect themselves from the myriad web of shocks, using microfinance to rearrange this and provide the critical push towards a more sustainable and positive livelihood could be ineffective and sometimes counter productive. It is no wonder, then, that non-participation in conventional microfinance programmes appears to be the most acute for this sub set of the poor.

¹ For a good analysis of such non-participation of the very poor in conventional microfinance programmes, see the article by Rushidan Islam Rahman in Geoff Wood and Iffath Sharif (1998) edited book, 'Who Needs Credit?', UPL, Dhaka. The same book has several other articles on this issue (Hashemi, S, 1998; Zaman, H., 1998). However, in the global context, it is important to appreciate that the Bangladeshi microfinance programmes would score pretty high in terms of the depth of poverty outreach. The challenge of deepening the poverty outreach in microfinance and general concern with its poverty alleviating affects is very strong and hotly discussed in Bangladesh like no where else.



The power of microcredit as a poverty alleviation idea dominates the Bangladesh development paradigm and indeed much good has come of such a common rallying point. It has allowed thinking seriously about poor peoples' own agency, possibilities of attaining donor independence and sustainable, massification models to reach out to millions of poor people. These are vital advances that the development sector of Bangladesh urgently needed.

However, the flip side of the coin is that such a powerful idea frustrated fresh thinking that questioned assumptions of homogeneity of poor people, their lives and the underlying approach and instrument. Even new ideas of microfinancing faced difficulties. The irony of the matter is that, the microcredit idea itself was premised on challenging notions of homogeneity underlying the earlier approaches of poverty alleviation and rural development--- Yunus (), a global leader and champion of the microcredit revolution, consistently argued for example, how the existing approaches equated the needs of the farmer with that of landless which served to ignore the importance of the non-farm sector in the lives of the poor and made women invisible.

Yet, the dominant mechanisms targeted at the extreme poor are food transfer based which though vital, only provide short-term food security. These are typically time bound and thus once over, the overall livelihood situation and prospects of those receiving the transfer seem to change little. Is it possible to package and sequence interventions dovetailed with the food transfer so that those receiving it can get to a more solid footing to take on the challenge of improving their lot with more confidence and chances of success? Can a process be initiated that will enable these people to gradually take on the challenge of using more market based instruments such as microfinance? The initial subsidy that will be needed to get such a process going can then be justified and spread to include millions.

This is the challenge that drove the thinking behind the BRAC's special programme called the Income Generation for Vulnerable Group Development (IGVGD). This paper is mostly about this programme --- how it was developed, how it works, an assessment of its promise of creating a more solid foundation for the vulnerable group and linking them to benefit from other mainstream development programmes and the challenges it faces. The paper uses such an analytical appraisal of the IGVGD approach to introduce and

present a preliminary discussion on the new initiative that BRAC has recently undertaken--- the CFPRP (Challenging the Frontiers of Poverty Reduction Programme). The idea is to map the evolution of thinking and action of a major development organization in Bangladesh with respect to efforts aimed at addressing the challenges of extreme poverty.

The rest of the paper is divided into four sections. The next section (Section II) opens with a discussion of literature on poverty dynamics and presents a brief overview of some important poverty indicators and trend in Bangladesh to situate the discussion in the paper. Section III introduces the various components of the IGVGD programme. We also provide some background figures and trends on the overall IGVGD programme for a general background about its scope. In Section IV, findings and insights from a brief fieldwork that examined the workings of the programme on the ground is presented to argue that some of the core ideas behind the IGVGD programme is much more complex than assumed. The fifth section introduces the new programme and its conceptual underpinnings. In doing so, we attempt to draw the conceptual connect and disjuncture points between the two programmes with a view to map the evolution of organizational thinking and action. The sixth section concludes with a summary of the main arguments and implications for development programmes designs for the extreme poor.

II. The Heterogeneity of the Poor

Study on poverty dynamics, which explores poverty-processes and variation in its extent and severity for a set of households over time, is a time consuming and expensive exercise. Yet, an emerging body of literature on theoretical aspects and empirical examination of poverty dynamics suggests that a large section of the poor are 'transient poor' in the sense that they tend to move in and out of poverty over time. In most studies, the category of 'sometimes poor' is larger, sometimes by a considerable extent than the 'always poor'. In some localities, most notably the ICRISAT panel, virtually all households appear to experience poverty at some time, but very few, always (Baulch, B. and J. Hoddinot, 2000). Research on poverty dynamics is relatively rare in Bangladesh compared to the wealth of cross-sectional poverty literature and comparison of various national poverty estimates between time periods. However, the self perception of poverty which is quite common now-a-days in poverty studies in Bangladesh uses categories (chronic deficit, occasionally deficit, break-even and surplus) that combine some element of poverty dynamics and food security. Moreover, given the importance of seasonality on rural poverty in Bangladesh, the concept of poverty not being static but varying in level and intensity over time is not a new one.

The following poverty transition matrix (table 1) is from Mahubub Hossain et al's study, which resurveyed in 1990, a carefully sampled set of 1,245 households from the original 1987 study. These households were again surveyed in 1995. Based on this transition matrix, figure 3 shows downward mobility, stability/stagnation and upward mobility of various poverty groups.

Several points emerge from this study regarding poverty dynamics in Bangladesh:

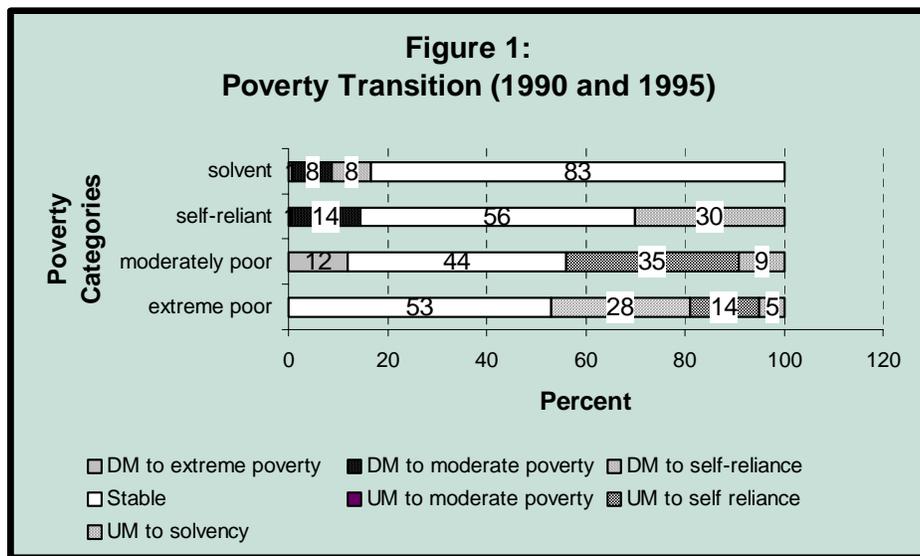
- The percentage of households who remained poor (both extreme and moderate) at both time periods is quite large (almost 47%).
- The percentage of households in various groups who were in the same poverty group at the two time periods increases as one moves up the scale—it is 44% for

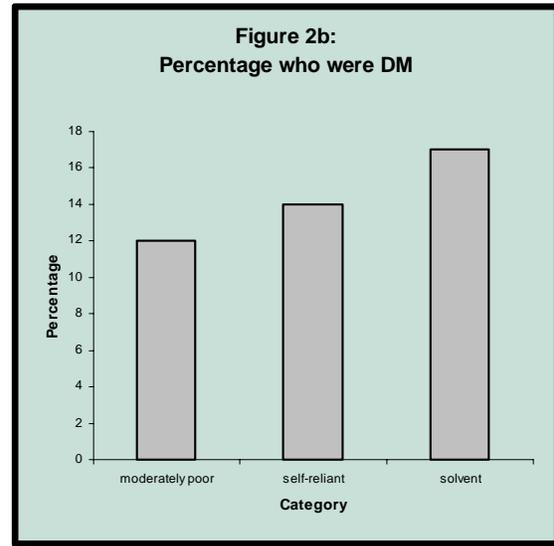
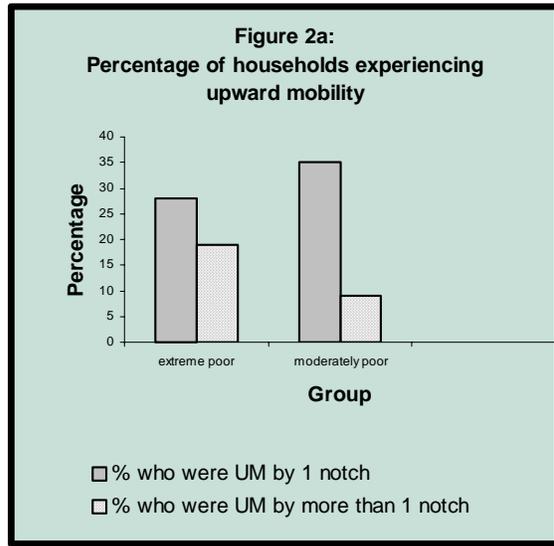
the moderate poor, 56% for the 'self-reliant' group and 83% for the 'solvent' group.

- The 'extreme poor' group has done quite well in terms of upward mobility. 14% of them managed to move up two notches and become 'self-reliant' while 5% moved up 3 notches and managed to attain a position of 'solvent'. As there is no category below extreme poverty, we do not know how the severity of extreme poverty had changed for those who remained to be extreme poor, which is more than half of the total group.
- The moderate poor group did least well--- they had difficulty maintaining their position (44% did) and 12% of them moved down to becoming extreme poor. Downward mobility in general seems to increase as one moves up the ladder. But the difficulty the moderate poor group faced most seemed to be with upward mobility --- most (78% of total upward movement) of their upward movement was only one notch up, to becoming 'self-reliant'. For the extreme poor, one notch upward move was 60% of their total upward mobility.
- Downward mobility increased as one moves up the poverty ladder. Most downward mobility was one notch down, except for the 'solvent' group who seemed to mirror inversely the upward mobility pattern observed for the extreme poor. Half of their total downward mobility was more than one notch down.

Table 1: Mobility of Households by Self-Categorisation of Household's Economic Position, 1989 and 1994

Self Categorisation (1990 Survey)	Self-Categorization (1995 Survey)					Percent
	Extremely Poor	Poor	Self-Reliant	Solvent	Total	
Extremely Poor	146	76	38	13	273	23.4
Moderately Poor	69	254	202	55	580	49.7
Self-Reliant	1	28	111	60	200	17.2
Solvent	1	9	9	94	119	10.2
Total	217	367	360	222	1166	100
Percent	18.6	31.5	30.9	19.0	100	





III. The IGVD Programme: A Brief History²

Chronic food insecurity is one of the important constraints that make the extreme poor highly vulnerable and limits and/or negates their efforts to escape the severe forms of poverty they face. The degree of food security has been found in several studies on poverty to be a very powerful proxy for poverty levels and its severity in rural Bangladesh. This link between extreme poverty and food insecurity had been the foundation on which the World Food Programme in the wake of the 1974 famine in Bangladesh initiated the Vulnerable Group Feeding (VGF) Programme in 1975. WFP carries out a mapping exercise that categorises upazillas with respect to food insecurity. This is used as a geographical targeting instrument to allocate the VGF cards at the upazillas level. The VGF program aimed primarily at feeding those people who were at highest risk of hunger, the poorest and especially women-headed households. The VGF program provided 31.25 kg of wheat per month to a certain number of these households in highly food insecure areas for a specified period.

In 1985 BRAC approached WFP for assistance under the aegis of the VGF program. BRAC realized that it was difficult to provide microfinance alone for the extreme poor and was looking for other 'entry point' to involve the destitute in its development operations³. BRAC understood that the wheat donations provided a cushion and a breathing space for these extremely poor households and a strong incentive for them to participate in programs. BRAC wanted to build on this space and incentive so that by the end of the donation, these households would have attained a more solid ground and skills to move

² The history and description of the various components of the IGVD programme is based on Hashemi, 2001.

³ Though BRAC now has one of the largest microfinance programmes in Bangladesh, its coming to microfinance in a major way is relatively recent and a careful reading of this move reveals a contested organizational process and conflict among competing values (Kabeer, 2002). However, BRAC has always been a complex organization and the microfinance dominance could not totally overshadow questions such as its uncritical application for the extreme poor.

towards a better life. BRAC's strategy was to couple the relief assistance with its skill training programs. BRAC also observed that the 'savings' that the VGD cardholders would be making during the period of the food transfer can be structured to build a lump sum, which these households could use to put their skills into concrete use after the food donations was over. Thus a taka 25 per month savings requirement was introduced.

WFP agreed to a pilot. BRAC provided 750 women receiving the WFP food grain with training in crafts, in poultry care and in small-scale vegetable production. The areas of training were carefully selected to build on what these women already do rather than non-traditional activities. When the 24 month food grain cycle ended BRAC encouraged these 750 women "graduates" to join the Village Organizations (VOs)⁴ or centres of BRAC's Rural Development Program (RDP) and be eligible for microcredit, among other development initiatives, such as essential health care and basic legal awareness.

BRAC found the results of the pilot impressive. Their research indicated that, on average, VGF women were earning significantly more than they had before enrolling. Furthermore, the margin by which their income grew in the period of even a year was more than the cost of the wheat received. BRAC's information indicated that approximately 80 percent of graduates subsequently enrolled in BRAC's regular program. Government representatives and WFP were equally impressed with the results. Research on WFP's regular VGF program had demonstrated that many participants left the program in no better circumstances than when they had started. BRAC's program and its successful operation provided a channel for WFP to move their relief operations into development ones - a linkage through which short-term food security can be leveraged into a longer-term sustainable livelihood and development.

In 1987, the government and the WFP transformed their existing VGF program in both name and substance. Vulnerable Group Feeding (VGF) cardholders became Vulnerable Group Development (VGD) cardholders to reflect the expanded and significantly different focus of WFP relief efforts. The government and WFP also turned to BRAC and enlisted its assistance in using the pilot feeding and training program as the blueprint for a new relief and development product, IGVGD (Income Generation for Vulnerable Group Development).

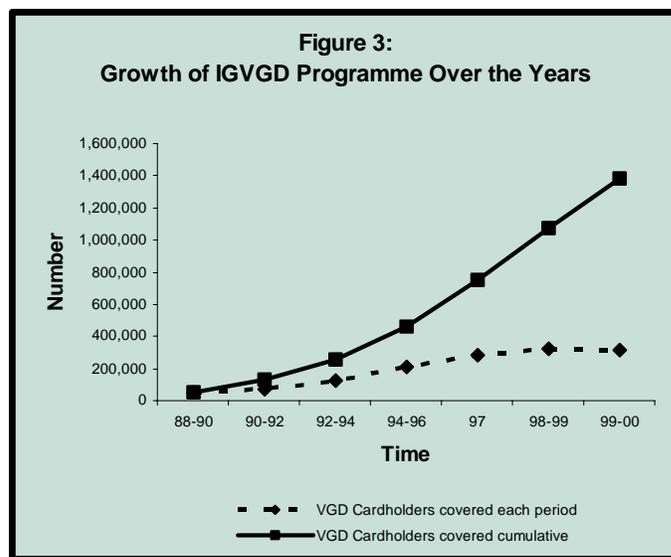
In 1989, just two years after the creation of IGVGD, it came to BRAC's attention that IGVGD women were only able to buy and raise a single chicken at a time because they did not have the capital to invest more. Why not provide the same credit that IGVGD graduates later had access to as centre members earlier on, that is, once they had completed their training and were setting up their self-employment schemes? Thus was added the third component of the present IGVGD program – credit with the aim of adding more value and speed to the 'graduation' process. BRAC decided to provide a first year loan of 1000 takas (50 takas = US\$1 approximately) as soon as the mandatory training period ended. A loan of 2000 takas would be made the second year.

The three-pronged approach (food grain safety net, training and credit) still lies at the core of the IGVGD program. The selection of VGD women is done by local elected representatives and vetted by a committee, thus reducing the targeting costs for BRAC as well as protecting it from the politics of selection of food grain recipients, though

⁴ VOs, or village organizations, are a group of 40-45 members from a village community who are supposed to own less than half an acre of land and sell their manual labor for at least 100 days per years. The VO is the focus of outreach by RDP. Through it, BRAC provides villagers with savings and loans, in addition to health, training and education. Other VO activities range from sericulture, handicrafts, fisheries, etc.

recently BRAC Area Manager is also a member of the VGD card selection committee. The selection is based on three criteria; widowed or abandoned female-headed households, households owning less than half an acre of land, households earning less than 300 takas per month (\$6). BRAC selects about 90 percent of these women for its microfinance program, excluding the aged, the physically disabled, and non-permanent residents.

From the 1999-2000 cycle BRAC merged the IGVDG program with their RDP program. While financial accounts are maintained separately, IGVDG women sit in the same village organization with regular RDP members. This step was taken to “integrate” VGD women within the regular social milieu of poor women in the centres; to ensure that they could escape the social isolation of being branded as a separate category of the destitute, to ensure that through interaction with slightly better-off poor women they could gain back confidence and self-respect.



The success of the IGVDG program in its early years provided impetus for additional growth. By 1997, the program had mushroomed to include 118 upazillas benefiting 648,469 women. The size of credit offered to participants also grew: the first loan now ranging from 1000 to 2500 takas and the second loan from 2500 to 5000 takas. In 1997, WFP streamlined several of its procedures, changing the wheat distribution to an even 30 kg for ease of distribution and streamlining the 24-month cycle into 18 months. With a shorter cycle, it was thought the program could be extended to cover a greater number of people. It has now expanded from a small pilot program with 750 members in one small part of Bangladesh to becoming a national program covering, over the years, close to 1.4 million women (Figure 3)

The following table (table 2) summarizes the various changes in IGVDG Programme that have taken place over the years:

Table 2: Summary Table of Main IGVGD Events

Time	Changes
1974	WFP initiates VGF programme for extreme poor and food insecure households. Combines geographical targeting with indicator targeting. Uses local government to select members and distribute the food aid.
1985	BRAC approaches WFP to pilot a project where BRAC will provide training mostly on poultry and livestock so that these food aid recipients can take up these home-based enterprises and get linked to BRAC's poultry sub-sector.
1987-88	Impact found to be impressive. VGF renamed to VGD and later to IGVGD.
1989	BRAC decides to introduce loans for the VGD cardholders who get BRAC training. IGVGD groups taking loans were separate from RDP microfinance groups. However, after the first loan was repaid, they could join the regular RDP microfinance VOs
1997	WFP reduces the food aid duration from 2 years to 18 months in order to reach a larger number of the deserving with the same volume of food grain.
1999-2000	IGVGD merged within RDP right from the very first loan to reduce the cost of the programme. Accounts are maintained separately. IGVGD clients still get the chance to become a regular VO member only after the 1 st VGD loan is repaid.

IV. Views from the Ground: IGVGD at Work

The assumption behind the IGVGD programme is quite linear: in every round, a new set of extreme poor get the VGD card and a section of them get absorbed and graduate to BRAC's normal microfinance programme. In this way, a new rung is created between the microfinance programme and the extreme poor stepping on which a section of the extreme poor can move on and this process is reproduced in every cycle. Another rationale behind the IGVGD is that the extreme poor are left out by conventional microfinance programmes and the IGVGD approach can create the missing rung in the ladder. We wanted to explore these assumptions. For this we did a brief fieldwork of all the BRAC Village Organisations (VOs) in one ward of Tangail district. A ward consists of several villages and is the smallest unit of VGD card allocation. As the targeting of VGD card is influenced mostly by the Ward Commissioner (an elected local government representative), we decided to take the ward as the larger unit for our field work.

IV.1 Exploring VGD Cardholding Pattern: Non-linearities

Before we discuss the VGD cardholding pattern and their implications for targeting, the table below describes some of the terms used in this paper.

Terms used in the paper	Description
Screened Out	VGD cardholders who fail to get a IGVD loan
Non-Graduate	VGD cardholders who get a IGVD loan but fail to 'graduate'
Graduates/Pristine Group	Those that enter the system through a VGD card and get to become normal RDP microfinance member
Shock Group	Those that enter RDP VO without a VGD card but get one later
Well off Group	Those that enter the RDP VO without a VGD card and did not get one up to the survey point
Normal Entry Dropouts	Those that join the RDP VO without a VGD card and drop out later (with or without getting a VGD card while in the system)
Graduate Dropouts	Graduates who drop out

There were 3 BRAC VOs in our study area—2 of these were set up in 1993 and the 1 in 1995. Due to time constraint, basic information on VGD card taking and other MFI participation history prior to joining to BRAC was collected through FGDs with VO members for all current and drop out members of each VO⁵. We tried our best to cross check the information when we did the individual case studies. We expect that prior MFI participation to be slightly under reported.

Table 3: VO wise information on some key variables

Key Variables	VO1	VO2	VO3	Total
Established	1995	1993	1993	
Total members (current and drop-outs)	25	31	41	97
No. of current members at the time of survey	21	25	35	81
No. of drop out members at the time of survey (as % of total)	4 (16%)	6 (19%)	6 (15%)	16 (16%)
No. of members who entered the VO thru the VGD programme—the 'pristine' group (as % of total)	12 (48%)	15 (48%)	16 (39%)	43 (44%)
No. of members who did not enter thru the VGD but got VGD card later --- the 'shock' group (as % of total)	6 (24%)	2 (6%)	1	9 (9%)
No. of members who did not enter the VO thru the VGD and never had a card later --- the 'well off' group (as % of total)	7 (28%)	14 (45%)	24 (58%)	45 (46%)

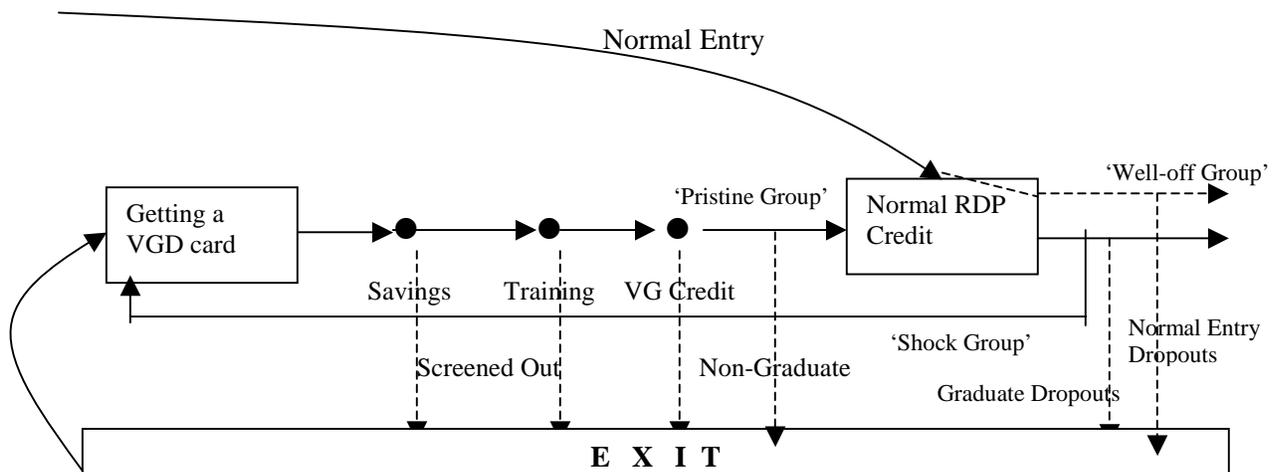
The total number of VO members (both current and drop out) in these three VOs was 97. The VO-wise break up of some key information for both current and drop out members is given in table 3. For the remainder of this section, we will not distinguish between the VOs and focus on the total sample of 97.

⁵ We suspect that the figure on the number of dropouts that we collected from the VO discussions is under reported.

VO1 is relatively new and this would explain its relatively lower total membership. Its annual drop out is slightly higher than the other ones --- 2.3% while it is 2.1% and 1.6% for VO2 and VO3 respectively. Typical VOs in areas where BRAC has its IGVGD programmes are mixed--- some members enter the VO through the VGD card, some do not enter through the VGD card but may get it later while some may not. A general consensus that emerged during the course of our fieldwork through group discussions and individual interviews that those entering the VO through the VGD card (let us call this the 'pristine' group) route were worse off compared to those who enter normally and get a VGD card later--- let's call this the 'shock' group. And those who enter the VO normally and never have had a VGD cards are the most well off--- let us call this the 'well off' group. The distribution among these three groups varies between the VOs, especially with respect to the 'shock' and the 'well-off' group. While the overall size of the 'shock' group is small---only 9%, it is quite high in VO1---24%. The overall size of the 'well-off' group is slightly larger than the 'pristine' group---however, this group is relatively small in VO1, only 28% and pretty large in VO3---58%. Our hunch is that these distribution patterns are not random and are underpinned by BRAC policies and internal VO dynamics. A better understanding of these forces may have important implications for the IGVGD programme design, especially given the new policy of integrating IGVGD members within RDP VOs right from the beginning. This would constitute an important future research area.

We have already added a layer of complexity based on our field observations---that a significant proportion of the VGD cardholders get their cards whilst they are normal RDP VO members---the group we named the 'shock' group. It is assumed that all VGD cardholders enter the VO as IGVGD members, which is not totally correct. A careful reading of WFP's own report of a baseline survey of a carefully selected sample of 480 women from all over Bangladesh who were VGD cardholders in the 1998-1999 VGD cycle shows that almost 22% of them were already BRAC VO members (World Food Programme, 1999: Table XIX). Of course, some of these members may have entered BRAC through the IGVGD programme and got a repeat card while in the programme.

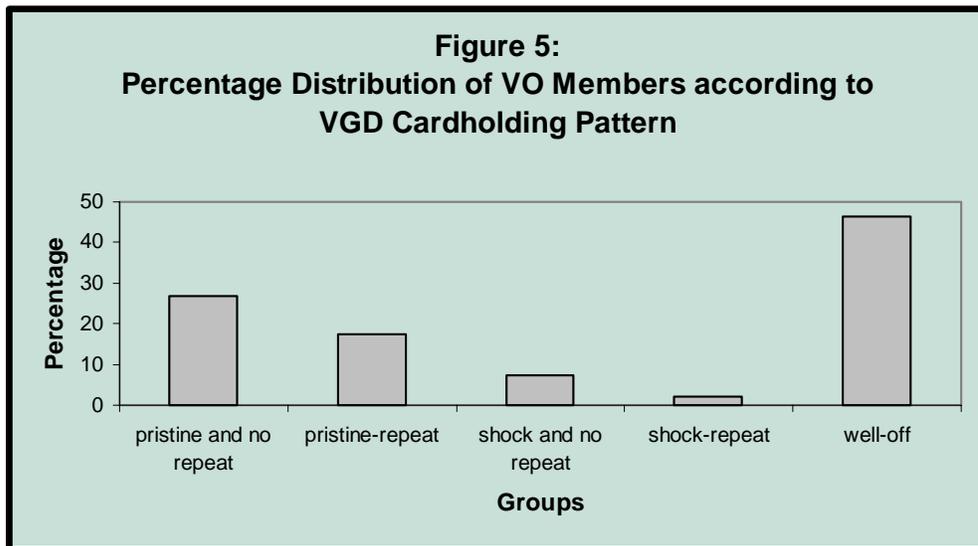
Figure 4: Complicating the Picture: VGD Cardholding and VO Membership



This possibility brings us to another level of complexity to the pristine version of the IGVGD story--- there are many repeat cardholders. These complexities emerge from the varied relationship between VGD cardholding and VO membership as shown in figure 7.

On the basis of these dynamics, let us further divide our earlier groups on the basis of repeat cardholding---'pristine and no repeat', 'pristine-repeat', 'shock and no repeat', 'shock-repeat' and finally the 'well-off'. It should be noted that our 'well-off' category is totally time dependent, as members in this group can later become members of our 'shock' group and even 'shock-repeat'. The distribution of these groups in our sample VOs is shown in figure 8, which suggests that most of those who took repeat cards were pristine-repeats (89%) and most of those who are our 'shock' group members are single cardholders (77%). This makes sense given that it was pointed out to us several times during the course of our fieldwork that on average those who are 'pristine' members are poorer than the 'shock' members and possibly more vulnerable to shocks making them more worthy of getting repeat cards. Also, of the 'pristine' group members, almost 40% are repeat cardholders.

The main question is, are those who manage to stay on as a BRAC VO member more likely to get a repeat card than those who do not or can not? The control group we use to test for this are the BRAC VO dropouts in our sample--- there are 16 of them. It should be pointed out that there are other types of dropouts from the IGVGD programme on which we do not have information. In general one could think of three types of dropouts-- - the first one, we could term as the 'screened out' group--- these are VGD cardholders who just saved the tk. 25 per month with BRAC and might or might not have received training but did not get an IGVGD loan. The second dropout group would be those who fail to 'graduate' into the RDP microfinance VO--- they get the IGVGD loan, though. Let us term them as the 'non graduate' group. And finally, we have those who graduated but later dropped out of the programme, just like any other VO member--- let us call them 'graduate dropouts' and it this group on whom we have information. Half of the dropouts from the VOs in our study area are 'graduate dropouts'.



Of the 16 who dropped out, only 1 got a repeat card while 43% of the current members did. So, managing to stay on with BRAC seems to positively influence the chances of getting a repeat VGD card. This obviously needs further research. Is this because those who manage to graduate and stay on with BRAC are poorer and more vulnerable than those who graduate and then dropout? Is it because BRAC staff helps their members in

trouble get a repeat card? Or is it because the graduates who manage to stay on with the VO develop a capacity to more effectively voice her needs? The latter two explanations were voiced during the group discussions but we could not delve into the matter.

Whatever the reason for this pattern, the fact remains that this concentration of repeat cards among current BRAC VO members, mostly by the 'pristine graduates' adversely affects the equality of VGD card distribution. Here is a back-of-the-envelope calculation:

Since 1993 when the VGD card was first distributed in our area and BRAC's IGVD programme was set up, there have been 5 VGD cycles and in each cycle there had been on average 15 cards making a total of 75 cards that have been distributed so far. The total number of cards that have gone to the VO members is 71 and 52 VO member households have held these. The remaining 4 cards then went to 4 other households who were either members of the 'screened out' and/or 'non-graduate' groups and let us assume that these households did not get repeat cards. That would mean that since the card has been introduced in our area, 56 households have held the 75 cards. This is not necessarily a problem if all households who should get a card got one—this has not been the case. The number of households in our ward is about 400. If we roughly assume that half of these households are poor and that among those who are poor, about half are extreme poor, the target 'market' for the VGD cards, then, the size of this market would be 100--- even if the 75 cards had been held by 75 households, there would have been a market gap to cover. It is clear that some eligible households somehow manage to get 'repeat' cards while other eligible households get none. Why? What is the target 'market' for these cards? This brings us to the next section where we discuss these issues and try and unpack card eligibility.

IV.2 Unpacking VGD Card Eligibility

IV.2.1 Discussion Points: The Importance of 'Sympathy' and Falling Down from Being *Shochol*

According to WFP's own definition, the targeted beneficiaries 'belong to vulnerable social groups such as divorced, abandoned, widowed and assetless women' (1999: 1). We discussed this question of eligibility in order to get a handle on what the villagers themselves thought about this. The various FGDs we conducted with IGVD cardholders, revealed that there are mainly three categories of the poor who get VGD cards:

- Those who are chronically poor and at times have to go without food
- Widows, young woman with young children who are abandoned by their husband
- Occasionally deficit and even not so poor households who have suffered some major shock in the recent past such as severe illness, accident, death etc. usually of the male household head. A large expense, such as marriage incurred by the household, which leaves it very vulnerable, is also another reason under this category.

Indeed, the three categories that emerged from the various discussions and our case studies are highly interrelated--- husband-abandoned wives and widows tend to be among the chronic poor and also greatly vulnerable to shocks. Repeated shocks themselves leave even the not-so-poor households within the ranks of very poor and

chronically poor households tend to suffer from irreversible shocks due to their inability to take action against them at the right time, such as health expenses. We held long discussions with the villagers probing with questions to get a better understanding of their thinking behind these categories. The distinctions made by the villagers was based on the following arguments which revealed a number of very insightful issues relating to the VGD card eligibility, the importance of 'sympathy' and their relationship with various poverty dynamics:

- The chronically poor are a constant eligible group, but as there are a quite a few of them compared to the number of cards available, only a very few of them gets these cards. Usually, the chronic poor who are connected to the local elites mostly as house-helpers or their husbands as potential election helps and/or managing agricultural labour during the peak *boro* harvest season, are the ones who manage to get these cards. In general chronic poverty does not raise the same level of 'sympathy' as does a shock and downward mobility. And shocks suffered by households that did OK (*shochol*⁶) before raises the greatest degree of sympathy--- as one extremely poor women who lives mostly through gleaning, begging and occasional petty money-lending and never got a VGD card said, "We who are always poor are invisible. For those who are always poor, what difference does a shock make—why will it make the leaders feel bad? For us, life is like mending a cloth--- sticking patches and stitching--- our sorrows and tears are invisible."
- The category of widows and even more importantly, of husband-abandoned young women especially with young children has often been part of the public vocabulary about who the VGD cards are for---as the Ward Member of our study ward said, "This card was earlier known as Distressed Mothers' Card (*Dustho Mata Card*)". This category is thus very firmly established in the villager's perceptions of VGD card eligibility. The argument that is given for constructing this category is that, being husband-abandoned and young and with small children, these women after returning to their natal home can not (or is it should not?) work outside the home --- this card allows them to stay at home and survive. The operative notions here are two—young and mother--- and both raise general 'sympathy' arising out of deep patriarchal values.

Shocks and forces of downward mobility and the general 'sympathy' it generates among the villagers seem to be an important card eligibility criterion that emerged from the discussions we had with the VGD cardholders. Based on the individual case studies, which included both current and past VGD cardholders, the following pattern emerges. We tried to categorize the response to the question, "Why do you think you got a VGD Card?" into three groups based on the discussions--- VGD cards as safety net, VGD cards as transfer for the extreme poor and VGD card as transfer for distressed mothers. A table summarizing the main points of the case studies is given as annex A. What emerges from exploring these case studies is that:

- Shocks that are irreversible, such as prolonged and/or terminal illness, death of main breadwinner, and severe loss in business are important triggers for VGD cards eligibility. Large expenses that leave the family destabilised is also another candidate.

⁶ According to the Samsad Bengali-English Dictionary, the word *shochol* means, capable of moving, mobile. In local usage this word is used to describe something that is 'running', 'working'--- this 'thing' can range from automobiles to factories to human beings. This term captures a combined sense of both basic physical fitness to work and using it to get the wheel of the family going.

- For some cases, extreme poverty is the reason for the first card and a later shock for a repeat card (see cases 5 and 6, for example).
- The chronic poor seem to belong either to the 'screened out' or 'non-graduate' group of members (see cases 14 and 15, for example)
- We also observe a few cases where BRAC staff played a direct role in getting VGD cards for their members (see cases 13 and 17, for example).

During the group discussions, we noticed that when discussing the effect that BRAC's IGVD programme has had on the selection of cardholders, the members distinguished between two effects:

- They argued that though BRAC was not directly involved in selecting cardholders, the fact they had a programme with VGD cardholders meant that they also had to have some indirect/implicit influence in the selection. This puts pressure on the local government officials and they are careful not to select households that are obviously not eligible. It was also mentioned that the incidence of bribing the member/chairman to get a VGD card, though still exists (see case 15), has decreased.

BRAC is now formally involved from the 1999-2000 cycle and most of the discussion participants thought that this would be positive, at least for existing BRAC VO members. However, in our discussion with the BRAC Area Manager on this issue, it was made clear that helping existing VO members to gain a VGD card would be actively discouraged because in their experience this leads to difficulties in VO management and weakens loan repayment discipline. Discussions with the Ward Member however suggested that since BRAC's formal involvement with the selection committee, their only role has been sending a list of their VO members who they think should be considered for a card. He has until now, not refused any one a card recommended by BRAC staff.

- However, it was also equally emphasised that given BRAC's goal to develop a pool of prospective clients for their microfinance programme, it was only natural that they would be interested in taking on those who have that promise and potential and those who are chronically *ochol* (opposite of *shochol*) might not be the best bet. The members and chairmen understand this and this obviously influences their choice to a certain extent.

We can gain some idea on this latter proposition using WFP's baseline data (WFP, 1999). In order to be able to test if IGVD members are different because it is more 'promotion' driven, we need to have a case of a similar programme that is not. We have taken the Union Parishad Vulnerable Group Development (UVGD), one of the four WFP's Vulnerable Group Development (VGD) Project components, as the 'control' case⁷. UVGD does not have a graduation vision and is a pure food aid programme administered by the Union Parishad. The following table combines data from several tables reported in the WFP baseline report (table 6). In all the indicators listed below, IGVD members appear to be relatively better off than UVGD members, largely supporting the conjecture made by the group discussion participants.

⁷ BRAC's IGVD is also another of these four components, the other two being Jagarani Chakra (JC) and Integrated Food Assisted Development Project (IFADEP).

We, however note that almost 37% of the IGVGD members already had prior NGO membership and for IGVGD members most of such membership is likely to be with BRAC. However, it should also be noted that though the NGO participation or credit taking of the UVGD members are lower than that of IGVGD, it is by no means insignificant. It seems that one of the core assumptions behind the IGVGD programme that conventional microfinance programmes do not reach the very poor (see Hashemi, S, 1998 and 2001 for an elaboration of this view) needs to be reconsidered. This brings us to the next section on MFI participation of the VGD cardholders.

Table 4: Poverty Indicators and Differences Between IGVGD and UVGD Members

Indicators	IGVGD	UVGD
I. Marital Status of VGD Women		
Married and living with husband	57.5%	29.9%
Deserted	0%	6%
Divorced	5%	5.1%
Widowed	31.7%	58.1%
II. Education status of VGD Women		
Illiterate	52.5%	56.9%
Signature only	28.3%	31%
Able to read and write	1.7%	4.3%
Up to class V	13.3%	6.9%
More than class V	4.2%	.9%
III. Occupational background of VGD Women		
Household work	63.3%	47.9%
Day Labour	8.3%	23.1%
IV. Asset base of VGD Women		
Owning Chowki/Khat	60%	47%
Owning agricultural land	11.7%	6.8%
V. Main income earner in the VGD women's household		
VGD women herself	36.7%	53.9%
Husband	39.2%	20.5%
Daughter	2.5	6
V. NGO affiliation of VGD women (Yes)		
	36.7%	25.6%

IV.3 Those Left Out?

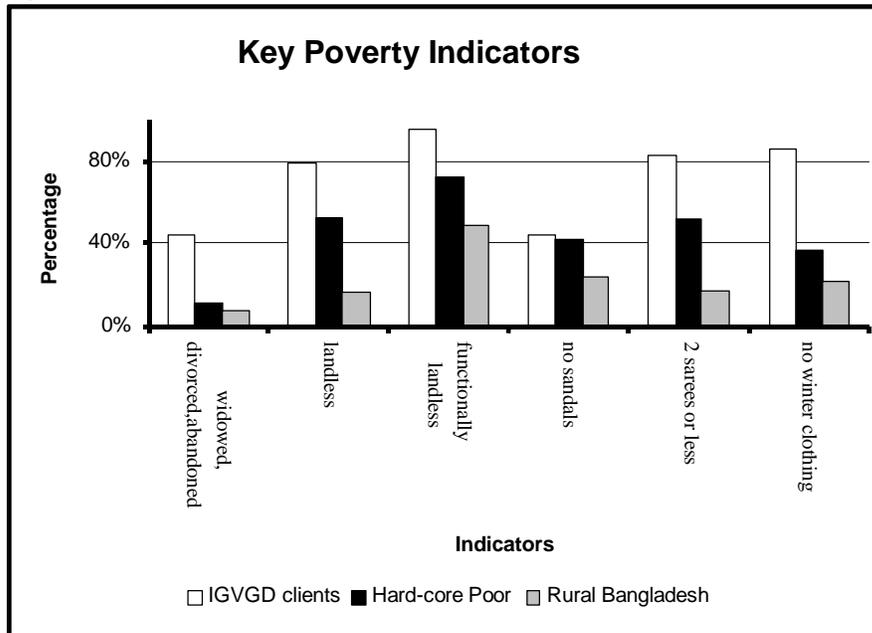
The WFP report on the baseline survey of the 1999-2000 cycle VGD cardholders finds that on average 30.5% of the VGD cardholders already have prior NGO memberships. Our own field data shows that 57% of the VGD cardholders had at least one MFI membership at the time getting the card⁸. This suggests that there is an overlap between the two 'markets' reflecting either (a) VGD targeting problem; (b) microfinance moving downmarket; or both.

The general record of VGD targeting is actually quite good. The following figure is taken from Hashemi (2001), which shows that on a set of extreme-poor sensitive indicators, the IGVGD targeting fares quite well. In our discussions with the villagers it was quite

⁸ Our study area is particularly NGO-MFI concentrated and that would explain the very high percentage we got from our data.

clear that the most important element of the VGD card selection process that was being questioned was not mistargeting per se, but that the targeting process was not transparent and depended on the relationships with the Ward Member. What was being called into question is *not* the effectiveness of the targeting indicators or even the targeting effectiveness of the *outcome*, but its *fairness*, especially with respect to the processes underlying it.

Figure 6: Key Poverty Indicators and Differences Between Groups



Competition among MFIs has certainly increased in Bangladesh and the search for clients have intensified. This would suggest that the institutions would be looking for new market niches, but why are MFIs going downmarket where the risk could be much higher? We think the answer to this puzzle lies in the lending technology that is used in Bangladesh, which is severely constrained in terms of moving up market.

Another way of understanding this ‘overlap’ and ‘repeat cardholding pattern’ we found in our fieldwork is to think of poverty as vulnerability to downward mobility pressures. The VGD card provides entitlement to a ‘breathing space’ in ways that the market driven instruments such as microfinance does not. Such breathing space instruments are indeed needed even by microfinance clients. The IGVGD microfinance clients are no different and a linear assumption of ‘graduating’ into microfinance that obviates the need for VGD type of breathing spaces for them may be quite inappropriate and heroic. What may be of concern is not necessarily the overlap between VGD and the MFI ‘market’ or repeat VGD cardholding pattern, but that, ignoring these dynamics can lead to an (a) exaggerated impression of VGD outreach and (b) failure to take steps to democratize access for the extreme poor who are genuinely left out.

V. Challenging the Frontiers of Poverty Reduction (CFPR): A New BRAC Experiment

The IGVDG experiences in many ways shaped the thinking behind the new experiment that BRAC is currently undertaking through a new initiative. It is worth summarizing the IGVDG experiences and challenges:

1. Targeting: The IGVDG targeting was mainly mediated by local government structures. The overall allocation of VGD cards was done at the upazilla level by the World Food Programme using food insecurity and vulnerability maps while the union and subsequent ward level share of the upazilla allocation is a matter of negotiation by the Union Chairman and Ward Members. As mentioned above, the main problem with the VGD card allocation was not so much in terms of targeting outcome but in the targeting process which rendered the VGD card not as an entitlement right but as a largesse and patronage to be distributed by elites. BRAC did not want to intervene in the allocation process through the IGVDG programme but rather focussed on adding value in the lives of those the VGD card was allocated to.

2. Graduation: There were two problems with the way in which the IGVDG conceptualized 'graduation'—one was speed and the other was the linearity of assumption. A micro loan was typically disbursed within the first 18 months during which the food transfer took with the expectation that the VGD cardholder would 'graduate' to becoming a regular microfinance client once the food transfer was over. Moreover, the VGD cardholders were assimilated within the microfinance group structure right from the beginning. Aside from the food transfer, no other protective mechanism was put in place. There was no separate initiative to provide social development inputs to this group of the poor. The assumption of 'graduation' was equated with rapid assimilation into microfinance and was extremely linear in its assumptions.

The CFPR explicitly recognizes that the structures of the constraints faced by the chronic poor are not the same as those faced by other poverty groups--- strategic interventions such as microfinance that may have significant induced impacts on other livelihood domains for the upper poor, may not be true for the chronic poor. The ability to use a promotional device such as say microfinance for protective ends may be extremely costly for the chronic poor who may not have the kinds of reciprocity based resources enjoyed by other categories of the poor.

The learning from IGVDG has been put to use in conceptualizing and designing the CFPR programme. The following table summarizes the key differences between the two approaches.

Table 5: IGVD and CFPR: A Conceptual Evolution

	IGVD	CFPR
Targeting	Passive. Largely driven by local government representatives.	Active. Combining geographical targeting at various levels, PWR and survey information.
Approach	Food aid + Training + Savings + Credit	Training (enterprise+social development)+ Asset + Health + Stipend + Shocks fund + Savings + Credit
Staff role	Only for training. Microfinance staff involved.	Intensive follow up. Participatory impact monitoring. Separate staff
Assimilation	Quick assimilation within BRAC microfinance VOs	Open ended. Individual follow-up and exchanges emphasised.
Context	Training provided in sectors BRAC had programmes.	A large array of assets/enterprises considered, including wage employment. These can differ across areas.
Graduation	<ul style="list-style-type: none"> - Entry into microfinance after food aid over (18 months). - Microfinance a project component - Linear assumption—no mechanism to support IGVD graduates who fall behind. 	<ul style="list-style-type: none"> - Entry into microfinance but open-ended time. - Microfinance not explicitly a project component - Cyclical assumption--- there will be failures and further round of support designed for them.

VI. Conclusion

The IGVD experiences reveal the importance of strategic linkages that build the missing steps which the extreme poor need to move on to using more market based instruments. Linking microfinance with food aid is one way to include the extreme poor who otherwise are failed by conventional microfinance. The current discourse on microfinance emphasizing minimalist models and financial systems focus may thus be leading to an under imagination of microfinance possibilities as a poverty alleviating instrument. However, programmes targeted at the extreme poor need to take a cyclical and more complex perspective of graduation rather than a linear one. This appears to be the case in the CFPR approach which has evolved through a process of internal learning from a myriad of development programmes and approaches undertaken by BRAC. A big challenge for targeted programmes for the extreme poor such as the IGVD or CFPR will be both understanding and addressing beyond household level factors, both market and non-market, that create the poverty traps. In addition to a household level resource based understanding of poverty and deprivation, transforming socio-political relationships at various levels that perpetuate poverty will have to be considered by such programmes.

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Annex A: Summary of Case Studies: Unpacking ‘Card Eligibility’

Why do you think you got the VGD card(s)	General Household Characteristics	BRAC membership status
VGD Card as a safety net: Shocks and large expenses		
<p>1. The family was struggling to manage with the large dowry and wedding expenditure of the daughter.</p>	<p>4 members in the family now. The eldest son works as a contract labour (<i>botshor chukti</i>) and the other son studies in class IV. Husband sharecrops and works as agri-labour.</p> <p>Owns homestead land (5 decimals) and also owns cultivable land of 25 decimals.</p>	<p>Got VGD card in 1994 and after training joined BRAC. Did not get a repeat card.</p>
<p>2. Her husband had severe eye infection and after operation was bed ridden for a few months.</p>	<p>5 members in the family. Children are young and none work—eldest son studies in class II. Husband works as agri-labour. She works as house-help.</p> <p>Owns 3 decimals of homestead land. No agri-land.</p>	<p>Got the first VGD card in 1995 and after training joined BRAC. Got a repeat card later.</p>
<p>3. Her husband has good relations with the union chairman and campaigned for him. He also had a sudden eye disease.</p>	<p>6 household members—none of the children work. All school going age children study. Husband is a labour leader (<i>sardar</i>) and works as a labourer in the local hat which sits twice a week.</p> <p>Owns 3 decimals of homestead land and agri-land.</p>	<p>Got VGD card in 1999 and after training joined BRAC. Did not get repeat card.</p>
<p>4. Her husband died. Of her 4 children, three are mentally ill.</p>	<p>5 members in the female-headed family. The eldest son who is well is an agri-labour.</p> <p>Owns the 5 decimals of homestead land and no agri-land.</p>	<p>Got the first VGD card in 1994 and after training joined BRAC. Got a repeat card recently.</p>
<p>5. Her family is very poor and has no agri-land. She got the first card because her husband suffered a big loss in his business.</p> <p>The next card she got when her husband got suddenly very ill and could not work. She couldn't work as house-help as she had a suckling daughter and no one wanted to employ her.</p>	<p>5 members in the family. Both the older two sons go to school and the youngest son is small. Husband is a middleman in the cow market.</p> <p>Owns the 10 decimal homestead land and no agri-land.</p>	<p>Got card after joining BRAC. Got a repeat card as well.</p>

Why do you think you got the VGD card(s)	General Household Characteristics	BRAC membership status
<p>6. She got her first card because she was very poor.</p> <p>The second time she got the card after her son, who was the only breadwinner in the family died. She could not manage with the two very young sons and the wife he left behind.</p>	<p>Currently 4 members in the household. The two sons of her son who died lives with her. Her daughter-in-law returned to her natal home 2 years ago. The eldest grandson study in BRAC school and the other is small. Her husband vends rice-puff (<i>muri</i>) and she makes them at home.</p> <p>Besides the 9 decimals of homestead land, her family owns no agri-land.</p>	<p>Got card after joining BRAC. Also got a repeat card.</p>
<p>7. Her husband was lame, was ill and couldn't work most of the year. That's why she got the VGD card. Her husband died last year and she got a repeat card.</p>	<p>4-member household. All the children are school going. She works as house-help.</p> <p>4 decimals of homestead land and no agri-land.</p>	<p>She entered BRAC in 1994 through the VGD card and is also a current cycle cardholder.</p>
<p>8. She is old and after her husband died it was difficult for her to manage.</p>	<p>She lives with her granddaughter who studies in class VII. She gleans during harvest and works as house-help. When her husband was alive he use to beg.</p> <p>3 decimals of homestead land and no agri-land.</p>	<p>She entered BRAC last year through the current cycle VGD card.</p>
<p>9. Her husband was ill for a few months and could not work. The household suffered during that time. He is still mostly ill. Her other older sons have recently married and got separated.</p>	<p>5 members in the family. Eldest son vends local ice cream. The next son goes to school and the youngest one is still small. She rears chicken and goats.</p> <p>2 decimals of homestead land and about 10 decimals of agri-land.</p>	<p>She joined BRAC in 1995 through the VGD programme and dropped out in 1998. She took 3-4 loans from BRAC and dropped out when her husband fell ill and she failed to repay instalments.</p>

Why do you think you got the VGD card(s)	General Household Characteristics	BRAC membership status
VGD Card as Transfer for the Chronic Poor		
10. Her family owns no land and often has to go without food.	5 members in the family. The eldest son drives a van-rickshaw. The second son goes to school and the youngest one -- a daughter is small. Husband agri-labour. She is mentally disturbed. Owns 5 decimals of homestead land. No agri-land.	Got the first VGD card in 1994 and after training joined BRAC. A repeat card later.
11. She works as a house-help in the member's house. She got the card because she is a widow and poor.	2 members in her family. Her son in an agri-labour and she works as house-help. 1.5 decimals of homestead land and no agri-land.	She entered BRAC in 1994 through the VGD card. She is also a current cycle cardholder.
12. She is old and her son with whom she lives is also very poor. Leaders in her village mediated on her behalf to the member for her card.	She lives with her son and one of her daughters who is the only one left to be married-off. Her son drives van-rickshaw. They have 3-4 goats and she sells milk everyday from home. 1.5 decimals of homestead land and no agri-land.	She is a current cycle VGD cardholder and has now received a 3-day training from BRAC and no loan as yet.
13. She lives as an <i>uthuli</i> on her cousin's homestead land. In her case her neighbours saw her family's sufferings and requested the member for a card.	5 members in the family. The eldest daughter house-helps in the local BRAC office. The other two sons go to school. Husband is a tailor. Owns no homestead or agri-land.	She got the first card after she joined BRAC in 1995. She got a repeat card as well.
14. No particular reason. She is extremely poor.	2- member household. Husband is old and infirm. During the rainy season he fishes and in the harvest season, she gleans.	She just saved with BRAC during the period in which she received the wheat from the VGD card. She was not given any loan or training. After the VGD card was over, she left BRAC.
15. No particular reason given. She had to bribe the member (tk. 500) to get her card.	4- member family. The eldest son studies and the daughter is small. Husband works as agri-labour and she looks after chicken and goats. 1 decimal of homestead land and no agri-land.	She joined BRAC though the VGD card in 1995 and dropped out of the programme in 1999. She took 2 loans from BRAC and had difficulties repaying the second loan instalments.

Why do you think you got the VGD card(s)	General Household Characteristics	BRAC membership status
VGD Cards as transfer for distressed single mothers		
<p>16. Her husband left her after 3-4 months of marriage. She returned to her father's house and he was very poor and could not feed her properly. She could not also go out to work as house-help as she was young and people did not see this favourably.</p>	<p>She lives with her father in the same household. Total 5 members in the family. She along with two of her sisters lives in their parent's house. Her father is a marriage intermediary and mother worked as a house-help. One of the sisters also works as a house-help.</p> <p>The household owns the 6 decimals of homestead land and no agri-land</p>	<p>She is a current cycle VGD cardholder and has already taken a loan from BRAC. She has not yet received any training from BRAC.</p>
<p>17. Her husband-abandoned daughter and the daughter's 2 sons and a daughter who has recently been married off lives with her.</p>	<p>She has a few chicken and goats. She sells the eggs and milk. She lives as an <i>uthuli</i> in her brother's household and has no homestead land of her own.</p>	<p>She is a current cycle VGD cardholder and got the VGD card after joining BRAC last year. BRAC got her the card.</p>

