This Enabling Dialogue workshop has been organized in partnership with the Lanka Microfinance Practitioners’ Association (LMFPA)

Outcomes of Enabling Dialogue Workshop

“How can microfinance reach the bottom of the pyramid?”

**Participant:** 25 participants, including policy makers, practitioners, technical service providers, microfinance and livelihood promoters.

**Background**

Over the last 20 years microfinance has experienced a tremendous growth worldwide. Microfinance is usually believed to reach out to the poor. Most microfinance providers state this as their vision and mission. But is microfinance really reaching out to the poor or even the poorest of the poor? Which products do poor people need? How do we define and measure poverty? These are very relevant questions for institutions which are working with the poor. In Sri Lanka, most microfinance providers do not offer products that are designed according to different income segments. A recent microfinance impact study, carried out by GTZ PROMIS, suggests that the targeting of poor customers by Sri Lankan microfinance institutions is improvable. New tools have now been developed (e.g. the Progress out of Poverty Index) which can improve targeting mechanisms. Awareness about these developments needs to be created within the microfinance sector.

This workshop intends to create awareness about mechanisms, tools and products that can reach the poor and the poorest. For this purpose we have invited Mr. E.A.Hettiarachchi, Director Regional Development Department, Central Bank of Sri Lanka, to present the strategies of the PAMP II programme implementation, and Mrs. Sagarika Indu, country director of BRAC Sri Lanka, to present BRAC’s graduation model to reach the poorest in Bangladesh.

**Outcomes**

- Two presentations showed different ways of how microfinance can reach the bottom of the pyramid: Central Bank of Sri Lanka presented the approach of the PAMP II programme and BRAC Sri Lanka presented the BRAC graduation model developed by BRAC Bangladesh
- During the discussions it emerged that some of the most crucial aspects to reach the poor are:
  - Rigorous targeting
  - Very close follow-up and ‘handholding’
  - Substantial research and product development
  - Support through development partners, since it is not part of the common microfinance programme
  - Provision of non-financial services
CBSL presentation about PAMP II:
- Supported by JAICA, commenced in 2009, total fund allocation 2.5 bn Rs.
- Targets households with income below 15,000 Rs/month
- Works with Self-Help Groups of 5-8 persons, which are formed by field officers (partly hired by CBSL, but mostly by participating banks)
- Includes a strong social component to change attitudes and build self-confident and teaching how to plan
- Includes savings component to make group members less vulnerable and more eligible for individual loans, which range from 50,000 to 150,000
- Groups are very homogeneous, with a rotating leadership and weekly meetings
- 10-12 groups form a formal society, before that groups are informal

Comments on CBSL presentation:
- It is questionable whether we should try (and can) to make every poor person an entrepreneur
- Microfinance approaches have changed over the last years. Research shows that impact of microfinance on income is rather low but that microfinance is used as tool to manage the cash flow of poor people. Does PAMP II fit with the results of this research?
- More research about microfinance is needed in Sri Lanka. This is strongly lacking.
- Experience from Congo and Uganda shows that value-chain approaches have very good results. The value chain approach is however also used for the societies in PAMP II

BRAC presentation about BRAC’s graduation model in Bangladesh
- Research studies find that those who drop out are among the poorer and most vulnerable
- Most often the conventional microfinance program view the ultra poor as high risk group
- Generally the disciplines of microfinance do not suit the livelihood pattern of the ultra poor
- 1998-2000 BRAC Research Study on “Developmental needs of the extreme poor in Bangladesh” indicated for more rigorous and comprehensive support for the ultra poor
- CFPR is – A “Pushing Down” strategy to combat ultra poverty and A “Pushing Out” strategy to combat broader social constraints

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<th>Specially Targeted Ultra Poor (STUP) EDT</th>
<th>Others Targeted Ultra Poor (OTUP)</th>
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<td>EDT</td>
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<td>Asset Transfer</td>
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- Rigorous targeting plays a crucial role in the process
- Two concepts of graduation
  1) Positive social and economical changes
  2) Graduating into mainstream development programmes
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Household indicators:
- at least 3 sources of income
- at least two meals a day
- safe drinking water and using sanitary latrine
- tin roof house
- immunization and birth registration of children 0-5 yrs of age
- all children are going to school

Some of the Key Lessons Learned
- Ultra Poor are not homogeneous group
- Special efforts needed to change the “mind set at all levels”.
- Close follow-up model is ‘a must’ for any program for the ultra poor.

Comments on the BRAC presentation
- How can the programme avoid creating dependency syndromes through subsidies?
  - The graduation programme is time bound to 24 months and this is clearly communicated at the beginning.
- How sustainable is the programme at beneficiary level? Do the participants fall back into poverty afterwards?
  - Experience shows that those who successfully graduate usually do not fall back into extreme poverty due to their changed attitude and the skills they have learned. Only in approximately 7% of the cases it might happen due to external shocks
- What happens after the graduation?
  - Approximately 64% of those who successfully graduate take up loans, with zero overdue.
- To achieve such a project you need the necessary donor support, research capacities and organizational skills like BRAC. Small institutions usually lack the necessary skills and support to carry out such an approach. The costs are approximately 280 USD per person.

Some statistics:
- **The gender ratio** still needs to be improved, only 27% of the participants were female
- **Relevance**: Before the workshop 53% perceived the workshop as relevant and 40% as very relevant, after the workshop 33% perceived it as relevant and 53% as very relevant
- **Necessity**: More than 90% say that the workshop was at least necessary or absolutely necessary
- **Impact**: All participants said that this workshop will have an impact on their work
- **Awareness creation**: Awareness about the topic visibly improved: 47% of participants said they were familiar or very familiar with the topic. After the workshop this figure increased to 73%.
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**Perceived relevance**
- How would you assess the relevance of this training for your work before you came to the workshop?
- How would you assess the relevance of this training for your work now?

**Necessity**
- Do you think this training is necessary for people who work in development?

**Perceived impact**
- Do you think that this training will change your work?

**Awareness creation**
- Were you familiar with the different concepts before you participated in the workshop?
- Are you familiar with the different concepts now?