



sustainable transformation  
out of extreme poverty

# The PRIME Way



**Palli Karma-Sahayak Foundation (PKSF)**

with financial  
assistance from





# Sustainable Transformation Out of Extreme Poverty The PRIME Way



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**UKaid**  
from the British people



## **Sustainable Transformation Out of Extreme Poverty: The PRIME Way**

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# Preamble

Monga, a seasonal food deprivation, used to plague the country's northern districts of Greater Rangpur since the colonial times. Complementary to Government programmes, PKSf initiated the Programmed Initiative for Monga Eradication (PRIME) programme in 2006 to address this longstanding extreme poverty condition in a comprehensive manner. Later, the UK Department for International Development (DFID) started funding the programme under the Promoting Financial Services for Poverty Eradication (PROSPER) programme in 2007. PROSPER was later expanded to the southern region in Bangladesh in 2011 as a response to the aftermaths of tropical cyclone Aila.

One of the important features of PRIME was that it was not based on any preconceived development model; rather, it addressed directly the immediate need of the extreme poor family. It started with cash for work (CFW) or CFW plus potable water (in case of coastal areas) to meet the immediate seasonal food and drinking water crises among the extreme poor. These households were then organized in groups and gradually provided flexible financial and non-financial services such as income generating activities, capacity building, health and market linkage interventions. All services were in accordance with the need of the households and the service package evolved over the course of PRIME tenure. Such demand-driven PRIME services led to sustained graduation of PRIME

members out of poverty instead of conventional threshold graduation, as widely followed in different extreme poverty programmes. Moreover, less resources were needed for sustained graduation of extreme poor. An independent DFID study confirmed that PRIME extreme poverty eradication programme is the most cost-effective and offers a more sustained graduation model than many other similar programmes of the country. It was at that point PKSf felt that the PRIME model needed to be theorized and analyzed critically for inclusiveness and the degree to which PRIME's impacts were transformative, sustainable, and systemic and market-oriented. Two studies were thus conducted by two leading development scientists - Dr. Martin Greely, Institute of Development Studies, University of Sussex, UK and Mr. Rubaiyath Sarwar of Innovision Consulting of Bangladesh.

This publication contains the two study reports and 12 case studies, prepared alongside, in their original forms. To put into perspective, it also contains some case studies, conducted by the DFID, that delineates the diverse nature of the pathways of PRIME extreme poor graduation. This frontline development research on PRIME expects to benefit both the policymakers and development partners in their future work. We sincerely thank DFID for extending their financial and technical support to PRIME and to the research.

PRIME started with cash for work (CFW) or CFW plus potable water to meet the immediate seasonal food and water crises of extreme poor. These households were then gradually provided flexible financial and non-financial services. All services were in accordance to the need of the households and the service package evolved over the course of PRIME tenure. Such demand-driven PRIME services led to sustained graduation of PRIME members out of poverty in a cost-effective manner





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PART-1

Sustainable  
Transformation  
Out of Extreme  
Poverty

*Programmed Initiative  
for Monga Eradication  
(PRIME)*

Strategic  
Brief

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November 2016



# Introduction

Strategic Brief

*With DFID support from 2007, PKSF has extended the programme over the last decade geographically in the north-west and also in the highly vulnerable south-west region of Bangladesh, always targeting very poor households and seeking to bring them sustainably out of poverty*

The Palli Karma-Sahayak Foundation (PKSF) started the PRIME Programme in 2006 to address extreme poverty and food insecurity in the north-west of Bangladesh, responding to the severe seasonal hunger affecting the poor there. With DFID support from 2007, PKSF has extended the programme over the last decade geographically in the north-west and also in the highly vulnerable south-west region of Bangladesh, always targeting very poor households and seeking to bring them sustainably out of poverty. The recently completed paper<sup>1</sup> on Pathways Analysis has documented the major achievements of PRIME and analysed the evolution of the programme and the factors that have contributed to its achievements. This short paper has been written as an accompanying paper placing these results in wider context and providing strategic reflection on PRIME as it starts a new implementation phase. It also draws on the most recent Impact Survey, Annual Report, and Project Completion Review as well as a recent DFID-commissioned Cost Effectiveness study.

PRIME is a ‘graduation’ programme, which is a relatively new type of development initiative that, like many other development innovations, was first introduced in Bangladesh<sup>2</sup>. The graduation

The graduation approach has been adopted in many countries recently and there is high quality evidence from the first pilots of sustainable improvements in targeted households

approach has been adopted in many countries recently and there is high quality evidence<sup>3</sup> from the first pilots of sustainable improvements in targeted households. The graduation model has variants across contexts and service providers and there is no agreed description but CGAP (2016)<sup>4</sup> has offered a set of core characteristics based on contemporary practice:

They deliberately try to reach the <b>extreme poor</b> , either those under the \$1.90-per-day poverty line and/or those identified as the poorest and most marginalized within their own communities;	They are <b>holistic</b> in order to tackle the multifaceted constraints of extreme-poverty;	They are <b>financially inclusive</b> ...access to and usage of appropriate financial services are crucial to deepening economic inclusion and continuing upward progress;	They offer a “big push” based on the idea that a <b>large investment</b> will really make a meaningful change.
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<sup>1</sup> ‘Pathway Analysis of PKSF PROSPER Programme’, (October, 2016), Rubaiyath Sarwar, Innovision Global Consulting Ltd.  
<sup>2</sup> By BRAC in 2002, and PRIME started in 2006.  
<sup>3</sup> ‘A multifaceted program causes lasting progress for the very poor: Evidence from six countries’ Abhijit Banerjee et al., Science 15 May 2015, Vol 348 Issue 6236.  
<sup>4</sup> <http://www.cgap.org/blog/graduation-sustainable-livelihoods-what%E2%80%99s-name>.



Each of these features is evident in PRIME. The model recognizes the importance of financial services but also that financial services alone are insufficient and that other types of poverty trap<sup>5</sup> exist and must be addressed in order to help households move themselves out of extreme poverty. This is why a holistic approach is important -- reflected in PRIME through non-financial services including training, group formation, coaching and health and nutrition services. These non-financial services are critical elements supporting the effective development of Income-Generating Activities (IGAs) through the use of the financial services that PRIME provides. By providing training, support on marketing and health inputs, household capacity to effectively operate and diversify their IGAs is strengthened and households gain the confidence to build their enterprises. Collectively, the combination of financial and non-financial inputs provides the 'big push' needed to enable households to engage in the market in a sustainable way and generate

incomes that are sufficient to move them out of extreme poverty. Critically, and not all graduation programmes can do this,<sup>6</sup> through its partner organizations, PRIME provides continuing financial services for savings and loans<sup>7</sup> and graduation is identified with the transition to mainstream financial services. This continuity of support allows households to develop and diversify their IGAs and acquire the asset and savings base necessary to build resilience enabling them to cope with economic shocks. By raising household livelihood-levels and building lasting relationships with market-based service providers, PRIME provides a sustainable pathway out of poverty. The next section outlines why the capacity of PKSF to operate a large-scale graduation programme such as PRIME is strategically important for Bangladesh. The paper then discusses five core programme features that further underline the contribution that PRIME makes to national poverty reduction programmes.

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<sup>5</sup> Poverty traps are an important concept informing the graduation model. They refer to conditions --such as lack of relevant skills, or access to finance- that prevent a household from increasing its income and accumulating a surplus beyond immediate consumption needs, for asset acquisition and reinvestment. See 'Poverty Traps and Social Protection' by Christopher B. Barrett, Michael R. Carter and Munenobu Ikegami, February 2008, SP Discussion Paper 0804, World Bank.

<http://sitieresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Social-Protection-General-DP/0804.pdf>.

<sup>6</sup> Graduation programmes are increasingly being seen, as discussed below for Bangladesh, as a core component of national social protection or social security provision but there is sometimes a misconception that 'graduation' refers to moving out of social protection or other forms of service provision. Graduation refers in fact to moving out of extreme poverty; but graduating households will still need access to services such as finance and will still have rights to social transfers such as pensions or child allowances. They graduate out of social protection only in the sense that they will no longer need social transfers that are linked specifically to being in extreme poverty.

<sup>7</sup> PRIME will also add insurance services for health, and possibly also for livestock which are the single most important Income Generating Activity (IGA) of PRIME participants.



# National Context

Strategic Brief

*The Vision 2021 paper of the Government of Bangladesh planned for the country to achieve 'middle-income' status by 2021 but it will take longer -- up to a decade more -- unless the economic growth rate jumps. Even so, Bangladesh has rightly achieved international recognition for its strong economic and human development performance and is now amongst the top 50 world economies*

A number of initiatives are present there to address poverty and inequality and important amongst these is the National Social Security Strategy (NSSS). This ambitious strategy adopts a life-cycle approach to design an expanded and improved provision; it proposes to cluster social transfers in five broad groups related to different age groups and identities

PRIME is an extraordinarily well documented programme as a result of its use of a sophisticated Results-Based Monitoring System and a strong commitment to impact assessment. The 7th round of household surveys has been used in the latest impact report. It has also benefited from annual reviews and case studies supported by DFID. As a result, there is a sound evidence base both for the overall strong programme performance on poverty reduction recorded in the annual reports and for the more nuanced understanding of both demand-side and supply-side factors that contribute to outcomes at household-level. PRIME is well-placed therefore to expand its coverage and, as needed, to adjust its core approach in response to specific household circumstances. This capacity is important in the context of Bangladesh development challenges discussed below.

Bangladesh has enjoyed continuous economic growth, averaging over 5.6% for the last two decades and achieved 6.51% in 2015. Services (49.5% of GDP in 2015) and industry (31.3%) are the main drivers of economic growth with high rates of growth (12.7%) in the garments sector leading exports. Garments alone account

for 16.6% of GDP. International remittances equal 15% of private consumption. Agriculture in 2015 accounted for only 19.3% of GDP though still employed well over 40% of the labour force. These achievements are in spite of sometimes difficult political circumstances, and the continuous economic growth coupled with significant improvements in human development indicators has generated a mood of optimism about national prospects. The Vision 2021 paper of the Government of Bangladesh planned for the country to achieve 'middle-income' status by 2021 but it will take longer – up to a decade more – unless the economic growth rate jumps<sup>8</sup>. Even so, Bangladesh has rightly achieved international recognition for its strong economic and human development performance and is now amongst the top 50 world economies.

Nevertheless, according to the Household Income and Expenditure Survey (Bangladesh Bureau of Statistics, HIES 2010), 31.5% of the population were still below the upper poverty line and 17.6% (26 million people) below the lower poverty line – an income of less than Tk.1,143<sup>9</sup> or about \$40 per month at the latest PPP conversion rate of \$28.25<sup>10</sup>. These are

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<sup>8</sup> Numbers in this paragraph are from official sources (BBS Labour force Survey 2009) and the Asian Development Bank: (<http://www.adb.org/countries/bangladesh/economy>).

<sup>9</sup> The InM has estimated the 2015 extreme poverty line at Tk 13,717 per capita per annum. Baqui Khalily, M. A., Mehadi Hasan and Nahid Akhter March 2016 'A longitudinal study to assess the impact of PRIME in Greater Rangpur: Seventh Round', Prepared for Palli Karma-Sahayak Foundation (PKSF) by the Institute for Inclusive Finance and Development (InM).

<sup>10</sup> The new 'dollar a day' line is in fact \$1.90 or \$57 PPP dollars a month so the Bangladesh extreme poverty line remains lower than the globally-defined extreme poverty threshold.



individuals who have benefited little from the impressive economic growth performance in Bangladesh over the last two decades and for whom special measures are needed to ensure that future growth is more inclusive. This is a large number of people, most of whom are poorly positioned to take advantage of economic opportunities. The majority are rural, though the share of urban poverty is rising.

The Government of Bangladesh has had a strong commitment to poverty eradication in all its planning documents and this continues in the new 7th five-year plan. A number of initiatives are present there to address poverty and inequality and important amongst these is the National Social Security Strategy (NSSS)<sup>11</sup>. This ambitious strategy adopts a life-cycle approach to design an expanded and improved provision; it proposes to cluster social transfers in five broad groups related to different age groups and identities. Extreme poor households are not a homogenous group but have different demographic profiles e.g. the elderly, differently abled, and sometimes female-headed and minority ethnic households or those living in remote areas. For many of these households, the only effective strategy to address their poverty will be permanent reliance on social transfers. But an important group of extreme poor households have the potential to develop sustainable livelihoods for themselves but poverty traps prevent them from doing so. These are households with able-bodied people of working age who are constrained by low incomes, limited assets, less skills or limited confidence from engaging in available economic opportunities. It is these households that are the potential participants in graduation programmes. Both the NSSS and the 7th Five Year Plan identify graduation programmes as a core element of the NSSS.

Graduation approaches are an important element in the NSSS because they will save

*"A basic objective for the next five years would be to support the elimination of hard-core/extreme poverty as much as possible. For this to be effective, given the dire circumstances of the extreme poor, consideration will need to be given to progressive but substantive scaling up of the 'graduation' programmes that offer real and direct income earning opportunities and formal and informal work to the poorest, alongside complementary activities that provide poor people with a means to lift themselves out of extreme poverty."*

**GoB, 7th Five Year Plan, p674**

resources in the long run by addressing the underlying causes of household poverty and reduce the dependence on social transfers. Critically, they also are fundamentally superior to traditional cash transfer approaches by providing an approach to poverty reduction which recognises human dignity and seeks to reduce dependence. It is apparent also though that delivering the graduation approach, as described above, is not straightforward and requires a specific set of institutional capabilities and commitments. PKSF, through the PRIME programme, have demonstrated that it has these attributes and is well-placed to support the NSSS and the 7th Five Year Plan and lead the national commitment to graduation approaches. In the rest of this paper, we discuss five specific features of the PKSF's PRIME programme which are important elements of this institutional capacity and which underline its strategic advantage in Bangladesh in delivering cost-effective and sustainable pathways out of poverty for the extreme poor.

<sup>11</sup> National Social Security Strategy (NSSS) Bangladesh, General Economics Division, Planning Commission, GoB, March 2015.



# Evidence-based Programming

Strategic Brief

*A specific strength of the PKSF approach in PRIME is the attention given to evidence in programme development. This relates both to field-based learning with Partner Organisations, (POs) and to use of data and information from studies and PKSF's Results-Based Monitoring System (RBMS)*

Since its inception in 1990, PKSF has established a global reputation as an apex microcredit organisation. It has been responsible for the development of financial services with over 270 partner organisations addressing poverty through services to nearly 12 million clients. However, its mandate is broader than this with a commitment to reduce poverty through employment generation. Whilst microfinance was an appropriate vehicle for achieving this for many poor households, PKSF has developed a number of other programme approaches in recent years in response to evidence that many of the poorest households were not benefitting from conventional microfinance.

The initial development of PRIME was in response to a widely recognised problem of lean-season hunger in the north-west region. Historically, the north-west had suffered from greater inequality in land distribution, yet greater dependence of livelihoods on agriculture, which contributed to higher than average levels of poverty amongst the landless and near landless. Prevalence of extreme poverty in the north-west was exacerbated by slower development since Independence because of poorer infrastructure; the ensuing problems of lean-season hunger, or 'monga', were widely recognised. This knowledge was reinforced by evidence from within the microfinance sector that the poorest households were not able to use microfinance effectively<sup>12</sup>. The poorest households sometimes chose not to participate for fear of indebtedness, or were not selected by other villagers in group-based approaches; and sometimes they were deliberately avoided by loan officers concerned about small loan sizes and repayment issues affecting their portfolio performance.

PKSF responded to these concerns with the development of the PRIME programme which

The RBMS is used to monitor performance at output, outcome and impact levels and provides a key diagnostic tool for PRIME managers...

Using evidence on characteristics has allowed PRIME to vary the nature of its support – for example, with respect to grants provision and emergency loans – according to identified differences, making it a more demand-led programme

initially had a substantial cash for work component combined with group formation and flexible financial services to address lean season hunger. However, the programme rapidly evolved as PKSF and its partners developed knowledge of needs and opportunities related to extreme poverty and as the programme expanded geographically covering communities with different poverty profiles. The Pathways Analysis paper discusses this evolution. Key features of the programme are the combination of a carefully developed set of non-financial services with loans and savings together with provision for emergencies and disasters addressing both idiosyncratic and covariant shocks.

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<sup>12</sup> PKSF first trialled programmes for the ultra poor from 2002 and has had a formal programme, now known as 'Buniad' (Foundation), from 2004 with a specific separate ultra poverty fund offering flexible financial services to a carefully targeted population of extreme poor households. This ultra poverty fund, provided through GoB, is also used in the PRIME programme for financial services to participants up to the point of graduation.



A specific strength of the PKSF approach in PRIME is the attention given to evidence in programme development. This relates both to field-based learning with Partner Organisations (POs) and to use of data and information from studies and PKSF's Results-Based Monitoring System (RBMS). The RBMS is used to monitor performance at output, outcome and impact levels and provides a key diagnostic tool for PRIME managers.

The analysis of results from the RBMS on progress out of poverty for PRIME participants helped identify three groups of households<sup>13</sup> -- graduated, transient and vulnerable. These are summarised in the Annex and show that in the North 44% of PRIME participants are listed as 'graduated' which means that they no longer access cheaper, more flexible financial services and will be expected to pay for non-financial services<sup>14</sup>. Results from the south report a graduation rate of only 28%, where the programme is newer and initiated in response to successive major cyclones in the south-west requiring major disaster response expenditure and giving rise to challenging conditions for household livelihood development; but a further 46% have reached the 'transient' stage and only 26% remain vulnerable (see Annex).

Households that have graduated out of extreme poverty by PRIME criteria have measured expenditure above the national lower poverty

line but in addition PRIME provides other criteria to try and ensure that 'graduated' households have indeed moved themselves sustainably out of extreme poverty<sup>15</sup>. These include targets for diversification of income generating activities, accumulation of assets, sustainability of enterprises and food security. Households in the transient and vulnerable categories are assessed against the same criteria and are households that have performed less well against them. PRIME developed these categories because of the recognition from the field that there were significant differences in household-progress out of poverty suggesting the need to provide more nuanced programme inputs. These categories clearly identify these differences in poverty reduction performance and further analysis of household characteristics within these categories, undertaken both by the programme staff and through analysis of data from the latest Impact Study, has identified female-headedness, larger family size, dependence on single earners, dependence on a single source of earnings and dependence on agricultural or wage labour as characteristics of the vulnerable household category -- those who have been unable to significantly progress despite programme support. Using this evidence on characteristics has allowed PRIME to vary the nature of its support -- for example, with respect to grants provision and emergency loans -- according to these identified differences, making it a more demand-led programme<sup>16</sup>.

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<sup>13</sup> In fact the 7th Impact Study was able to use panel data collected over the seven rounds to provide a more sophisticated analysis using initial poverty status and poverty dynamics based on transitions out of and into poverty for different categories of PRIME participants and for control groups. However, for programme refinement purposes PRIME have adopted a simpler three-way separation of its participants. Note however that these three categories are programme specific and are different to the measures used in the 7th Impact Study for the North programme. This study, in addition to the analysis just mentioned, also adopts GoB poverty measurement procedures using the Cost of Basic Needs method. Using the official lower poverty line used to define the extreme poor, in 2015 over 70% of PRIME credit plus participants were not poor, significantly more than any of the control groups (7th Impact Study Table 19, p51).

<sup>14</sup> Managing the transition away from non-financial services provided free of charge or at a nominal price is one of the implementation challenges that PRIME and its partners are currently addressing.

<sup>15</sup> The key test for assessing sustainability here is the capacity to deal with shocks without dropping back into poverty. The InM took a really good initiative to explore this issue in the context of the 2015 flood by conducting a small follow up study in two badly affected districts four months after the flood allowing comparison with the 7th round data collected just two months after the flood. The results showed the resilience of households to shocks, demonstrating strong recovery in the key measures of income, expenditure, financial assets and poverty status.

<sup>16</sup> It is important to recognise that PRIME's market-based approach is centred on households with capacity to undertake income-generating activities and households without the labour endowment to do this will require alternative forms of support to move them out of poverty.



# A Learning Organisation

Strategic Brief

*Through sharing experience on IGAs both across PRIME participants through visit programmes, and across partner organizations through focused meetings, PRIME supports a strong internal learning agenda on IGAs; partnership with the LIFT programme has been central to PRIME learning and to the overall development of the PRIME IGA approach*

A hallmark of the PRIME programme is the ability, together with its POs that are responsible for programme implementation, to learn from field experience and this is reflected in its evolution over time. PRIME started very explicitly as a programme to address the seasonal food insecurity of the extreme poor in the munga-affected north-west; cash for work was initially an important component reflecting this focus on seasonal hunger. However, PRIME quickly evolved into a programme that was seeking more sustainable ways of addressing extreme poverty and the use of flexible microfinance was central to that; providing credit at cheaper rates, with more options on repayment arrangements and savings that were fully and immediately accessible were core

through focused meetings, PRIME supports a strong internal learning agenda on IGAs; partnership with the LIFT programme has been central to PRIME learning and to the overall development of the PRIME IGA approach.

The programme has developed a strong commitment to wider human development including 'preventative health care, skills development, technical services (training and advice on asset management) and awareness-raising on nutrition, sanitation, preventive health care, better allocation of family assets, prevention of underage marriage and dowry system' (PROSPER Annual Review, May 2014, p1). In addition, PRIME is addressing infant nutrition. These components

The recently released 7th round Impact study also included results on social status in the community, decision-making authority at the household level, women's status in the community, overall awareness, respect and dignity. These results were very positive and show that PRIME is contributing effectively to a multidimensional concept of poverty reduction in which concern for human dignity is an overarching driver

features that distinguished PRIME lending from mainstream microfinance. This was accompanied from the beginning with a commitment to careful identification of appropriate Income Generating Activities (IGAs) to be established through the use of these loans. Through the partnership with the LIFT programme, IGA selection also involved the promotion of innovation in the choice of income generating activities. PRIME, uniquely amongst 'graduation' programmes in Bangladesh, also uses market linkage staff to support the capacity to innovate and to market in ways that protect the value share of the PRIME participants. In addition, through sharing experience on IGAs both across PRIME participants through visit programmes, and across partner organizations

are of obvious intrinsic worth as well as seeking to strengthen sustainability by reducing livelihood risk associated with health-related shocks. This holistic approach recognises that poor health, limited education, lack of skills, limited market knowledge and lack of confidence are all potential constraints to movement out of extreme poverty. PRIME has worked with its POs to learn how to identify household specific needs and developed the capacity of programme assistants to fine tune the provision of non-financial and financial services in response to identified needs. PRIME tries to strengthen the social capital of participant households by building trust amongst group members and within communities, seeking to ensure the social



development of participant households. This is consistent with its broad-based understanding of poverty reduction and human development in which both social and psychological dimensions are important aspects of wellbeing. The recently released 7<sup>th</sup> round Impact Study also included results on social status in the community, decision-making authority at the household level, women's status in the community, overall awareness, respect and dignity. These results were very positive and show that PRIME is contributing effectively to a multidimensional concept of poverty reduction in which concern for human dignity is an overarching driver.

The evolution of PRIME towards a comprehensive approach addressing multiple dimensions of extreme poverty with a focus on contest-specific sustainable pathways out of poverty is part of the broader strategic development of PKSf towards inclusive financial and non-financial services tailor-made to address the heterogeneous nature of poverty in Bangladesh. In addition to the well-established Buniad (ultra poor programme), other PKSf programmes and projects which are part of this programme evolution are ENRICH and

Ujjibito<sup>17</sup>. These directly address the PKSf mandate of sustainable poverty reduction but more broadly within PKSf the organizational ethos is evolving from the earlier primary focus on credit services towards a broader-based approach which seeks to be fully inclusive and to respect the principles and values underlying freedom of choice and establishing human dignity which PKSf has adopted as its core goal. PRIME reflects these wider corporate values through its extended provision of non-financial services.

Delivering this complex of services requires engaged management and PRIME carefully monitors its service delivery through its RBMS which reports on all seven components of the programme and provides information used for programme adjustments. The RBMS provides real-time capability to assess performance both of POs and individual households. In addition, PO financial performance has a separate monitoring system allowing regular performance assessment. Monitoring is supported through surveys and research studies including special studies on specific inputs such as health services and IGAs.

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<sup>17</sup> ENRICH (Enhancing Resources and Increasing Capacities of Poor Households towards Elimination of their Poverty) is a programme conceived by the current Chairman of PKSf and is organised at Union-level with one Partner Organisation for one Union. This integrated action programme includes 'the key components of education, skill training, technology, information, health services, food security and nutrition, awareness raising, facilitating access to assets, social capital formation, infrastructure, climate change adaptation, insurance services, market linkages and so on, along with appropriate levels of funding for the ENRICH participants to implement their planned socio-economic and environmental protection related activities' - ([http://pksf-bd.org/portal/web/?page\\_id=118](http://pksf-bd.org/portal/web/?page_id=118)). Ujjibito (infused with new life) is a project designed to provide capacity-building and financial support to the GoB's Rural Employment and Road Maintenance Programme (RERMP) and to PKSf's own ultra poor programme (Buniad) - ([http://pksf-bd.org/portal/web/?page\\_id=2273](http://pksf-bd.org/portal/web/?page_id=2273)).



# Cost-effectiveness

## Strategic Brief

*PRIME costs were lower than any of the other programmes and that a higher proportion of costs were in the form of direct transfers than any of the other programmes. PRIME also had the lowest management costs absolutely, less than half of the next cheapest and only one-thirtieth of the most expensive. Thus, on cost effectiveness PRIME is by far the most effective of these interventions*

PRIME is part of the new generation of 'graduation' programmes designed to move extreme poor households out of poverty sustainably. Review of these programmes has raised important strategic questions for governments and their international development partners, about cost effectiveness focusing on how successful they are and how costly they are. The future role of graduation programmes in responding to the emergent concerns with comprehensive 'life-cycle' approaches to social security and to the SDG commitment to eliminate extreme poverty depends crucially on answers to these two questions. Positive answers to these questions are critical if graduation programmes are to

The key to the success of the model is the purposive approach to the joint provision of financial and non-financial services. The financial services, which involve the establishment of new branches by POs are initially subsidised by PRIME but as loan sizes grow and more clients take on loan-based IGAs, operational self-sufficiency improves

provide an important impetus in the drive to eliminate extreme poverty. PRIME scores well on both these counts.

The PRIME record on progress out of poverty is carefully reviewed in the various rounds of the independent Impact Studies conducted by the Institute for Inclusive Finance and Development (InM) with the most comprehensive assessment completed in the most recent seventh round. The results are discussed in detail in the accompanying Pathway Analysis paper and provide a positive account of progress out of poverty. Data from 2008, when the Impact sample was first selected, shows that nearly 70% of PRIME selected households<sup>18</sup> were in extreme poverty, according to the national definition, at programme entry. PRIME used criteria<sup>19</sup> of income, occupation and land ownership to target participants which do not overlap precisely with the national definition. According to the study, as noted earlier (footnote 11), by 2015, 70% of PRIME participants were above the national extreme poverty line. This is a key finding for Bangladesh, consistent with the international evidence referred to in the introduction of the positive impact of graduation programmes although more significant because PRIME, targeting over half a million households, is on a much larger scale, than the small pilot programmes assessed in the international study.

Beyond this key result using nationally accepted measures of poverty, a particular strength of the latest Impact Study is that other poverty and wellbeing measures are developed including one on multidimensional poverty and one on human dignity. In the comparison with the control groups, these measure also show positive programme results and are a particularly valuable innovation because they reflect the evolving focus of PKSF and PRIME on inclusion of non-economic aspects of household welfare.

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<sup>18</sup> 70% in poverty refers to the PRIME 'credit-plus' households receiving the full PRIME package rather than households that received credit only.

<sup>19</sup> (i) A monthly household income threshold (initially, Tk1, 500, then raised to Tk3, 000, and then to Tk4, 000); (ii) one household member earning as a day labourer and (iii) land-ownership of 50 decimals or less. Baseline PRA data from the groups visited showed all member households reported less than three meals per day prior to joining PRIME. (Project Completion Review May 2016 p2).

With respect to the second question on cost-effectiveness, there has been a recent study<sup>20</sup> comparing PRIME with other extreme poverty programmes in Bangladesh. These programmes operate in somewhat different ways with respect to targeting and programme inputs so robust comparisons proved problematic but certain key results were possible. The study shows that PRIME costs were lower than any of the other programmes and that a higher proportion of costs were in the form of direct transfers than any of the other programmes. PRIME also had the lowest management costs absolutely, less than half of the next cheapest and only one-thirtieth of the most expensive. Thus, on cost effectiveness PRIME is by far the most effective of these interventions.

This combination of low costs combined with effectiveness in delivering poverty reduction provides hard evidence of the value of the PRIME approach to the elimination of extreme poverty. The key to the success of the model is the purposive approach to the joint provision of financial and non-financial services. The financial services, which involve the

establishment of new branches by POs are initially subsidised by PRIME but as loan sizes grow and more clients take on loan-based IGAs, operational self-sufficiency improves. The 15 POs visited during the Project Completion Review reported that all branches except one had achieved operational self-sufficiency<sup>21</sup>. All of the POs are long-standing financial services partners of PKSf and this achievement builds on the long-term commitment, from inception, of PKSf to build a sustainable microfinance sector

These results for PRIME on sustained poverty reduction delivered with great cost effectiveness are testimony to the efficacy of their graduation model. They mirror international assessment of the graduation approach. CGAP have recently conducted a cost effectiveness study of different extreme poverty programme approaches comparing graduation approaches with cash transfers and with mainstream livelihoods programmes<sup>22</sup>. Altogether, they review 48 programmes in a systematic comparison of costs and benefits and conclude that 'Based on current evidence the Graduation Approach is the clearest path forward to reduce extreme poverty'.

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<sup>20</sup> 'Cost Effectiveness of Selected Livelihoods Interventions in Bangladesh' Emily Wylde, Bazlul Khondker, and Nicholas Freeland, February 2015, a DFID study.

<sup>21</sup> A more detailed study of financial services was conducted in 2014 which documents progress, differences between north and south, and between different tiers of P.O.s according to size. ('Partner Organisations/MFIs and PRIME' paper prepared by Ragini Chaudhury, May 2014, for DFID)

<sup>22</sup> 'Making Sustainable Reductions in Extreme Poverty: Briefing from a Comparative Meta-Analysis of Livelihood, Cash Transfer and Graduation Approaches', by Munshi Sulaiman, Nathanael Goldberg, Dean Karlan and Aude de Montesquiou, CGAP Cost-Effectiveness Forum Note, June 2016 (final draft).





# Making Markets Work for the Poor

Strategic Brief

*The PKSf approach to graduation is quintessentially a market-led approach and unlike many other extreme poverty programmes, PRIME has invested substantially in developing new market opportunities for participant households*

Whilst there is no disagreement on the central role of private-sector led growth in achieving development objectives, the World Bank and many others have recognised that special efforts are required to ensure that such growth includes the poorest households. The increasing evidence on growing income inequality globally has underlined this concern, suggesting that current growth processes often do not include the poorest. This is a significant challenge for Bangladesh also as recognised in the new National Development Plan. To address this challenge, there have been a number of initiatives concerned with 'Making Markets Work for the Poor' (MFP) in Bangladesh and whilst they have recorded some success, it has proved very difficult to ensure that the extreme poor are able to engage effectively. These households typically do not have the basic resources and capabilities that such programmes require and suffer from social exclusion making participation difficult. Graduation approaches, which specifically target the extreme poor, are a way forward and the National Plan recognises a role for Graduation approaches in addressing the needs of the poorest. PKSf, as the evidence cited earlier suggests, is well-placed to lead the expansion of such programmes.

From their long-term engagement in microfinance and through their specialised programmes in microenterprises, livestock and agriculture<sup>23</sup>, PKSf has developed capacity on market-oriented programming and brings a market-centred approach to their Graduation programme. The PKSf approach to graduation is quintessentially a market-led approach and unlike many other extreme poverty programmes, PRIME has invested substantially in developing new market opportunities for participant households. Whilst the development of family-based enterprise is common to all

graduation programmes, PRIME has recognised the benefits from investing resources in moving beyond traditional enterprise operation. They do this in three main ways. First, an important component of their non-financial services is the provision of skills development training utilising specialised staff in POs and local-level government specialists. Second, they employ cadres of Technical Programme Assistants and of IGA Implementation Officers who are both specially trained to support enterprise development and help establish market linkages -- they use a detailed set of ten criteria to help households identify suitable IGAs. Thirdly, the PRIME programme has benefited from a partnership with the LIFT programme (Learning and Innovation fund to Test New Ideas) which uses grants and loans to support innovation in IGAs. This has been a successful partnership of substantial benefit to PRIME participants and has led to the introduction of an important set of new enterprises<sup>24</sup>. The development of thousands of small-scale vermi- compost plants for example has been an outstanding feature of IGA development with some POs because the market for sales has been strong helping farmers reduce dependency on chemical fertilizer and reduce the costs of crop production. IGA development has also involved also the mapping of opportunities for IGAs especially in the South programme where PRIME has identified new livelihood options in the salinity and tidal inundation prone areas. These have included eel production and crab production, including a crab hatchery as well as various crop (fruit and vegetable) production approaches for saline-areas.

In addition, PRIME has developed a vocational training programme with specialised training institutes catering for both home-based enterprises and formal employment opportunities. This is an important additional

<sup>23</sup> This includes the work of their Livestock and Agriculture Units as well as specialised market-development initiatives such as the new Promoting Agricultural Commercialization and Enterprises (PACE) project and the recently completed Finance for Enterprise Development and Employment Creation (FEDEC) Project.

<sup>24</sup> See the combined PRIME and LIFT Annual Reports for a detailed description e.g.: [http://www.primepkfsf.org/Annual%20Progres%20Report%20PRIME%20&%20LIFT%202012-13\\_Final.pdf](http://www.primepkfsf.org/Annual%20Progres%20Report%20PRIME%20&%20LIFT%202012-13_Final.pdf)

The PRIME programme has benefited from a partnership with the LIFT programme (Learning and Innovation fund to Test New Ideas) which uses grants and loans to support innovation in IGAs. This has been a successful partnership of substantial benefit to PRIME participants

provision in the context of MFP and provides PRIME with the capability to respond to diverse economic contexts. Often, the participants in these programmes have been the children of programme participants, which has the obvious advantage of addressing intergenerational poverty concerns.

PRIME has benefited from the willingness of its POs to promote innovation and to develop their capacity through training and knowledge-sharing activities. For the POs, both working with the extreme poor and working with new types of enterprise, represent opportunities to extend their programming and to develop knowledge and capacity relevant to their wider

programming. But the main benefit is to the PRIME participants who earn more from new higher value enterprise opportunities where the risks associated with innovation are managed through programme identification of sound livelihood opportunities, training and skills programmes and marketing support services. PRIME professionalism in their approach to enterprise innovation and market development supported by senior management commitment to MFP is a hallmark of the programme that distinguishes it from other extreme poor initiatives and provides an important example of a MFP programme which is of direct and substantial benefit to the extreme poor.





# Developing National Capacity

Strategic Brief

*Organizational capital is a significant endowment for PKSF and provides a basis for expansion of operations geographically since PKSF has partners in all the districts of Bangladesh. This means that PRIME can extend to priority areas where extreme poverty is endemic and respond to new poverty data, climate-related or disaster needs and specific government priority areas for poverty programming*



To implement PRIME, PKSF works with 24 Partner Organisations that were selected from amongst the 270-plus PKSF microfinance partners. One of the noteworthy features whilst implementing PRIME has been the quality of these partnership arrangements with an openness and enthusiasm for joint learning on the challenges of implementing extreme poverty programmes. For the POs, there was a need to recruit and train new staff as they sometimes found that their financial services staff were not suitable for the more empathetic approaches required to work effectively with the extreme poor who are often lacking in confidence and hope. But they also had to commit to new ways of working, new training activities and new types of responsibility in their relationships with PRIME

districts of Bangladesh. This means that PRIME can extend to priority areas where extreme poverty is endemic and respond to new poverty data, climate-related or disaster needs and specific government priority areas for poverty programming.

For PKSF, this valuable organisational capital is combined with a corporate mandate to address poverty sustainably and a Board and Management commitment to do this in a holistic way encompassing a human development perspective and seeking to be inclusive. Within PKSF, graduation programmes can operate at scale, as shown by PRIME; and, because of the partnership arrangements they can ensure enduring relationships between participants and

There is scope for flexibility in the time-scale on which participants move from subsidised or grant-based to wholly market-based services. These are critical features from a national development perspective because they provide the basis for long-term provision, for example within the context of the NSSS, rather than operating on a project basis. PRIME is well-placed therefore to build on these organisational strengths and provide a national vehicle for delivery of graduation programmes

participants. In some cases, they could utilise existing skills, e.g. often in relation to running group meetings on special subjects or providing health services, and in other cases had to embrace innovation, e.g. often with skills development training and new types of enterprise. Because the POs had a long-term relationship with PKSF there was a level of trust and mutual respect that greatly facilitated the adoption of the new ways of working that PRIME entailed. This organizational capital is a significant endowment for PKSF and provides a basis for expansion of operations geographically since PKSF has partners in all the

the POs providing the financial and non-financial services. Crucially, this means there is scope for flexibility in the time-scale on which participants move from subsidised or grant-based to wholly market-based services. These are critical features from a national development perspective because they provide the basis for long-term provision, for example within the context of the NSSS, rather than operating on a project basis. PRIME is well-placed therefore to build on these organisational strengths and provide a national vehicle for delivery of graduation programmes.



# Implications for Future Programmes

Strategic Brief

*PKSF experience with PRIME implementation gives it a unique opportunity to refine the graduation approach and provide leadership in addressing implementation challenges. There are three areas in particular where PKSF can develop implementation capacity internally, and of course share experience within the sector*

Bangladesh has been fortunate in having a national government commitment on poverty reduction and an engaged civil society which has supported this national commitment through programme and advocacy activities in support of poverty eradication. Through economic growth and a variety of special programme channels, significant progress on poverty reduction has resulted but the challenge remains huge, especially for the extreme poor. Both national and global evidence has shown that multifaceted programmes tailored to the specific needs of the extreme poor and that seek to 'graduate' them out of poverty can address extreme poverty sustainably. The discussion above concludes that PKSF, through PRIME, is well-placed to provide a cost-effective national vehicle for delivery of graduation programmes. In this final section we draw some implications of this conclusion.

## The Long-Term Vision

The new National Social Security Strategy (NSSS), as cited in the earlier discussion of national context, anticipates "progressive but substantive scaling up of the 'graduation' programmes". As the action plan for the NSSS is developed, PKSF experience, knowledge and expertise is an exciting potential resource for facilitating the elaboration of this proposed scaling up for graduation programmes. The most important strategic opportunity for future programmes is for PKSF to help realise this national commitment to graduation approaches.

In an earlier generation of poverty programming, PKSF took the lead in the development and scaling up of the microfinance sector in Bangladesh; there is now scope to exercise leadership around livelihood-based extreme poverty programming. Donor funding has been crucial in the development of extreme poverty programming and DFID funding for PRIME has been an excellent example of

In communicating the programme concept to other stakeholders, who might not have experience of graduation programmes, it would be valuable to elaborate around such hard and soft factors. Hard factors will be attractive to those stakeholders committed strongly to market-based approaches...

In contrast, an emphasis upon soft factors will help elaborate the attention to multidimensional poverty, explain the need for high staff ratios and, hopefully, strengthen other stakeholders' understanding of some of the fundamental differences characterising the extreme poor, which would not be addressed through more conventional approaches

effective partnership allowing an innovative mix of national and international resources to address extreme poverty. DFID leadership amongst the development partners on the extreme poverty agenda will continue to be important but increasingly Bangladesh development success will constrain access<sup>25</sup> to grant-based financing for development and national resources will need to fill the gap. The next phase of donor funding will be critical in developing a transition strategy; this strategy essentially requires advocacy and communication activities to try and ensure that graduation programmes are properly

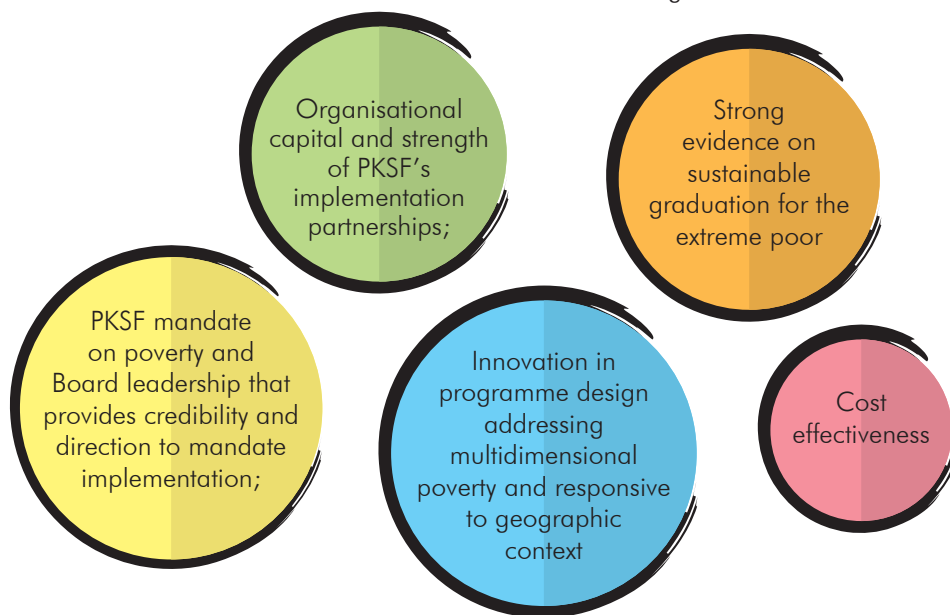
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<sup>25</sup> Specifically, some international development partners will adjust their partnership arrangements when Bangladesh moves to middle income status and this new classification will affect access to grant funds and the cost of loan funds.

represented in budgetary allocations as the action plan for the new Social Security Strategy develops.

As implementation plans for the NSSS develop it is important to raise understanding of the graduation approach and how it fits into the broader social security agenda. PKSF should also ensure that its own capacity to implement is fully and widely recognised especially its unique capacity to provide partnerships with local

NGOs and MFIs at a national scale. These partnerships are a particularly important PKSF strength because they allow the effective provision of multiple programme components which are critical for sustainable graduation but would be challenging for other more sector-oriented national institutions. Based on its experience with making a success of PRIME, the advocacy and communications strategy needs to build on PKSF strengths more broadly. These strengths include:



## Short to Medium Term Priorities

PKSF experience with PRIME implementation gives it a unique opportunity to refine the graduation approach and provide leadership in addressing implementation challenges. There are three areas in particular where PKSF can develop implementation capacity internally, and of course share experience within the sector.

First, implementation experience has shown that even within the graduation livelihoods approach, there are different pathways out of extreme poverty and difference in needs dependent on household circumstances. PRIME experience has been well-documented both through impact studies and through its own RBMS which has identified three categories of

households dependent on their degree of progress along a pathway out of extreme poverty. These are described in the annex. These differences affect participant capacity to respond to, and need for, different programme inputs. Programme staff of course recognise these differences during their engagement with participant households; the differences suggest that there is scope for tailoring of PRIME provision to match more specifically with the underlying differences in households' status. Such adjustments have the cost of expecting more from field staff – in this case differentiating household needs- but should result both in better directed use of resources and more responsiveness to the needs of transient and vulnerable households.



Secondly, PKSf success with PRIME – its scale and its performance on cost effectiveness when compared to other extreme poverty programmes – should lead to expanded graduation programme implementation opportunities, partly through donor financing; there will be need to ensure that implementation capacity within PKSf matches expected programme content and scale. There will be a need to work with new POs as new geographic areas are taken up whilst at the same time maintaining operating links in existing programme areas to ensure that POs are able to graduate all of their participants. New responsibilities will also need attention, e.g. in relation to advocacy and communications or in relation to managing the different pathways out of extreme poverty discussed above. Addressing the human resource implications of such changes or, eventually a more fundamental transition to a budgeted national programme, are an important issue for PKSf management that will affect capacity to provide sector leadership.

Thirdly, there are elements of the programme that have been an important part of PRIME success but which might benefit from more systematic exposition and, perhaps from more capacity investments. This is especially in relation to advocacy and how core components are presented. For example, PRIME has been notable for its ability to link households to markets and to invest, often via LIFT, in the development of new market opportunities. This element has involved different types of activity including market identification work, training for both wage and self-employment, input and output sales and value chain support. PRIME has also supported participants by programme staff helping to develop social capital and in more personal ways by building their confidence and raising their self-esteem. These two types of support given to households can be described

as addressing ‘hard’ and ‘soft’ factors<sup>26</sup> of extreme poverty. These two different types of inputs are not necessarily fully captured in current standard programme descriptions – for example such as reported in the Figure describing programme components reproduced in the previous page.

In communicating the programme concept to other stakeholders, who might not have experience of graduation programmes, it would be valuable to elaborate around such hard and soft factors. Hard factors will be attractive to those stakeholders committed strongly to market-based approaches; sometimes poverty-focused programmes are regarded with suspicion, and that grant-based programming is against market principles. So, a discrete emphasis upon these specific investments – hard factors – supporting the market-driven and rural growth orientation of PRIME might well be valuable in generating stakeholder support for the graduation model. In contrast, an emphasis upon soft factors will help elaborate the attention to multidimensional poverty, explain the need for high staff ratios and, hopefully, strengthen other stakeholders’ understanding of some of the fundamental differences characterising the extreme poor which would not be addressed through more conventional approaches such as cash transfers. For both hard and soft factors there may be new resource needs; e.g. this may be because LIFT resources are not available or because new work areas require new investments to address ‘hard’ factors. For ‘soft’ factors, it is likely to be the case that programme differentiation to address the different needs of participant households is likely to mean that for some, notably those classified as vulnerable households, more systematic support addressing soft factors will be necessary.

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<sup>26</sup> Thorpe, Jodie, Alison Mathie and Yogesh Ghore, ‘Market-Based Solutions for the Extreme Poor: Final Typology Report’ September 5, 2016, Institute of Development Studies, Coady Institute and ADD International.

# Annex

## Data on Graduation Status of PRIME Participants

# Data on Graduation Status of PRIME Participants

	PRIME North				PRIME South		
	Graduated	Transient	Vulnerable		Graduated	Transient	Vulnerable
December 2014	32%	51%	17%		20%	45%	35%
June 2015	40%	46%	14%		24%	46%	30%
December 2015	44%	43%	13%		28%	46%	26%

Definition of categories	
 <p>Graduated Members</p>	<ol style="list-style-type: none"> <li>1. Must have per capita income over Tk 1,200 per month<sup>27</sup></li> <li>2. Have sustained IGAs, which yield income on a continuous basis.</li> <li>3. Have multiple sources of income</li> <li>4. Able to take three meals a day and not dependent on any formal loans and temporary food assistance</li> <li>5. The value of productive assets is more than Tk 20,000</li> </ol>
 <p>Transient Ultra Poor Members</p>	<ol style="list-style-type: none"> <li>1. Must have per capita income is between Tk 800-1199 per month</li> <li>2. Have sustained IGAs, which yield income on a continuous basis, or have multiple sources of income.</li> <li>3. Able to take three meals a day not dependent on any formal loans and temporary food assistance</li> <li>4. The value of productive assets is between Tk 6,000 between 20,000</li> </ol>
 <p>Most vulnerable members</p>	<ol style="list-style-type: none"> <li>1. Per capita income is below Tk 800 per month</li> <li>2. Occasionally miss one meal during the munga period</li> <li>3. Does not have any sustained IGA to support regular income</li> <li>4. Dependent on loans or temporary food assistance</li> <li>5. Withdraw savings to pay instalment/purchase food or other coping strategy</li> <li>6. The value of productive assets is less Tk 6,000</li> </ol>

Source: E. Mallorie, *PRIME Project Completion Review*, May 2016, Table 4, p24; derived from data in the *Results-Based Monitoring System* and the *7th Impact Study*.

<sup>27</sup> Note that this graduation criterion of TK. 1,200 per capita per month is currently slightly above the national extreme poverty line.







PART-2

Sustainable  
Transformation  
Out of Extreme  
Poverty

# Pathway Analysis of PKSF PROSPER Programme

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November 2016

# Executive Summary

PKSF launched two complementary programmes titled 'Programmed Initiatives for Monga Eradication (PRIME)' and 'Learning and Innovation Fund to Test New Ideas (LIFT)' in 2006. PRIME was designed to address seasonal hunger and unemployment in the Northern regions while LIFT was initiated to nurture innovative ideas which can potentially contribute to alleviating rural poverty. In 2007, the UK Department for International Development (DFID) started funding these initiatives and the programmes were brought under the umbrella of a broader financial services intervention titled 'Promoting Financial Services for Poverty Reduction (PROSPER)'. In 2010, the programme coverage was expanded to selected districts of South-West in Khulna and Barisal divisions as well as in Jamalpur district in response to post-disaster situations. PKSF has implemented PRIME in partnership with 24 Partner Organizations (POs) in 50 Upazilas up to June 2016. 50 interventions in partnership with 65 implementing partners have been tested under LIFT across the country during this period. PKSF has been funding LIFT interventions from its own resources since withdrawal of DFID support in 2011. This study was commissioned by PKSF with the objective to define the key lessons from PRIME on extreme poverty alleviation and its implication on strategies for sustainable development for extreme poverty alleviation in Bangladesh. The study was undertaken based on secondary literature review and in-depth primary investigation of PRIME interventions in the Northern and Southern regions in Bangladesh.

The Theory of Change of PRIME rests on two foundations, each having several elements; the foundations and elements within the foundations complement each other:

- A flexible and sustainable microfinance

market systems, if complemented by technical and market linkage support, disaster management support and provision of primary healthcare services and nutrition support, will lead to sustained employment and income generation for the extreme poor and help them address vulnerability arising from seasonal deprivation of food and employment

- Capacity building support to the POs will help them sustain the innovations promoted under PRIME and therefore ensure that in the long run the POs can continue to scale up and increase coverage of financial services to the extreme poor.

The pilot of innovations under LIFT provides further thrust to the system as the innovation methods and processes are adopted and scaled up through the beneficiaries under PRIME.

The programme evolved over the years as a response to its experience and results. Based on our findings, we can identify four stages in the evaluation pathway of PRIME. It started as an emergency response programme responding to seasonal hunger and unemployment and quickly evolved to be a flexible microfinance programme. It then evolved to be a microfinance-plus programme that complements microfinance interventions with technical services and skills training support for the beneficiaries. In stage three, PRIME embraced a holistic approach for poverty alleviation by incorporating interventions on Primary Healthcare and Nutrition, Vocational Training, Asset Grants. The programme embraced the holistic approach in response to the multidimensional aspects of poverty. In its fourth and final stage, PRIME started to embrace market systems development as a salient approach through

A higher percentage of PRIME beneficiaries are food secure if compared to non-PRIME beneficiaries. The report also concludes that PRIME households have higher average income and physical assets than non-PRIME households and the interventions contribute to dignity and empowerment of the targeted beneficiaries

provision of market linkage services for the beneficiaries. The programme interventions at this stage were steered through a deep understanding of market opportunities in the programme territories. This resulted in the engagement of beneficiaries in diversified ranges of IGAs and strengthened the programme's efforts towards sustainable graduation. The evolution of PRIME has significance in the discussion of an effective and sustainable approach for extreme poverty alleviation. The adoptive and evolutionary nature of the programme meant that it could respond to the non-linear graduation process, the beneficiaries' need, context and capacities. It also meant that the programme could adapt the principles of market systems change for more systemic, scalable and sustainable results.

The evolution of PRIME was led by several factors. Firstly, the support of PRIME was not time-bound and was not based on a fixed set of interventions or formula. Secondly, the programme is anchored with the key microfinance market systems actor in Bangladesh -- PKSF, which has the mandate to undertake policy changes to steer programme directions. Thirdly, the interventions are not centrally managed or are directed top-down. Staffs from both PRIME and the Partner Organizations have the ownership to design and implement innovative approaches or interventions.

Fourthly, PKSF had other complementary programmes like LIFT and FEDEC the learning from which could be scaled in PRIME. Finally, the Results Based Monitoring (RBM) system of PRIME provided the data and evidence base to make policy decisions for embracing new approaches as the programme evolved.

The Results Based Monitoring System of PRIME is used to monitor performance at output, outcome and impact levels and provides a key diagnostic tool for PRIME managers. The latest RBM data shows positive impacts against key indicators of PRIME. Income of PRIME beneficiaries in the Northern Region increased from TK 5187 in 3 lean months in FY 2008 to TK 34671 in FY 2015-16. Income in 9 normal months increased from TK 24,318 to TK 113,949 over the same period. Per capita/ head/ day (\$PPP) increased from 0.49 in FY 2008 to 2.48 in FY 2015-16. Number of days of annual employment of the main earning member of PRIME households in the Northern Region increased from 177 in FY 2011-12 to 269 in FY2015-16. The main household earning member of PRIME did not have any employment during the lean period or the Monga season in FY 2007-2008. In FY 2015-16, the main household earning member of PRIME reported 19.47 days of monthly employment during Monga/ lean season. 99% of the PRIME households in the Northern region were reported to be food

secure in FY 2015-16 in comparison to 62% in FY 2011-12. Household Dietary Diversity Score improved from 6.32 in FY 2013-2014 to 8.62 in FY 2015-2016 in the Northern Region. It improved in the Southern Region from 6.08 in FY 2013-2014 to 7.71 in FY 2015-2016. The Economic Self Sufficiency Assessment Score (ESSAS) of the PRIME households improved from 52% in FY 2011-12 to 85% in FY 2015-16 in the Northern region.

While RBM results provide us the accounts for nominal improvement in income, employment, food security, dietary diversity and economic self sufficiency due to PRIME interventions, the annual impact assessments undertaken by the Institute of Microfinance (InM; now Institute for Inclusive Finance and Development) provides a comparative review of PRIME and non-PRIME beneficiaries and helps us understand the impact that could be attributed to PRIME. As per the 7th round of Impact Assessment Report, a higher percentage of PRIME beneficiaries (PRIME Credit Plus or PCP) are food secure if compared to non-PRIME (NP) beneficiaries. The report also concludes that PRIME households (PCP) have higher average income and physical assets than non-PRIME (NP) households and the interventions contribute to dignity and empowerment of the targeted beneficiaries. The cost effectiveness study commissioned by DFID provided a comparative analysis of inclusiveness of PRIME interventions with other extreme poverty alleviation programmes in Bangladesh. As per the study, if only the targeting criteria were used to measure effectiveness of the targeting strategy, then 64% of the PRIME beneficiaries would belong to the poorest quintile. In contrast, 65% of the CLP beneficiaries, 59% of the SHIREE beneficiaries, 44% of the STUP beneficiaries and 69% of the OTUP beneficiaries would belong to the poorest quintile. If the national Household Income and Expenditure Survey (HIES) data set was considered along with the

eligibility criteria then 89% of the PRIME beneficiaries would belong to the poorest consumption quintile. In this scenario, as per the report, all of CLP beneficiaries would belong to the poorest consumption quintile; for SHIREE, OTUP and STUP this would be respectively 73%, 70% and 56%.

While the cost-effectiveness study provides positive measures of inclusiveness of PRIME, our findings suggest that the programme could become more inclusive by revisiting the selection criteria of land ownership and by incorporating an additional criteria of access to physical assets. Prior studies and findings from our study shows that households invest on leasing land rather than purchasing land as they graduate out of poverty. Therefore, if land ownership is used as a criteria, there is a chance that households having access to large volume of leased land but less volume of own land are enrolled at the expense of extreme poor households having access to small volume of purchased or own land. Also, our findings suggest that access to physical assets is a critical endowment of poverty but is not currently being used as a selection criteria. The programme in this context could use the historical data of the impact assessment reports which captures the value of physical assets of the PRIME households. Also, the programme could potentially benefit from the use of data generated during the selection survey which captures information on 29 broad indicators. This data could be used by the programme to classify the extreme poor at the onset of the programme and rank them with respect to their prospect for graduation (immediate or long term) and their need for intervention (asset grant or flexible microfinance for instance).

PRIME currently classifies its beneficiaries into three categories -- (i) graduated, (ii) transient and (iii) vulnerable -- based on the household per capita income, food intake, sources of income and access to productive assets. As of June 2016, 43% of PRIME beneficiaries are



classified as graduated, 43% as transient and the rest 14% as vulnerable. The graduated households are less likely to fall back since they have diversified sources of off-farm and on-farm income earning opportunities and have critical mass of physical assets. Much of the transient households are expected to graduate within the next couple of years.

However, a section of the vulnerable households might need to be transferred to social safety net programmes since the endowments of these households (age, presence of capable income-earning members in the household) are not favorable for productive engagement. The review of the graduation pathway shows that the graduation process is not linear and households graduate at different points in time. The households pass through five stages before they reach beyond the graduation threshold line. Our findings in this context extends the graduation pathway as was presented in the pathways of change case study (2014). Our findings show that the transient and vulnerable households take time to graduate since they go through a lengthy rehabilitation process before they start up income generation and the vulnerable households often fall back during the programme tenure due to health, natural and economic shocks. This reverses the graduation pathway and these beneficiaries need to be pulled back through programme support. Subsequent to the rehabilitation stage, the beneficiaries pass through start-up/ income generation, asset building, expansion and income diversification stages. Once the cycle is complete, the beneficiaries reach the graduation threshold line which makes them resilient against external shocks. The graduation of these beneficiaries are at this stage sustained.

From our review of the programme pathway and the relevant interventions in the pathway, we conclude that a mix of push and pull interventions are needed to facilitate and

The evolution of PRIME has significance in the discussion of an effective and sustainable approach for extreme poverty alleviation. The adoptive and evolutionary nature of the programme meant that it could respond to the non-linear graduation process, the beneficiaries' need, context and capacities

sustain the graduation. The push interventions include group formation, asset grant, emergency loans, disaster management support, vocational training, primary health care and nutrition support. The push interventions are supply-driven; in other words, the programme bears the costs and delivers these services in public service delivery modality. The pull interventions include flexible microfinance, technical services, market linkage support, product development and innovation. The pull interventions are driven by market forces; in other words, its delivery is dictated by demand and willingness to pay by the beneficiaries. PRIME in this context starts to embrace a market systems lens in programme design.

A market systems programme aims to deliver large-scale, systemic and sustainable results by facilitating changes in the market systems comprising the core functions of exchange (supply and demand of a service or product), the support functions (finance, advertising,

technology, know-how etc.) and rules (public policies, social norms etc.) governing the supply of and demand for the product or service. The programme addresses the root causes of poverty rather than the symptoms. For instance, seasonal unemployment and hunger is a symptom of dysfunction which could be caused because of several systemic constraints that include but is not limited to -- i. the local economy does not provide enough opportunities for year-round income generation for the extreme poor; ii. the poor

PRIME is more cost-competitive if compared to other extreme poverty alleviation programmes since the cost of the core component of the programme (flexible microfinance) is borne by the beneficiaries rather than the programme. In brief, it can be concluded that much of PRIME interventions are already being institutionalized and it is expected that both PKSF and the POs will continue to provide the interventions even if PRIME is discontinued at this point in time

do not have the capital to engage in income generating activities; iii. the poor do not have the knowledge and skills to engage in income generating activities for which there are local market opportunities. A market systems programme is also adaptive and evolutionary in its approach, is driven by market actors and has a strategic vision and roadmap for sustainability. PRIME at its current form, qualifies against all of these criteria even though it is still at its infancy as a holistic market systems programme for the alleviation of extreme poverty.

We conclude that PRIME is on track to achieving systemic, scalable and sustainable results, which is manifested on several fronts. Firstly, PRIME packages are being mainstreamed and institutionalized by both PKSF and the POs. PKSF has already integrated the PRIME terms of borrowing in its core microfinance programme called 'Buniad'. The POs that were consulted as part of this study also confirmed that they have started the process of integrating the staffs under PRIME to be able to continue the non-financial services post-PRIME. Both PKSF and the POs have the market incentives to sustain the PRIME interventions. This is established strongly in the Project Completion Review (PCR, 2016) which showed the financial gains of the POs from PRIME. Thirdly, PRIME is more cost-competitive if compared to other extreme poverty alleviation programmes since the cost of the core component of the programme (flexible microfinance) is borne by the beneficiaries rather than the programme. In brief, it can be concluded that much of PRIME interventions are already being institutionalized and it is expected that both PKSF and the POs will continue to provide the interventions even if PRIME is discontinued at this point in time.

However, the push interventions under PRIME, which include asset grant, primary healthcare and nutrition support, vocational training support and emergency loans, depend on

The PRIME experience shows that more sustainable and transformative results could be achieved by anchoring the extreme poverty alleviation programme with PKSf since it has the institutional capacities, networks, policy reform authority and financial strength to continue the efforts beyond programme period and through its own complementary programmes.

external aid or special financing instrument under PRIME. Even though there are signs that the primary healthcare and nutrition service provision along with technical services are being institutionalized, these are sporadic developments and will not generate enough scale to deliver sustainable results. These services are taken as public goods and therefore the households usually do not want to pay for the services. Subsequently, the service providers have built their capacities to serve NGOs and Projects whereby the cost of service is borne by them. Market mechanisms for such interventions may thus not deliver the scale and depth of impacts required to push the households towards the graduation threshold line such that they could be pulled up above the graduation threshold line through market linkages, flexible microfinance and market driven technical services.

The learning from PRIME shows that for sustainable development for extreme poverty alleviation, it is essential that the programme is adaptive and innovative, the interventions are non-prescriptive and non-time-bound and involve a mix of public service push interventions and market-driven pull interventions. By adapting a market systems framework as the overarching approach for programme design, management and interventions the programme would be able to define the context of the interventions, tailor

the interventions to different classes of beneficiaries based on the endowments that they bring in at the time of the enrollment and ensure that the interventions address the root causes or underlying systemic constraints. While PKSf is on track to embracing a holistic market systems approach, for moving forward, it may need to consider building institutional capacity of adapting market systems change by creating a team or market systems task force which could be further strengthened with technical cooperation from local consultancies or professional organizations that have the experience in the application of the approach. The approach may also require changes in the PKSf procurement policy to facilitate partnership with large national private sector actors. PKSf will also benefit from having a small dedicated team for programme monitoring, results measurement and knowledge management as it would allow the programme to continuously monitor progress, challenge and opportunities and tailor interventions accordingly. The PRIME experience also shows that more sustainable and transformative results could be achieved by anchoring the extreme poverty alleviation programme with PKSf since it has the institutional capacities, networks, policy reform authority and financial strength to continue the efforts beyond the programme period and through its own complementary programmes.





# Introduction

Pathway Analysis

*This study deals with Output 1 of the overall PROSPER programme which is “PROSPER-financed organizations and PROSPER replicators effectively deliver innovative and sustainable financial services, especially for the extremely poor as well as micro, small enterprises and farmers.”*



## Context and Scope of the Study

In 2006, PKSF launched two innovative programmes namely "Programmed Initiatives for Monga Eradication (PRIME)" and "Learning and Innovation Fund to Test New Ideas (LIFT)" with its own resources to alleviate poverty and generate employment for the seasonally vulnerable poor. PRIME was launched as a pilot programme in Lalmonirhat district in the greater Rangpur region in Bangladesh. The programme targeted the Monga-affected ultra-poor people. The same year, PKSF initiated LIFT to support new ideas that could create sustainable livelihood opportunities and address economic and social challenges faced by the extreme poor. In July 2007, the PRIME and the LIFT programmes were brought together under a broader financial services programme – Promoting Financial Services for Poverty Reduction (PROSPER) – with funding from the UK Department for International Development (DFID).

The PROSPER programme was implemented over the period of 2007-2016 with the purpose to create a 'sustainable microfinance sector in Bangladesh that offers greater access to diversified financial services for the poor.' Around two-thirds of the PROSPER fund were disbursed to beneficiaries through financial intermediaries or Micro Finance Institutions (MFIs) that are called Partner Organizations (POs) and the remaining one-third was utilized for enabling work on regulation and capacity building. While the programme's core objective was to create access to financial services, studies undertaken by various agencies including the donor DFID have suggested that the success of PRIME can be largely attributed to the package of flexible microfinance and non-financial services that were provided under the programme. The non-financial services include provision of technical support to the targeted beneficiaries to start up, expand and diversify income generating activities, vocational and skill development services, essential primary healthcare services and such.

The different components or elements of PROSPER were introduced at different stages of

the programme as a response to the learning of the programme interventions and evolving opportunities. This study was conducted at the end of the programme tenure and therefore it allowed us to synthesize the programme's evolution and understand what the programme's successes were, what contributed to the success and how the experience could be used to design and manage future extreme poverty alleviation programmes in Bangladesh and beyond. Most importantly, it helped us collect evidence on how the programme's efforts could be sustained to address extreme poverty challenges in Bangladesh. Based on findings from prior studies and our field investigation, we present in this report a synthesis of the programme and seek to draw attention of the policy-makers, programme managers, experts and academics engaged in extreme poverty programmes on issues that include household targeting, significance of adaptive programme management and capacity of the core implementing agency, sustainability and prospect for scale of interventions and impacts. In reviewing sustainability, we analysed whether the interventions are market-driven, and if yes, how.

It should be noted that this study deals with Output 1 of the overall PROSPER programme which is 'PROSPER-financed organizations and PROSPER replicators effectively deliver innovative and sustainable financial services, especially for the extremely poor as well as micro, small enterprises and farmers.' Output 2 (Facilitation of an effective Micro-credit Regulatory Authority) and Output 3 [Supply, demand and outcomes of training, consultancy, research and development services are significantly improved (quantitatively and qualitatively)] are beyond the scope of this study. Also, the scope of investigation of LIFT interventions is limited to the interconnectedness of LIFT with PRIME. Therefore, the report primarily focuses on PRIME interventions and achievements under the overall PROSPER programme. Previous studies [this includes APR (2014), PCR (2016), Cost Effectiveness Study (2015)] provide substantial analysis on what the

To ensure that the evidences generated through primary field surveys are credible and relevant to the specific investigation objectives, the investigation was conducted in several phases with each phase providing inputs to design and undertake the next phase of investigation

successes and shortcomings of PRIME are. We primarily look at the underlying conditions that explain the success and weaknesses.

## Objectives

The study has been conducted with the following objectives:

- Summarize the PKSf PRIME and LIFT interventions
- Conduct a programme pathway analysis and explain the evolution of the programme and the different programmatic and non-programmatic variables that led to the evolution over the course
- Explain how the interventions are related to inclusive and sustainable development to address extreme poverty challenges and to ensure human dignity of the graduated households
- Explain how the PKSf approach compares with other interventions on extreme poverty in Bangladesh with respect to inclusiveness,

sustainability and ensuring human dignity of the targeted households

- Review the context of market development in PRIME and the future course of embracing market development approach for extreme poverty alleviation
- Define the key lessons from the PRIME and the LIFT programmes on household targeting, intervention design, programme management, monitoring and evaluation for interventions on extreme poverty
- Provide strategic recommendations for the donors and programme managers to build on the learning from the PKSf PRIME and LIFT programmes

## Methodology

This is a formative research undertaken to provide qualitative evidences in line with the study objectives. The data that are provided in this report are either generated by PKSf or by third party service providers contracted by PKSf or DFID. To ensure that the evidences generated through primary field surveys are credible and relevant to the specific investigation objectives, the investigation was conducted in several phases with each phase providing inputs to design and undertake the next phase of investigation. We first conducted a workshop in Dhaka with programme officers from the Partner Organizations. In this workshop, we tried to define through consultation with the participants what the key successes of PRIME and LIFT are, what led to these successes and to what degree these successes or gains in addressing extreme poverty challenges are sustainable. We reviewed the contribution of the PO staffs together with the findings from the Annual Review Report (2014), Project Completion Review (PCR) Report (2016), and the Case Study on Pathways Out of Poverty (2014) to define initial points of interest for field investigation which were communicated to PKSf. This set of points of interests included the following:

- The differences in socio-economic conditions between the vulnerable, the

transient and the graduated households; given that the interventions are constant, why do certain households transform faster than others? In the situation that PRIME interventions are discontinued, how would the currently vulnerable and transient households fare?

- Transformation at three different levels: (i) transformation of PRIME participants (ii) transformation of the market systems of the key IGAs promoted by PRIME and LIFT (iii) transformation of the Partner Organizations and their staffs
- Crowding in effect; to what degree non-PRIME and LIFT beneficiaries are attracted to copy the PRIME and LIFT innovations
- The inter-connectedness of PRIME and LIFT interventions
- The comparative analysis of sustainability of different PRIME and LIFT interventions; this includes technical service provision, vocational education and skills development services, health services provision
- Review of the socio-economic background, pre- and post-PRIME assets, skills and resources of PRIME's target beneficiaries

Based on the points of interest, PKSf drafted a schedule to interview cross section of PRIME beneficiaries (vulnerable, transient and graduated) who were interviewed at their premises. PO staffs accompanied the consultants and provided clarification as necessary in the field. Post-interview follow-up consultative workshops were conducted with the PO staffs (IGA technical and market linkage officers, Palli Paramedics, Programme Officers). This allowed for post-field investigation of partner experiences. The in-depth consultation helped gather evidence on how the PRIME partner organizations and their staffs have transformed or evolved over the years and what implications these have on the future of PRIME.

The first round of findings from investigation in the Northern region was shared with PKSf

management at PKSf in a consultative meeting. The discussion provided impetus to designing the next round of field investigation in the Southern region. The points of interests for investigation in the South remained similar to that in the North. However, we emphasized on interviews to understand the LIFT interventions and their interconnectedness with PRIME interventions. In this phase, we conducted more interviews with market intermediaries. Furthermore, specialized communities like Dalits who were targeted by PRIME were made a part of the investigation. IGAs and innovations that are specific to the region, for instance, crab fattening, salinity-tolerant rice seeds multiplication, fresh water supply etc. were included deliberately to allow for comparative analysis of the interventions in the Northern and the Southern regions.

The investigation in the South revealed the need to further analyse the factors that might have caused certain households to graduate while certain other households remained at the transition stage or at vulnerable stage even though they all started at the same time with mostly similar packages of interventions. To conduct this review, we undertook a short survey on 42 households, 21 in the North and 21 in the South, randomly selected from a cluster of beneficiary households in two districts – Nilphamari in the North and Satkhira in the South. The households in each cluster were further sampled randomly from three stratas – graduated, transient and vulnerable, with each strata having the same number of samples (7 per strata).

The findings from the field were reviewed against the quantitative findings presented in the 6th and the 7th round of Impact Assessments undertaken by the Institute for Inclusive Finance and Development (InM). This report provided impetus to the strategy paper written by Dr. Martin Greely from the Institute of Development Studies (IDS), University of Sussex.



# Summary of PRIME and LIFT Interventions

Pathway Analysis

*PRIME interventions include a range of financial and non-financial services which are categorized under seven components. Financial services include flexible micro-credit and emergency loans, non-financial services include technical services, skill development and vocational training, disaster management, primary healthcare and group formation. As part of LIFT interventions, 50 innovative poverty reduction initiatives have so far been supported across the country*



## Overview

PROSPER is a financial inclusion programme inceptioned in 2007 with funding from DFID. It merged two PKSF initiatives – PRIME and LIFT which were launched in 2006 in response to seasonal deprivation of food and employment or Monga in the Northern region in Bangladesh. PRIME was initially launched in five extreme poverty-stricken districts of greater Rangpur region and was expanded in selected areas of Khulna and Barisal Divisions and Jamalpur district in 2010. PRIME targeted 509,000 households (345,000 in the North-west and 164,000 in the South-west). PRIME interventions include a range of financial and non-financial

services which are categorized under seven components. Financial services include flexible micro-credit and emergency loans, non-financial services include technical services, skill development and vocational training, disaster management, primary healthcare and group formation. As part of LIFT interventions, 50 innovative poverty reduction initiatives have so far been supported across the country through 65 organizations till January 2016. Even though DFID support to LIFT was withdrawn in 2012, the funding was continued by PKSF from its own resources.

### Overview of PROSPER



#### Coverage

509,000 households  
(345,000 in the North-west  
and 164,000 in the  
South-west)

**PRIME:** 38 upazilas in 6  
districts in the North and 12  
Upazilas in four districts in the  
South

**LIFT:** 25 upazilas; includes all  
of the PRIME areas and other  
locations of the country.



#### Goal

**PRIME:** Alleviate  
extreme poverty through  
promoting flexible  
microfinance and  
non-financial support  
services

**LIFT:** Promote  
innovation, replication  
and scale up of unique  
poverty reduction  
initiatives



#### Approach

Flexible microfinance with  
the provision of emergency  
loans, asset grant, technical  
services for income  
generation and market  
linkage, vocational  
education and skills  
development, primary  
healthcare and nutrition  
services, disaster  
management support



#### Project Duration

July 2007- June 2016



#### Funding

**PRIME:** (in Lac Taka)  
BDT 28,978.32  
**LIFT:** (in Lac Taka)  
BDT 2701.75



#### Funding Agency

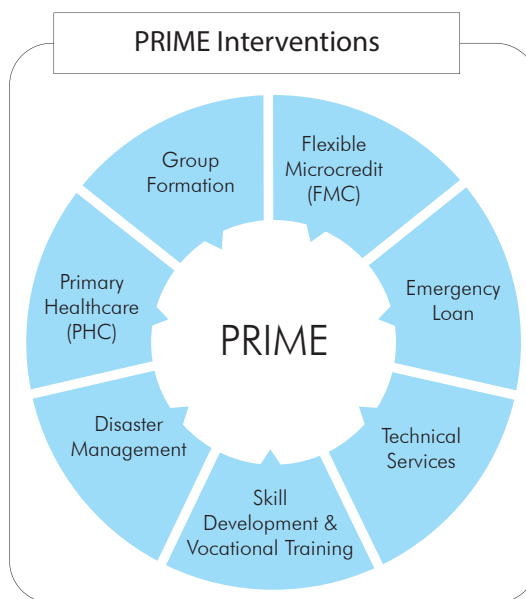
**PRIME:** (in Lac Taka)  
BDT 28,978.32  
**LIFT:** (in Lac Taka)  
BDT 2701.75

## PRIME Interventions

PRIME beneficiaries are women from households which conform to three criteria – (i) households that are dependent on seasonal labour, (ii) households that have less than 50 decimals of land, and (iii) households that have less than TK 4,500 per month as household income<sup>28</sup>. The beneficiaries were selected by PRIME Partner Organizations (POs) through Focus Group Discussions (FGDs) in targeted communities which is then followed up by household survey data that were used to scrutinize the eligibility of a household.

At the initial stage of PRIME, beneficiaries were organized in groups and were engaged in Cash for Work (CFW) activities which provided them employment for around 30 days. The wage per day varied from TK 80-175. On completion of the CFW engagement, flexible micro-finance was introduced. The loan size was not fixed and was tailored to the capacity of the household. The flexible microfinance programme was designed to offer beneficiaries a menu from which they could pick depending on their capacity. Three different types of loan schemes were introduced – (i) seasonal loan that could be paid back at the end of the tenure of 6 months for an effective interest rate of 24.5%, (ii) regular loan that could be paid back in monthly instalments for an effective interest rate of 24.98% and in weekly instalments for an effective interest rate of 19.90%, and (iii) emergency loan for an effective interest rate of 7.9%. It should be noted that PRIME beneficiaries who were enrolled in the programme in 2007 and 2008 were directly enrolled in the flexible microfinance programme. Cash for Work was thus not continued as an enrolment strategy for the beneficiaries.

Once the beneficiaries were introduced to the loan, they were supported to start-up an income generating activity (IGA) with technical support



provided by the Partner Organization (PO) through a PA Tech officer. While initially the choice of IGA was based on assessment of the beneficiaries' capacity and interest, in 2010, when PRIME was expanded to the South, an IGA mapping exercise was conducted to identify IGAs in the target region that have high prospect for growth in the local, the national and the export markets. Further to that, innovations piloted under the LIFT programme (for instance, Vermi Compost, Black Bengal Goat rearing and breeder farms) were also introduced and scaled up through PRIME. Therefore, as PRIME evolved, the range of IGAs that the beneficiaries were engaged in was expanded from traditional IGAs like bull fattening and goat rearing to non-traditional IGAs like cap making for the export market (Omanian Caps), eel fish farming, crab fattening etc. A PRIME beneficiary is entitled to receiving knowledge on best practices for production or management of the vocation through the PA Tech Officer as long as she continues the loan with the PO. PRIME later

<sup>28</sup> The threshold for household income was TK 1500 per month for an average household size of 4.5 at the inception of PRIME in 2006. It was later revised to TK 3000 in 2009 and subsequently to TK 4500 in 2010. The household income threshold was determined based on monthly consumption requirement for non-fine grained rice.

introduced market linkage officers to support the beneficiaries market their produce to the traders and buyers from both local and national markets.

As PRIME progressed, health and nutrition interventions were added in 2009 in response to non-financial risks associated with extreme poverty situations. Interventions included support to improve household sanitation, water supply and hygiene. PRIME also kept provisions for disaster management grants to ensure that households are able to cope with natural shocks. In 2012, the programme incorporated vocational training for young adults of the beneficiary households. Market development interventions aimed at supporting households to strengthen access to markets were also introduced in 2012.

### LIFT Interventions

LIFT was launched in 2006 to promote innovations that can contribute to income and employment generation of rural poor households. The PROSPER programme funded by DFID supported LIFT from 2007-08 to 2011-12. Since withdrawal of DFID support in 2012, PKSf continued to finance and manage LIFT interventions on its own. Till January 2016, 50 initiatives have been tested in partnership with 65 implementing partners (47 POs and 18 Non-POs). Unlike in PRIME, LIFT interventions are implemented through both POs and non-POs and the programme does not have a defined geographic scope. The innovations range from testing novel ideas of vermicompost and Black Bengal goat breeder farms to solving crisis of safe drinking water in the salinity-prone regions. Interventions also include land lease loan (especially in char areas) and haor microfinance. The funding mechanism includes loans, grants and equity participation based on nature of projects and capacity of implementing partners. On the basis of the nature of the intervention and financing demand, PKSf can finance up to 70% of the total budget of any project proposed under LIFT. Soft loans with maximum 5% service charge are available for the projects. Tk. 20 million can be allocated for

an individual project at maximum, combining both grants and loans. A Partner Organization has to contribute at least 30% of the proposed budget. The project proposals go through counseling, pre-assessment and technical assistance before the fund is disbursed. PKSf also extends support for organizational capacity building to ensure successful implementation of the projects by the partners. PKSf and implementing partners work closely to nurture innovations, scale up and replicate activities for successful market linkage.

### Project Structure

**PRIME:** PKSf implemented PRIME in collaboration with 24 POs in Northern and Southern regions. Initially, PRIME selected 28 POs, three of these were dropped in between 2010-2012 due to poor performance. Another PO resigned in the South in 2013-14 due to ceasing its micro-finance operations. In total, PRIME has been implemented through 310 branches (203 branches in the North and 107 branches in the South). PO staffs promoted flexible microcredit and provided technical and non-financial support to the selected programme recipients covered under each branch area. These branches have been established in five phases during the course of the programme between 2006 and 2012. PRIME funded cost of branch operations for first two years in the North and for 1.5 years in the South. Each branch operates through a team of managers, accountants, 2-5 field organizers, a programme assistant (technical), and 2 Community Health Promoters (CHPs). Each PO also has Palli Paramedic (PP; 1 for 2 branches), IGA Implementation Officers (1-3 per PO) and MIS Officers (1-2 per PO). PRIME provided training to technical staffs of the POs during the project. Some POs also invested significant amounts from their own funds to establish new branch offices in parallel with the support availed from PKSf. External support has been obtained for impact assessments, monitoring and evaluation of the project at different phases.

**LIFT:** Interventions under LIFT have been implemented in partnership with implementing

## PRIME Pathway of Interventions

### Inception of PRIME in Northern Region

Support includes Cash For Work (CFW), Group Formation, Flexible Micro-Credit (FMC), and Emergency Loan

2006

2007

PRIME is expanded to 35 Upazillas of greater Rangpur


2008

Skill Development Training and IGA Technical Services are added as programme support

2009

Provision of Primary Healthcare Services to the Beneficiaries, Establishment of Breeder Farms at PO level





**Inception of  
PRIME in the  
South**

**2010**

Introduction of  
IGA mapping, potable  
water supply, demonstration  
farm including IGA grant  
(member level) and  
nutrition focus  
activities

**2011**

**2012**

Inception of  
vocational  
training and  
market  
development  
programme

**2013**

Programme  
interventions  
tailored to  
member  
categories  
(vulnerable,  
transient,  
graduated);  
provision of  
grants to most  
vulnerable  
members

**2014**

Introduction of  
special  
entrepreneurial  
training for  
graduated  
PRIME members

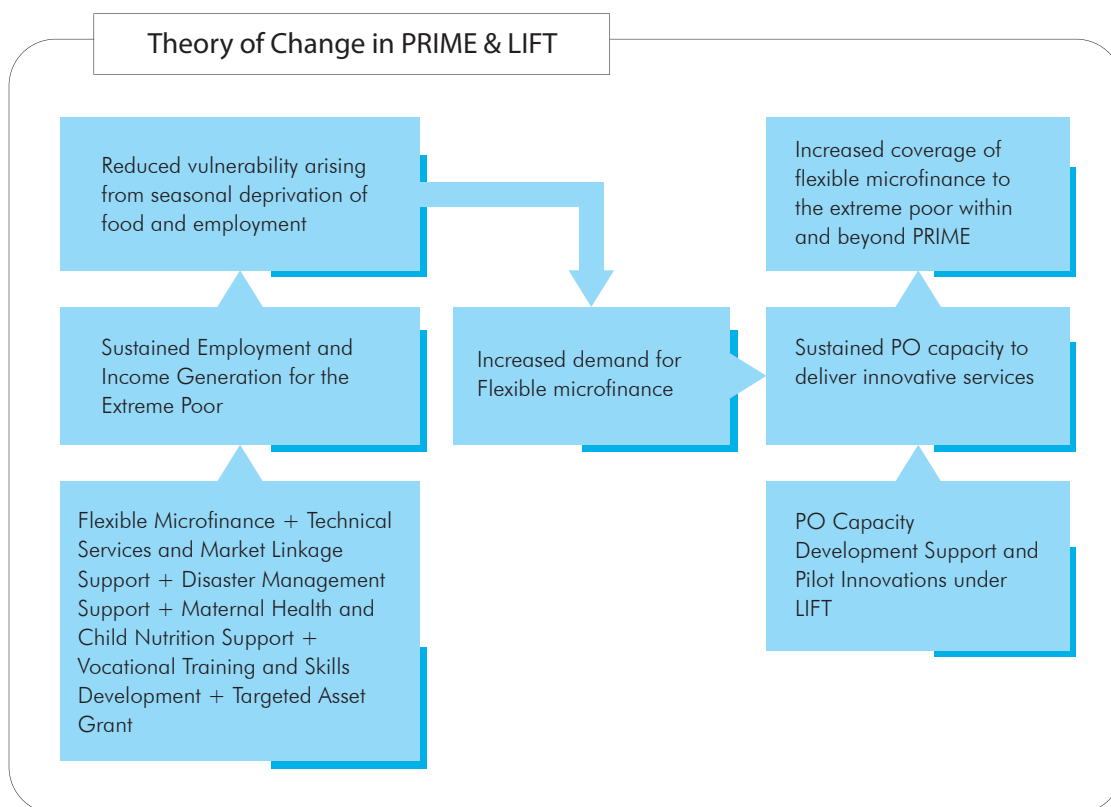
organizations, both POs and non-POs. So far, 47 POs of PKSf have launched 28 interventions while 18 POs are involved in implementing another 22 interventions. Implementing partners propose projects and the proposals are critically assessed by PKSf for final selection. PKSf extends capacity building support and technical assistance to the partners before launching the projects. Progress of each intervention is intensely monitored and outcomes are reported to analyze feasibility of scaling up under PRIME, the mainstream programme of PKSf or other projects being implemented by PKSf.

## Theory of Change

PRIME evolved from a seasonal hunger and unemployment and post-disaster response programme to a comprehensive extreme poverty eradication programme. The theory of change acknowledged limited capacities of extreme poor households to increase income

from existing economic activities while considering other aspects like risk aversion, lack of access to finance, lack of skills, weak human capital, maternal health and child nutrition and social exclusion. Flexible microfinance tied up with other non-financial supports were provided as inputs to enable beneficiaries to productively engage in IGAs.

Impacts of the interventions have been initially assessed through conventional activity-based monitoring, which was later converted into Results Based Monitoring (RBM). Progress towards overall target for each of the seven components of the programme has been assessed in the output level. Activity to Output Monitoring (ATOM) system has been used for assessing progress in terms of outputs. To measure the outcomes, Economic Self-Sufficiency Assessment has been considered, comprising indicators such as employment, economic activities and responses



of technical and primary healthcare services. Outcomes indicate capacity of the households to tackle food insecurity during the periods of seasonal hunger and unemployment. Impact of PRIME has been assessed through the food security status of the beneficiaries and their capacity to adopt coping strategies for Monga. Modified Seasonal Vulnerability Reduction Index (SVRI) has been used to assess the impact which PRIME's theory of change aspires to achieve. Essentially, PRIME's theory of change rests on the following foundations:

- A flexible and sustainable microfinance market systems -- if complemented by technical and market linkage support, disaster management support and provision

of primary healthcare services and nutrition support -- will lead to sustained employment and income generation for the extreme poor and help them address vulnerability arising from seasonal deprivation of food and employment.

- Capacity building support to the POs will help them sustain the innovations promoted under PRIME and therefore ensure that in the long run the POs can continue to scale up and increase coverage of financial services to the extreme poor.

The pilot of innovations under LIFT provides further thrust to the system as the innovation methods and processes are adopted and scaled up through the beneficiaries under PRIME.





# Review of the Programme Pathway

## Pathway Analysis

*The graduated PRIME beneficiaries pass through four stages – the start-up stage, the asset building stage, the expansion stage and the income diversification stage. These stages are not linear and the stages overlap. The support of the PA Tech officers is crucial at the start-up stage. It takes about 5 years for beneficiaries to successfully expand and diversify their income generating activities and build an asset base to insulate them from shocks. Over this period, the beneficiaries need different sizes of loan and technical support and market access support to be able to graduate from one stage to the other.*



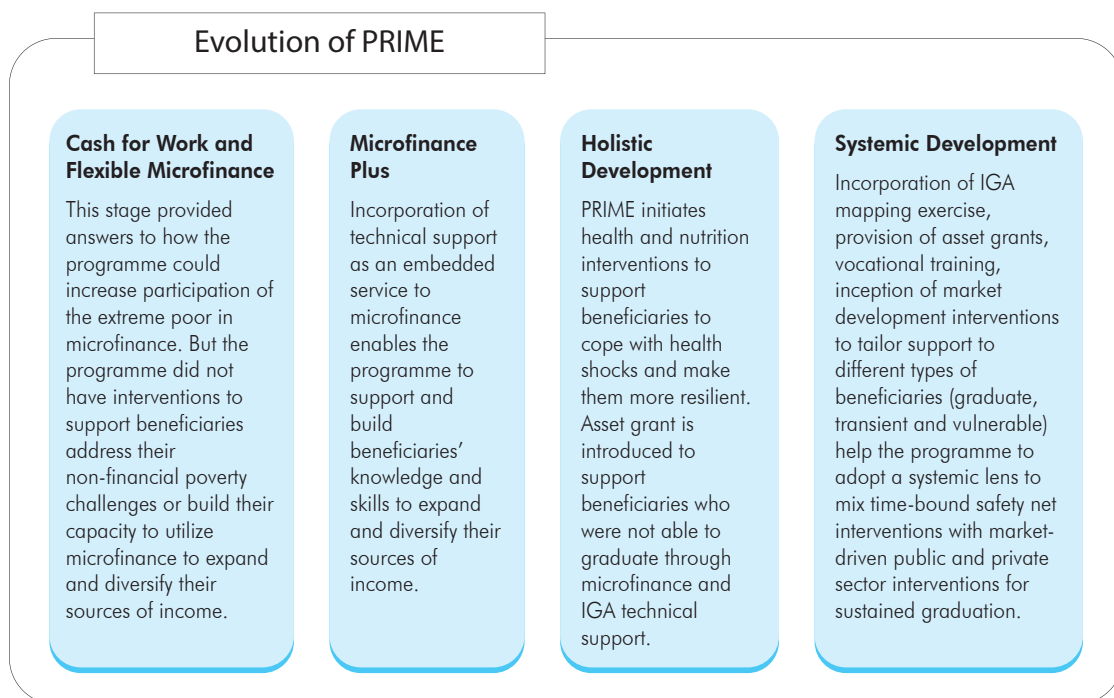
## Stages of Evolution of PRIME

PRIME evolved in several stages as it responded to field experience and results being achieved. While its core rests with the financial instrument (the flexible microfinance), it has evolved as a holistic extreme poverty alleviation programme responding to multidimensional issues of poverty. Further to that, as it evolved, LIFT interventions were introduced and scaled up through PRIME. This further strengthened the capacity of the programme to test and implement innovative ideas to expand income of the targeted households. The programme evolved through four stages -- first it evolved from being a flexible microfinance programme to being a microfinance-plus programme focusing on strengthening household capacity to graduate through effective engagement in income generating activities. It then evolved to becoming a holistic poverty alleviation programme by incorporating interventions to insulate the households from health shocks and by creating provision of asset grants to support extreme poor households that are not capable

of utilizing microfinance to start-up and sustain income generation. At the fourth stage, we see signs that the programme has started to evolve as a market systems programme tailoring the interventions based on beneficiary needs and based on the most effective market instrument for addressing the poverty challenges of the beneficiaries. In this third stage, PRIME categorized its beneficiaries in three categories -- (i) graduated (ii) transient and (iii) vulnerable -- and tailored its interventions based on the status of the household with respect to its position in the graduation pathway

## Significance of Evolution of PRIME

The graduation process is not linear and the need of the beneficiaries change as they go through the graduation process; the evolution of PRIME correlates with the evolution of the PRIME beneficiaries: A case study on the pathways of change or transformation of PRIME beneficiaries undertaken in 2014 concluded that the graduated PRIME beneficiaries pass through four stages – the start-up stage, the



asset building stage, the expansion stage and the income diversification stage. The study concluded that these stages are not linear and the stages overlap. It also concluded that the support of the PA Tech officers is crucial at the start-up stage. Further to that it concludes that it takes about 5 years for beneficiaries to successfully expand and diversify their income generating activities and build an asset base to insulate them from shocks. Over this period, the beneficiaries need different sizes of loan and technical support and market access support to be able to graduate from one stage to the other. The evolution of PRIME support from being a flexible microfinance programme to being a holistic microfinance plus programme corresponds to this graduation path of the beneficiaries. In other words, by adopting the microfinance plus interventions, PRIME was able to match with the need of the beneficiaries to expand and diversify their sources of income and build an asset base.

The extreme poor have varying degrees of capacities and resources to be able to respond to programme interventions; the evolution helped PRIME embrace interventions that are fitted to the varying capacities of the beneficiaries: The pathways of change case study also suggested that PRIME beneficiaries who remain at vulnerable stage are those who are affected by health shocks, economic shocks, natural disasters. Also, the study indicates that these households are those which usually do not have young income earning members and the household head is old and unfit to undertake productive activities. These households are less capable and entrepreneurial to be able to use microfinance as an instrument to start up, expand and diversify income generating activities. The study concluded that these households would require support in the form of social safety net and asset grants. The evolution of PRIME from being a microfinance-plus programme to being a holistic poverty alleviation programme is thus rational and fitted to the learning of the programme that the heterogeneity in resources, knowledge and education of the extreme poor

contributes to their capacity to graduate and therefore interventions need to be contextualized to the needs, resources and capacities of the targeted households.

The evolution assisted PRIME to start embracing a systemic approach for poverty alleviation: PRIME further responded to the need for contextualizing its interventions as it adopted IGA mapping exercise to determine the most appropriate IGAs for the beneficiaries when it expanded its interventions to the southern coastal regions in Bangladesh in 2010. The exercise resulted in wider diversity of IGAs that were fitted to the geographic context and the market prospect. The findings from PRIME's Results Based Monitoring revealed that PRIME beneficiaries were at several stages of transformation in 2012. About 43% of PRIME beneficiaries were categorized as transient and 15% were categorized as vulnerable. This prompted PRIME to tailor its interventions to the stage of transformation of the beneficiaries. The vulnerable beneficiaries received asset grants, the transient beneficiaries continued to receive flexible microfinance while the graduated households were passed on to PKSF's regular microfinance programme. PRIME also incorporated entrepreneurship programme for the graduated households. At its present form, PRIME has a mix of interventions that are driven by push (for instance, asset grants, vocational training, health and nutrition support) and pull strategy (flexible micro-finance, market linkage support, technical services for IGAs).

## Factors Contributing to the Evolution of PRIME

Several factors as underlain contributed to the evolution of PRIME:

- Firstly, the support of PRIME was not time-bound and was not based on a fixed set of interventions or formula. The programme was able to work with the same household for more than 5 years. This long and persistent relationship with the households meant that the programme could learn, adopt and initiate interventions based on the

households' need. Also, PRIME was not started with a fixed prescription or defined set of interventions for extreme poverty alleviation. This helped PRIME managers to adopt interventions based on need and context.

- Secondly, the programme is anchored with the key microfinance market systems actor in Bangladesh – PKSF. This means, the interventions that are undertaken under PRIME are owned by an entity that has the incentive and mandate to adopt and respond to the market needs. This is manifested in the fact that LIFT was continued even after the withdrawal of funding from DFID. PKSF could scale up LIFT interventions by leveraging on PRIME. Also, PRIME policy for flexible microfinance was embraced in Buniyad, PKSF's regular microfinance programme for the ultra poor. ENRICH and Ujjibito are two other PKSF programmes that are direct results of the evolution of PRIME. The evolution was possible because PKSF had the authority and mandate to make necessary adjustments to PRIME packages to respond to the learning and experience.
- Thirdly, the interventions are not centrally managed or are directed top down. The innovations in PRIME and LIFT came from both PKSF and from the POs and from both management and field staffs. The decentralized system for conceptualization of interventions and the ownership provided at the field level ensured that the programme could evolve in response to specific market contexts in the programme territories which are widely dispersed and have distinctive socio economic conditions.
- Fourthly, PKSF had other complementary programmes the learning from which could be tested and scaled up in PRIME. As we explained further in the subsequent chapters, the complementarity of PKSF programmes is one of the foundations of the success of PRIME. Innovations piloted under LIFT were scaled up under PRIME. PKSF's experience

in managing value chain development interventions under FEDEC were utilized while designing and implementing market development interventions on export oriented IGAs like crab fattening and Eel fish fattening in the southern coastal regions.

- Finally, the Results Based Monitoring (RBM) system provided periodic inputs that could be used by the programme to make decisions on innovations and change in policy for interventions. The Institute of Microfinance (InM), now Institute for Inclusive Finance and Development, conducted 7 rounds of impact assessment of PRIME till 2016. This provided foundation to measure the longitudinal progress. Furthermore, the programme adopted Results Based Monitoring (RBM) which provided results against key programme indicators. The programme also undertook surveys on health and nutrition that provided measures of programme impact on health and nutrition status of the beneficiary households. Apart from the RBM there is a separate monitoring system in place for monitoring of the financial performance of the POs.



# Impacts of PRIME on Target Beneficiaries

Pathway Analysis

*The report summarizes impacts of PRIME under five categories:*

- i. economic impact of PRIME, which includes impact on food security and other economic outcomes*
- ii. impact of non-financial services*
- iii. effectiveness of PRIME interventions*
- iv. impact of PRIME on poverty alleviation and*
- v. impact of PRIME on human dignity.*



PRIME started off as a Monga eradication programme and evolved as a holistic extreme poverty alleviation programme. Its impacts therefore evolved from being focused on creating employment in lean season or in hunger period to creating sustainable and diversified income opportunities, improving economic self-sufficiency of the households and

supporting households to tackle health shocks. PRIME uses a Results Based Monitoring Systems (RBMS) to monitor, measure and report its impacts. The system is used to monitor performance at output, outcome and impact levels and provides a key diagnostic tool for PRIME managers.

PRIME's Results Based Monitoring Systems (RBMS)		
Level	Measurement Tools	Indicators Measured
Level	Seasonal Vulnerability Reduction Index (SVRI)	<ul style="list-style-type: none"> <li>- Food Security</li> <li>- Adoption of Monga-coping Strategy</li> </ul>
Outcome	Economic Self Sufficiency Assessment Sheet (ESSAS)	<ul style="list-style-type: none"> <li>- Employment</li> <li>- Economic Activities</li> <li>- Responses of Beneficiaries to Technical and Primary Healthcare Services</li> </ul>
Output	Activity to Output Monitoring (ATOM)	<ul style="list-style-type: none"> <li>- Measures progresses against all 7 components of PRIME</li> </ul>

While RBM results provide us the accounts for nominal improvement in income, employment, food security, dietary diversity and economic self-sufficiency due to PRIME interventions, the annual impact assessments undertaken by the Institute of Microfinance (InM; now Institute for Inclusive Finance and Development) provides a comparative review of PRIME and non-PRIME beneficiaries and helps us understand the impact that could be attributed to PRIME. The report summarizes impacts of PRIME under five categories: (i) economic impact of PRIME, this includes impact on food security and impact on other economic outcomes, (ii) impact of non-financial services, (iii) effectiveness of PRIME

interventions, (iv) impact of PRIME on poverty alleviation, and (v) impact of PRIME on human dignity. Following conclusions can be derived on the impacts of PRIME based on the findings from the 7th impact round of impact assessment:

- **Higher percentage of PRIME beneficiaries (PRIME Credit Plus or PCP) are food secured if compared to non-PRIME (NP) beneficiaries:** Percentage of PRIME beneficiaries who are food secured (have three meals per day) during the regular 9 months has increased from 63% in 2008 to 87% in 2015. In contrast, percentage of non PRIME

**As per the latest RBM (2016) data, PRIME has achieved largely positive impacts as summarized below:**



### **Increase in Household Income**

Income of PRIME beneficiaries in the Northern Region increased from TK 5187 in 3 lean months in FY 2008 to TK 34671 in FY 2015-16. Income in 9 normal months increased from TK 24,318 to TK 113,949 over the same period. Per capita/ head/ day (\$PPP) increased from 0.49 in FY 2008 to 2.48 in FY 2015-16.



### **Increase in Employment**

Number of days of annual employment of the main earning member of PRIME household in the Northern Region increased from 177 in FY 2011-12 to 269 in FY 2015-16. The main household earning member of PRIME did not have any employment during the lean period or the Monga season in FY 2007-2008. In FY 2015-16, the main household earning member of PRIME reported 19.47 days of monthly employment during Monga/ lean season.



### **Improved Food Security**

99% of the PRIME households in the Northern Region were reported to be food secured in FY 2015-16 in comparison 62% in FY 2011-12.



### **Improved Household Dietary Diversity**

Household Dietary Diversity Score improved from 6.32 in FY 2013-2014 to 8.62 in FY 2015-2016 in the Northern Region. It improved in the Southern Region from 6.08 in FY 2013-2014 to 7.71 in FY 2015-2016



### **Improved Economic Self Sufficiency**

Economic Self Sufficiency Assessment Score (ESSAS) of the PRIME households improved from 52% in FY 2011-12 to 85% in FY 2015-16 in the Northern Region.

beneficiaries who are food secured during the regular 9 months has increased from 58% in 2008 to 78% in 2015. Similar trends are observed during the lean season or the munga season. Percentage of PRIME beneficiaries who have regular three meals during the munga season increased from 18% in 2008 to 63% in 2015. In comparison, percentage of non-PRIME beneficiaries who have regular three meals increased from 10% in 2008 to 58% in 2015.

- **PRIME households (PCP) have higher average income and physical assets than non-PRIME (NP) households:** In 2008, the average PCP household income was TK 34, 200 and it increased to TK 88,900 at the end of 2015. In contrast, the average household income of NP households increased from TK 31,600 to TK 66,350 over the same period. The value of the physical assets of the PCPs has increased significantly from TK 60,200 to TK 207,500. In contrast, the value of physical assets of NPs increased from TK 38,900 to TK 162,000.
- **Percentage of extreme poor and extremely vulnerable poor participants in PRIME has declined over the years:** The 7th round impact assessment report classified four types of programme participants – (i) non-poor, (ii) moderate poor, (iii) extremely poor, and (iv) extremely vulnerable poor. The data suggests that the percentage of extreme poor and extremely vulnerable poor participants in PRIME has declined over the years. In 2015, 18.82% of PCPs were extremely vulnerable, in comparison to 19.42% of the PCOs, 22% of the NPCOs and 27.47% of the NPs.
- **PRIME interventions contribute to dignity and empowerment of the targeted beneficiaries:** PRIME interventions led to improvement in social status, economic empowerment and dignity of the targeted households. This was evident in our field findings as well as in the impact

assessment reports. The impact assessment report uses four dimensions to assess contribution of PRIME on human dignity. These are: (i) social status in the community, (ii) decision-making authority at the household level, (iii) women's status in the community, and (iv) overall awareness, respect and dignity. The 7th round of impact assessment report makes several important conclusions – (i) Using the Rasch test to measure the latent trait score of the dimensions of measuring social dignity, it concluded that the PCP households scored highest on social status and empowerment, (ii) no significant impact of PRIME on the household-level decision making was found either by participation status or by poverty status, (iii) PCP households had higher status of women in the community in comparison to NP households, and (iv) both PCP and graduating PRIME households have higher access to opportunities and institutions and they are aware of the effectiveness of the programme.

- **PRIME interventions contributes to reduction in the percentage of multi-dimensionally poor households:** The findings of the 7th round of InM impact study shows that the percentage of multi-dimensionally poor households decreased in 2015 from the level of 2013 despite adverse impact of flood on income poverty. The Multi-Dimensional Poverty Index (MPI) of PCP households in 2014-2015 was measured at 32.88 percent in comparison to 42.97% in 2013. In contrast, the MPI of NPCO households was 37.11% in 2014-2015 in comparison to 49.28% in 2013. The MPI of PCP households, as reported in the InM 7th round impact assessment report, was 34.49 percent in 2014-2015, in comparison to 48.18% in 2013.



# Inclusiveness and Sustainability of PRIME Interventions

Pathway Analysis

*PRIME beneficiaries who are old and are not supported by adult male members were found to be less able to diversify their income sources. Further to that, PRIME member households in which the head earner is deceased or disabled is not able to invest in income diversification and asset accumulation. These households are dependent on emergency loans and grants. PRIME beneficiaries who belong to the excluded communities have to go through much deeper transformation process as they have to overcome their social barriers and stigma.*



## Inclusiveness of PRIME interventions

PRIME beneficiaries are selected through a rigorous screening exercise involving participatory process and data. The inclusiveness depends not only the process but also on the criteria used to qualify extreme poor. We looked at both and the findings are appended below:

### **Comparative analysis with other extreme poverty programmes in Bangladesh suggests that PRIME'S targeting strategy is highly inclusive and effective:**

As noted earlier, PRIME beneficiary households are selected based on extensive selection exercise involving Focus Group Discussions (FGDs) with households from target communities which is followed by a household survey. The beneficiaries of PRIME conform to three criteria: (i) households that are dependent on seasonal labour, (ii) households that have less than 50 decimals of land, and (iii) households that have less than TK 4,500 per month as household income. The cost effectiveness study (2014) funded by DFID, provides insights to understand inclusiveness of PRIME in comparison to other extreme poverty alleviation programmes in Bangladesh that includes the Chars Livelihood Programme (CLP), Economic Empowerment of the Poorest (EEP/SHIREE), Specially Targeted Ultra Poor (STUP) and Other Targeted Ultra Poor (OTUP) programmes. As per the cost effectiveness study, if only the targeting criteria were used to measure effectiveness of the targeting strategy, then 64% of the PRIME beneficiaries would belong to the poorest quintile. In contrast, 65% of the CLP beneficiaries, 59% of the SHIREE beneficiaries, 44% of the STUP beneficiaries and 69% of the OTUP beneficiaries would belong to the poorest quintile. If the national Household Income and Expenditure Survey (HIES) data set was considered along with the eligibility criteria, then 89% of the PRIME beneficiaries would belong to the poorest consumption quintile. In this scenario, as per the report, all of CLP beneficiaries would belong to the poorest consumption quintile; for

SHIREE, OTUP and STUP this would be respectively 73%, 70% and 56%.

### **However, moving forward, there is a need to review the targeting criteria given the learning of PRIME and the changing context of extreme poverty in Bangladesh:**

While the cost effectiveness study report indicates at relatively higher effectiveness of the PRIME targeting strategy, our findings from the field provide reveal some salient features of the targeting strategy and targeting criteria of PRIME that could be further reviewed for targeting under a future extreme poverty alleviation programme.

Firstly, as revealed in the impact assessment reports, the household's ownership of land did not improve over the programme period and remained stuck around 10 decimals per household. The impact assessment reports reveal that as household's economic situation improved, they invested on leasing land rather than purchasing land. This is confirmed in our field investigation where all PRIME households that were interviewed reported of investing on leasing land rather than owning land. The Pathway Analysis (2014) report presented similar findings. In this context, it is important to ask whether land ownership or land access should be used as criteria for selection of the extreme poor households.

Secondly, the targeting criteria does not take into consideration the physical assets that the household has access to at the time the selection exercise is undertaken. For instance, in Shyamnagar, Satkhira, we interviewed a household which already had tin-shed and brick built house with tubewell and small pond at the time the selection survey was undertaken. However, the house was constructed on a plot of khas land (government-owned land) which the household had been holding for more than 25 years. The household's physical assets would have meant that their real income was much higher than nominal income from the grocery store at the time the selection exercise was undertaken. In this context, it is important to ask

whether physical assets should be a measure for inclusion or whether such targeting would increase complexity. However, the impact assessment methodology already takes into consideration physical assets and therefore, it can be assumed that access to physical assets could be used as measure for eligibility for selection. The task here would be to define a threshold line of access to physical assets below which households could be eligible for selection. The PRIME impact assessment reports could provide valuable historical data in this context.

Thirdly, the selection survey considers 29 broad indicators that include family size, income, asset, employment, consumption, migration, asset sale, loan, food security, involvement with MFIs. This data could be used to categorize the selected households with respect to its capacity to graduate. Subsequently, the interventions could be tailored based on the capacity matrix. PRIME has already started to embrace it with the classification of its beneficiaries as graduated, transient and vulnerable and by tailoring the support based on that. However, moving forward,

the information collected in the selection exercise could be used more judiciously to tailor programme interventions from the inception.

## Understanding the Context of Sustainability of PRIME Interventions: Review of The Graduation Pathway

**43% of PRIME households have graduated; 43% are on the process of graduation:** In 2014, PKSF introduced a monthly survey to check the status of graduation of the beneficiary households. It categorized the beneficiaries into three categories – (i) graduated, (ii) transient, and (iii) vulnerable. The POs collect data every month which is then used by PKSF to construct a situation analysis every 6th month. In this survey, the households are evaluated against four indicators – (i) per capita monthly income in the family, (ii) income generating activities, (iii) food intake, and (iv) productive assets.

### Classification of PRIME beneficiaries with respect to status of graduation

Indicators	Categories		
	Graduated	Transient Ultra Poor	Vulnerable Graduate Ultra Poor
Per capita monthly income in the family	BDT 1200 and above	BDT 800-1199	Lower than BDT 800
Income generating activities	Have multiple sources of sustainable income generating activities	Have multiple sources of sustainable income generating activities	Don't have sustainable income generating activities
Food intake	Can afford regular 3 meals a day without taking any loan/ external support	Can afford regular 3 meals a day without taking any loan/ external support	Can't afford regular 3 meals a day without taking any loan/ external support Don't get regular 3 meals a day during Monga/ lean season
Productive assets	Possession of productive assets valued at BDT 20000 or more	Possession of productive assets valued at BDT 6000-20000	Possession of productive assets worth less than BDT 6000

## Percentage distribution of households under different categories

Indicators	PRIME (North)		PRIME (South)		Overall PRIME	
	No of member	%	No of member	%	No of member	%
Graduated	161034	46	56852	35	217886	43
Transient	147031	42	74719	46	221750	43
Vulnerable Ultra Poor	42009	12	30862	19	72871	14
<b>Total</b>	<b>350074</b>	<b>100</b>	<b>162433</b>	<b>100</b>	<b>512507</b>	<b>100</b>

The monthly data from the POs are used by PKSF to develop an updated status of the households every 6th month. As of June 2016, 43% of PRIME households have graduated, 43% are at transient stage and the rest 14% are still vulnerable. The level of graduation is higher in the North (46%) if compared to the South (35%). This can be attributed to the fact that the interventions in the South started much later (in 2010) than in the North (2006).

**Households that have graduated are lesser likely to fall back; diversity in sources of income and physical assets is key to the sustainability of the graduation:**

The monthly per capita income of the graduated households is above TK 1200. These households have multiple sources of sustainable income generating activities, can afford regular 3 meals without loan and they possess productive assets worth TK 20,000 or above. Given the diversity in their sources of income and the worth of the physical assets, it is unlikely that the graduated households under PRIME will fall back. The significance of income diversification and accumulation of physical assets in the graduation and sustainability of the graduation of PRIME households was underscored in the Pathways of Change Case Study (2014) and was further validated in this study. In this context, the following three cases from our investigation could be cited. In case 1, we summarize the graduation process of Komola Begum, a PRIME beneficiary in the North, who was enrolled in the programme in 2009 and gradually expanded her sources of income – first through investment in livestock from savings and from loans, then by diversifying

case  
study

### From savings to income diversification

## The Case of Komola Begum

Before enrollment in PRIME in 2009, Komola Begum worked in neighbor's houses as a helping hand. She earned around TK 100 per day or 1-1.5 kg of rice in exchange. Her husband worked as an agricultural laborer but was mostly unemployed. He had an irregular income of TK100-150 per day as a day laborer. Komola joined PRIME as a savings group member. She took her first loan of TK 5000, purchased 3 goats with the loan and paid the weekly installments from her and her husband's income. During this time, PA Tech staffs of PRIME trained Komola on production of vermin-compost. She bought worms, rings and other equipment and started composting. In the meantime, she paid back the first loan and took a second round of loan of TK 7000. She used the loan to buy a rickshaw van for her husband. It brought additional income to the family. Once the family income stabilized, Komola leased 20 decimal land and started cultivation of Aman rice, potato, tobacco and different vegetable crops. She started to earn around TK 25000-30000 per year from the produce. Around this time, Komola bought a heifer for TK 15000. Soon she started to earn TK 1000 per month from selling milk. Recently she has started catfish farming in the backyard pond. Over this time, the family is investing in renovating their thatched house. This case of Komola Begum exhibits how PRIME has contributed to creating diversified income sources for extreme poor families which did not have any regular secured income before. A mix of various IGAs reduced their vulnerability to shocks and made the transformation sustainable.

income sources first through production and marketing of vermin-compost and then through purchase of a van which provided income for her husband, leasing of agricultural lands for production of rice, vegetable and cash crops (potato, tobacco) and then through further

investment in livestock. In case 2, we see how vocational training support provided to a beneficiaries' adult child, helped the household to expand its sources of income and strengthen its physical assets.

## case study

### **Vocational training changes the fortune for Sumon's family**

Sumon Ahmed Sabuj Pradhan, a 22 years old young man, works in the hosiery industry in Mahimaganj, Gaibandha. Sumon's mother, Mosammat Anowara Begum is a PRIME beneficiary supported by SKS Foundation. Sumon, with several other youths of PRIME member households in the area received 1.5-month long vocational training in the local hosiery industry back in 2012. This training was arranged as part of PRIME intervention to transform young members of the beneficiary households into skilled earning persons in the family.

Sumon now works in a local knit factory on contracts. He is paid on piece meal basis. On average, he makes 10 pieces a day. The pay ranges from TK 30-90 per piece. At the end of the month he earns about TK 15,000. But he does not take the month's salary. Instead, he opts to take an advance of TK 10,000-12,000 at the start of the season which lasts for about 6 months a year. He uses this money to buy a couple of goats and rice for his family. One goat is raised in his house. The other is given as *adi* (lease) to a neighbor. Then he draws TK 500-700 a week. This pays for the week's living. At the end of the contract after 6 months, he withdraws the rest of his salary and uses it for something bigger. He started with a broiler poultry farm with 300 birds. Now he has two sheds, one with 500 birds and the other with 1200 birds. He earns about TK 8000-10,000 a month from the poultry farm. He has helped the family to reconstruct the house. With his income, Sumon takes care of his father and mother. He is also supporting his elder brothers and sisters who don't live with him and his parents.

Sumon's story is an example of how vocational training provided by PRIME enabled young members of extreme poor families to engage in new IGAs, diversify family income sources and make transformation faster. He generated savings from his limited income and strategically invested in other IGAs which helped to increase income within a short period of time. Sumon's case is an evidence which shows if extreme poor households can generate savings in the earlier stage and invest to diversify income sources, transformation out of poverty becomes faster.

**Transient households are on the pathway towards graduation but the graduation process of these households has been slow because of factors that are beyond programme control:** The difference between the graduated and transient households is narrow. If compared to the graduated households, the transient households have lower per capita monthly income (within TK 800-1199). Further to that, the physical assets possessed by the transient households is below TK 20,000. While an accurate data is not available, PKSf observes that about 50% of the transient households are at the threshold line of

graduation. The rest are at risk of falling back if programme support is discontinued. It is thus pertinent to analyse why certain households are able to graduate while some are not able to do so even though they received the same support and what could be done in this context by an extreme poverty alleviation programme. Our findings suggest that the response to the programme interventions vary because of endowments that the households bring in when they are enrolled in the programme. These endowments, which includes household's entrepreneurship and leadership aptitude, land ownership/access at the time of enrolment, skills,



prior engagement and experience in off-farm and on-farm IGAs, vary between the households even if they all qualify as extreme poor. At the time of enrollment, the graduated households were better off if compared to the transient households with respect to these endowments. They thus responded to the programme interventions better and were able to diversify their sources of income and accumulate assets at a faster rate than the transient households.

A small sample survey undertaken to understand the differences in endowments between the graduated, transient and vulnerable households reveal some interesting insights in this context. The survey indicates that at the time of enrolment, the average land holding of graduated households (around 15-30 decimals) was higher than the transient households (below 15 decimals). Subsequently, graduated households increased their land holding size faster than the transient households. Besides, the higher average land holding size of the graduated households meant that they could quickly diversify their sources of income by mixing both off-farm and on-farm income generating activities.

**The pathway of graduation for vulnerable and excluded communities is much longer than the rest of the targeted beneficiaries; some vulnerable households would require continuous safety net support:**

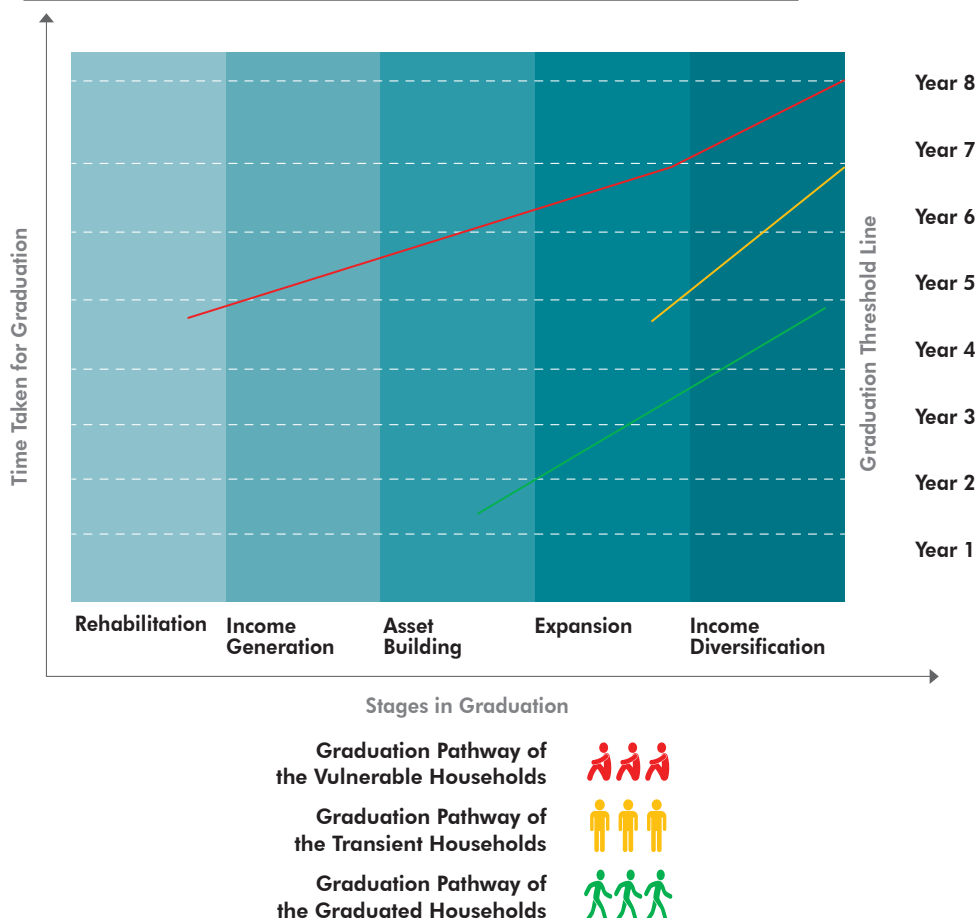
Review of the vulnerable households under PRIME suggests that these households were not able to transform their livelihood because of incapability of the household to invest in diversified ranges of IGAs. Several factors contribute to the vulnerability. PRIME beneficiaries who are old and are not supported by adult male members were found to be less able to diversify their income sources. Further to that, PRIME member households in which the head earner is deceased or disabled is not able to invest in income diversification and asset accumulation. These households are dependent on emergency loans and grants. PRIME beneficiaries who belong to the excluded communities have to go through a much deeper transformation process as they have to overcome their social barriers and stigma. The

degree of vulnerability of these households could be understood from the case of the Dalit Communities.

PRIME started supporting Dalit community of Kumira in Tala Upazilla of Satkhira district around 4 years ago when the programme was expanded in the Southern regions. Unnayan Procheta, a PO implementing PRIME, started working with these socially secluded marginalized households to promote sustainable employment and change their socio-economic status.

Dalits have been living in a small area in Kumira for generations; these landless families reside in the land owned by a local landowner family. They are secluded from mainstream socio-economic activities and are treated as outcaste by both Muslims and Hindus. Being poorest of the poor, they never received any NGO or MFI support before PRIME intervened to change their condition. Previously, most of the female members of the households used to work as house help for solvent families in the area and the male members were involved in raising pigs. They were not employed in agricultural labor or other types of works. Their children did not go to school, suffered from hunger and lacked in nutrition. These families also faced severe crisis of pure drinking water in the area. Due to not having proper sanitation facilities, they also suffered from water-borne diseases. Subsequently, these households required a mix of social safety net, asset grants, water and sanitation interventions in addition to flexible microfinance, skill development, technical support for them to be able to transform their livelihood. While the progress has been good and these households have now better acceptance in the society, their economic condition is still not stable enough for them to qualify as graduated households. However, given that they have overcome the social barriers, with 2-3 years of additional support financial and technical support, these households are expected to graduate out of poverty. The time taken for graduation is a critical factor in this context which we further discuss in the section below.

## Illustrative mapping of the graduation process of different types of PRIME households



**The graduation pathway shows that graduation is not linear; households vary with respect to their response to programme support:** The graduation pathway of PRIME beneficiaries shows that the extreme poor responds to the programme interventions in varying degrees and their capacity to graduate varies with respect to the endowments they bring in at the time of their enrolment in the programme. The graduation pathway also suggests that while some of the extreme poor can graduate in a relatively shorter

period of time others take time. The pathway of change case study (2014) of PRIME beneficiaries identified four stages in the graduation pathway – start-up, asset building, expansion and income diversification. Building on the findings from this study, it can be argued that the transient and vulnerable households first pass through a rehabilitation stage before they start-up or start income generation with flexible microfinance, technical and skills development support provided under PRIME.



Graduated households are lesser dependent on the technical services, skill development and vocational training. However, they require finance and market linkage support to be able to continue the growth of their micro-enterprises. The transient households are still dependent on technical services and some of them require emergency loans to be able to withstand shocks and continue their shift towards graduation. The vulnerable households require asset grants in addition to emergency loans, technical services, disaster management support to be able to withstand deep shocks and begin the graduation process.



The transient and vulnerable households both pass through a stage of rehabilitation in which they absorb the cash injected by PRIME to address immediate household needs. This includes treatment of household head, construction of a small thatched house, payment of school fees and re-enrolment of children at school, payment of loans etc. These households often start up with a couple of goats or a cow but the income from these sources are consumed to meet the household needs and the households are not able to immediately start up income generation by investing in productive assets. Our findings suggest that the vulnerable households pass through 1-2 years of rehabilitation while the transient households pass through rehabilitation within the first year of support. However, while transient households slowly begin to pass through income generation and asset building stages, the vulnerable households often re-enter the rehabilitation stage because of health, economic and natural shocks. They are thus not able to enter the asset building stage and income expansion (higher income for from one IGA) and diversification stages which could insulate them from such shocks. The graduated households on the other hand are able to start income generation faster

since they are relatively well off with respect to their asset base, leadership aptitude, skills and household demography. They are thus able to fast-track income generation and enter the asset building stage within year 2 of PRIME support. These households often enter the expansion and income diversification stage within year 3 and 4 and enter the graduation threshold line, as defined by PRIME, within year 5. The transient households on the other hand pass through the asset building and expansion stage at a relatively slower pace and thus remain vulnerable to shocks for a relatively longer period of time. The cases investigated for this study suggests that the transient households enter the income expansion and income diversification stage between year 4 and 6.

**PRIME experience indicates at the significance of push and pull interventions for sustainable graduation:** As noted earlier, as of June 2016, 43% of PRIME beneficiaries have graduated; 43% are about to graduate and the rest 14% are still at vulnerable stage. The graduation pathway analysis underscored the factors that lead to differentiated impacts; some households graduate faster while others take time. While some households can make use of

flexible microfinance and technical services, other requires safety net supports. The dependence of the beneficiaries on the interventions and the relevance of the interventions to the graduation process thus change over time.

The asset grant combined with emergency loans and disaster management support helps households withstand shocks and pass through the rehabilitation stage. The flexible microfinance combined with technical support, skills development support, vocational training and education helps household pass through the income generation, asset building, expansion and diversification stage. The Primary Health Care and Nutrition Interventions along with disaster management support make the households resilient to health shocks and contribute to long term household sustainability by ensuring that the children grow up healthy.

Therefore, as the households pass through the stages in the graduation pathway, the context, need and dependency of the households on the interventions shift. Graduated households are lesser dependent on the technical services, skill development and vocational training. However, they require finance and market linkage support to be able to continue the growth of their micro-enterprises. The transient households are still dependent on technical services and some of them require emergency loans to be able to withstand shocks and continue their shift towards graduation. The vulnerable households require asset grants in addition to emergency loans, technical services, disaster management support to be able to withstand deep shocks and begin the graduation process. It is thus evident that while the interventions are all relevant, the scope of sustainability varies. While the need for asset grant, technical services, skill development and vocational training diminishes as the beneficiaries graduate, the need for finance and market access increases.

Based on this review we can deduce two critical factors for sustainable graduation:

**i. Mix of push and pull interventions:** The degree to which the programme is able to ensure

long term mix of push interventions (supply driven and dependent on aid or public financing- for instance asset grant, primary health care and nutrition support) and pull interventions (market or demand driven, for instance flexible microfinance, technical services)

**ii. Adoptability of the programme interventions:** The degree to which the programme is able to innovate and adopt to the context of the programme beneficiaries in their graduation process or graduation pathway

Sustainability of PRIME interventions thus needs to be reviewed through a framework that allows us to understand the degree to which the programme has been able to adopt a mix of push and pull interventions and the degree to which the programme is adoptive. We used the market systems lens which provides the framework to analyse the sustainability of PRIME interventions and the future scope.

## **Sustainability of PRIME Interventions: A Market Systems Review**

**Understanding market systems and market development:** A market system is a 'multi-function and multi-player arrangement comprising the core function of exchange and the supporting functions and rules which are performed and shaped by a variety of market players (The Springfield Center; 2014). A financial market system for instance involves the core function of financial service delivery (the supply side), the demand for finance (demand side), the support services that allows the transaction between the financial service provider and the customer (for instance, technology solutions, marketing services) and the rules that dictate supply of and demand for financial services (government policy, social norms etc.). The concept of market systems development is now being widely adopted in many DFID projects around the world to design and implement interventions that are sustainable and scalable.



It should be noted that market systems development is often loosely used as market development. While there is no theoretical difference, often programme managers use market development to indicate at forward market linkage interventions in the value chain through private sector engagement while market systems development involves a mix of public, private and civil society interventions that are undertaken with the goal to address a systemic challenge. Market systems development thus deals with the question 'what happens to the benefits provided by the project after the project support is withdrawn.' Systemic or market systems change in this context is defined by The Springfield Center (2014) as "a change in the way supporting functions and rules perform that ultimately improves the poor's terms of participation within the market system". We thus use the concept of market systems development rather than market development to review sustainability of PRIME interventions and the future course of actions that could be taken for sustainable development for extreme poverty alleviation.

**Features of a market systems programme:** A market systems programme has the following features:

- **The programme addresses root causes of poverty:** It aims to address systemic dysfunctions or the root causes of a problem rather than the symptoms. For instance, seasonal unemployment and hunger is a symptom of market dysfunction and it could be caused because of several factors- (i) the local economy does not provide enough opportunities for year round income generation for the extreme poor (ii) the poor does not have the capital to engage in income generating activities (iii) the poor does not have the knowledge and skills to engage in income generating activities for which there is local market opportunity.
- **The interventions are adaptive and context-specific:** A market systems programme does not apply prescriptive solutions.

The solutions are designed based on rigorous analysis of the context. The programme evolves as it gathers evidence on the market dysfunctions and the lessons from the pilot interventions.

- **The programme is implemented through market actors:** The interventions of a market systems programme are implemented by or through market actors which have the commercial, social, political incentive to continue the interventions after withdrawal of the donor finance or the programme support. The market actors could be public, private, NGO or civil society actor.
- **There is a clear vision for scale and sustainability:** A market systems programme is directed by the vision for change; it is designed around the question what happens once the programme support is withdrawn. The benefits of the programme goes beyond the immediate target beneficiaries and reaches out to the section of the poor who cannot be reached by the programme during its tenure due its mandate (time, geographic focus, funding, donor priorities etc.). The innovations promoted by the programme evolves and are sustained by market actors in their own capacities.

It is assumed that if the above features are present, a programme can deliver systemic and sustainable results.

**PRIME as a sustainable market systems programme:** PRIME was not designed as market systems programme. But it evolved as a market systems programme. We qualify PRIME as a holistic market systems programme for extreme poverty alleviation because of the following features:

- **PRIME addresses the root causes of poverty:** PRIME started with Cash for Work (CFW) which is a safety net programme that responds to the seasonal unemployment and hunger by creating short-term employment

opportunities but does not create sustainable long term economic opportunities that could generate employment for the extreme poor. However, PRIME soon introduces Flexible Micro Credit programme which addresses the root cause- the extreme poor does not have access to the capital to invest in income generating activities. PRIME complements the flexible micro-credit programme with technical service provision which addresses the root cause- the extreme poor often do not know which income generating opportunities they could invest in and what technical know-how are required to start-up. The emergency loan addresses periodic shocks faced by the extreme poor. The interventions on primary health care and nutrition and disaster management further insulates the poor from the shocks. The market linkage support ensures that the poor who needs to cater to regional, national and export market to sustain the growth of their micro-enterprises are able to do so.

- **PRIME is an adoptive programme:** As explained above and in previous sections, PRIME is not a fixed term prescriptive programme. The interventions evolved over the years to reach the current state of the programme where it has a package of interventions which are made available to the programme beneficiaries based on the need. The market linkage supports are provided to the graduated households while the asset grant support is steered towards the vulnerable households. The programme has a mix of push and pull interventions relevant to the status of the targeted households in the graduation pathway.
- **PRIME is implemented by a market actor:** A unique feature of PRIME, as we explained before, is that the donor fund is channeled directly to a market actor, PKSf. In the microfinance market systems, PKSf has a pervasive role. It is the source of finance for the Micro Finance Institutions (MFIs) in Bangladesh. It is serving about 12 million

clients in Bangladesh through 270 partner organizations or MFIs. PKSf also participates in the support functions through organizations like Institute for Inclusive Finance and Development (InM) and in the regulatory functions through Micro-credit Regulatory Authority (MRA). Programmes like CLP, SHIREE are implemented by management contractors which are not market actors. To implement market systems programme, these organizations are tasked to assume the role of a facilitator and work with the likes of PKSf. It should be noted that the STUP and OTUP programmes have a similarity in scope in this context since these two programmes are being implemented by BRAC which is a market actor and has a pervasive role in several interconnected markets- microfinance, enterprise development, agriculture, handicrafts and cottage industries etc. However, we are not clear whether BRAC has the similar manifesto like PKSf to institutionalize and continue the programme interventions without donor financing.

- **The programme implementer has a vision for scale and sustainability:** PKSf continued with the LIFT interventions even after withdrawal of DFID support in 2011. The experience of PRIME has already been used to design and implement other PKSf programmes that includes Ujjibito, ENRICH and Buniyad. The large network of PKSf and its client base means that the experience of PRIME has an immediate impact on ultra poor beyond the programme territories. The interventions like Black Bengal Goat breeder farms, which are tested under LIFT are scaled under PRIME and are subsequently scaled through other PKSf programmes. The capacity is institutionalized both at PKSf and the PO level and is reflected on the growth of number of branches and number of beneficiaries served by the POs.

**We conclude that PRIME at its current form is a systemic market development**

**programme and therefore there is a strong foundation for sustainable and scalable results for extreme poverty alleviation.** In the following section we look deeper at the current state of institutionalizing the capacities for sustainable development and the future course.

## **Embracing Market Systems Change for Sustainable Development: The Current State of PRIME**

As we noted before, PRIME was not designed as a market systems programme. However, it evolved as a market systems programme having a mix of push and pull interventions. Some of these interventions are being sustained and are expected to be continued by PKSf beyond PRIME and without DFID support. However, some of the push interventions of PRIME are supply driven and these need to be sustained at the state level either through special financing arrangements by PKSf or by the government. In this section, we explain the current state of sustainability of PRIME interventions.

**PRIME packages are being mainstreamed and institutionalized by both PKSf and the POs:** PRIME interventions could sustain if PKSf continues to provide the fund to the POs on the same terms as in PRIME and if the POs retain the PRIME branches and the non-microfinance staffs (PA Tech, IGA officers, Palli Paramedics, Market Linkage Officers) to continue the technical, health, nutrition, vocational training, disaster management supports that were provided under PRIME. PKSf has already integrated the PRIME terms of borrowing in its core microfinance programme called 'Buniyad'. The POs that were consulted as a part of this study also confirmed that they have started the process of integrating the staffs under PRIME to be able to continue the non-financial services post PRIME.

**PRIME is more cost-effective if compared to other extreme poverty alleviation programmes:** PRIME is reported as the least expensive programme amongst all the programmes

compared with respect to programme cost per beneficiary. The cost effectiveness study provides a detailed account in this regard. As per the study while the cost per beneficiary for CLP was estimated to be TK 120,662 it was estimated to be just about TK 6860 for PRIME. The low cost per beneficiary for PRIME can be attributed to the fact that the core benefit, the flexible microfinance, is provided by PKSf and is eventually borne by the beneficiaries while in the case of CLP the beneficiaries are provided asset grant and stipends over a period of 18 months directly by the programme. PRIME in this regard is not only cost effective but has much better prospect for sustainability because the core component of the cost 'flexible microfinance' is borne by the market actors but not by the donors.

**The PRIME POs have market incentives to sustain the PRIME interventions:** The incentives of the POs to continue the PRIME branches and retain the PRIME staffs could be traced back to the fact that PRIME has been profitable for them in terms of expanding to new customer base, increasing the portfolio size and reaching out to extreme poor households who were excluded under conventional microfinance. This is further evident on the PCR report (2016) which states that 55% of PRIME branches had an Operational Self Sufficiency (OSS) of at least 100% (i.e covered all their costs). It further states that more branches have crossed this threshold and the 15 POs that were met during the PCR suggested that all their branches except one had an OSS of at least 100%. The report cites two factors which have helped improve OSS. Firstly, there is increasing proportion of PRIME members who have graduated to normal PKSf micro-finance terms with higher interest rates than ultra-poor loans. Of the value of loans disbursed in the second half of 2015, 50% was flexible micro-finance on special ultra-poor terms, 2% were emergency loans and 47% were on normal micro-credit terms. Secondly, PKSf has allowed PRIME branches to form non PRIME groups. As per the report as of June 2015, there were 157,317 such members, of whom 82% had outstanding

loans. These less-poor members had larger loans than PRIME members, so the total amount outstanding, TK 2,030 million, was more than the Tk1,716 million outstanding to PRIME members.

Building on the above accounts it can be concluded that the POs benefit from PRIME in two ways. Firstly, PRIME helps them to expand to households that are otherwise not targeted by them. This expands their portfolio. Secondly, as the households graduate, they transfer to regular microfinance terms at higher interest rates. This increases the profitability and generates surplus from the interests which the POs could invest on retaining the capacities required to sustain the PRIME packages and service delivery mechanism to target the ultra-poor. The increased capacity of the POs is further reflected on their intent in continuing the non-financial services that are introduced under PRIME. The following cases of several PRIME POs illustrate how the financial services are being sustained by the POs and the different variables that contribute to it:

**Sustainability of PRIME financial services explained through the transformation of the POs:** To analyze how the POs are responding to PRIME interventions and sustaining the delivery of these interventions, we undertook consultative discussion sessions with four PRIME partner NGOs in the South and two partner NGOs in the North. In the South, we consulted the staffs of NoabekiGonomukhi Foundation (NGF), JCF, HEED Bangladesh and Ad-Din Welfare Center. In the North, we consulted the staffs of RDRS and SHARP.

NGF has 19,122 PRIME members who are served through 9 PRIME branches in Shatkira district in the South. According to NGF, PRIME had several transformative impacts on the organization's capacity to deliver microfinance services to the ultra-poor. A key change has been the fact that the organization is now more able to analyse the needs of the target beneficiaries, determine the IGAs that are suitable for the beneficiaries and provide financial and non-financial services that are

Initially our staffs were overburdened with extra load of work for nurturing these extreme poor households who demand more intense supports compared to regular microfinance beneficiaries. Staff dropout rate was higher in the beginning which gradually came down over the course of time. It was a challenge which the POs had to overcome at the initial phase of the project.

A distinctive attitude to nurture extreme poor households for providing microcredit has grown among PRIME PO staffs; this transformation did not happen amongst other conventional microcredit agencies working in the same regions.

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Director- Microfinance, RDRS

tailored to the need of the target beneficiaries. This helped NGF to ensure that the loans are appropriately sized to the need of a beneficiary to start-up or expand an IGA. In this context, the IGA mapping exercise that was undertaken under PRIME had a major impact on the organization and the capacity of its staffs. Besides, due to PRIME they have a diversified portfolio of beneficiaries comprising poor and ultra-poor and non-poor beneficiaries. This has reduced their credit risk. NGF plans to retain 1 Palli Paramedic and 1 PA-Tech Officer for every 3 branches. The organization has decided to drop the Community Health Promoters (CHPs),

According to Jagoroni Chakri Foundation (JCF), the savings of the ultra-poor beneficiaries have increased due to their rapid economic growth and well-being. At the time this study was undertaken JCF had a savings of TK 6 crores with PRIME branches of which TK 2.4 crores were with the ultra-poor. The increase in savings mean that JCF has increased lending capacity. JCF is operating 11 PRIME branches in the South serving 20,910 beneficiaries and six PRIME



branches in the North serving 9218 beneficiaries. Ad-din reported that the PRIME staffs have more multidimensional skills if compared to their non-PRIME staffs. Unlike NGF, which plans to retain a part of the PRIME staffs, Ad-din plans to retain all the PPs and PA Tech Officers. This is in line with Ad-din's strategy to incorporate a more holistic sustainable microfinance programme instead of a conventional microfinance programme. It is important to note here that Ad-din introduced several innovative IGAs which includes tailoring hospital gowns and diploma nursing for daughters of selected PRIME beneficiaries (about 140). The organization operates Nursing Institutions and Hospitals and was thus able to synergize the PRIME interventions with its other operations. Ad-din is serving 5000 beneficiaries through 3 PRIME branches in the South. The non-financial technical services thus allow Ad-din to expand their portfolio beyond microfinance.

**The non-financial services are also being institutionalized but not at the same level of the financial services:**

During our field investigation, the programme beneficiaries ranked non-financial support services (health services, technical assistance for IGAs, skill & vocational trainings etc.) as the most significant of the interventions under PRIME. It is therefore essential to discuss the degree to which the non-financial services under PRIME are sustainable if not financed by a funding agency like DFID. The issue was investigated in details in the PCR 2016 undertaken by Edward Malorie. The report cited several market responses that could be taken as early indicators of sustainability. This includes the following:

- Several POs have started to levy charges for services such as vaccination of animals and consultation with doctors at health camps. While these service charges are nominal and do not cover for the cost incurred, it is likely

that the POs would continue to deliver these services since it results increased business for them. The fact that several of the PRIME in POs in the North cited that they surplus from the interest

- According to the Edward Mallorie Report, 'PRIME POs have started levying charges for services such as vaccination of animals and consultation with doctors at health camps. However these charges are nominal and do not cover a significant proportion of the costs incurred. POs in the North say that there is now a sufficient surplus generated from interest charges to cover the cost of technical staff (and also health staff for some POs). POs say that they plan to keep at least some of the technical staff after PRIME ends - such as one PA (Tech) for every two branches - and they have done this when other PKSF projects ended<sup>29</sup>. To maintain health services, POs could adopt the model that some of them (TMSS, SSS) already use, with households paying around Tk100 per year for a package of primary health care via a paramedic - although POs think that it would not be unreasonable for PRIME households to pay up to Tk200 for a more comprehensive service.' The report also cites health insurance as a possible way to continue the health services introduced by PRIME.

In our field investigation, we found evidences that some health service providers and IGA support staffs (mostly PA techs involved in livestock support services) of the POs have started providing services in the community to non PRIME members in exchange of nominal fees. Some other technical assistance staffs left their jobs and started providing these support services to the people. They are generating good income from these services and will continue as freelance service providers. During our meeting with PO technical staffs, many of them expressed their plan to generate income in a similar way after the completion of the project.

<sup>29</sup> Projects such as MFTSP, PLDP and MFMSFP funded technical staff at the branch level. POs report than maintaining at least some of these staff helps build a healthy loan portfolio and increase branch viability. PKSF has also maintained agricultural and livestock units at its head office to support PO technical staff and to continue to disseminate new technologies.

These accounts suggest that if PRIME is discontinued, some of the beneficiaries and non-beneficiary households in the communities will still have access to technical support and health services through the POs and also through the PRIME staffs who have left their jobs and decided to provide the services to the communities. However, these developments are sporadic and dispersed and are not widespread across all programme territories. The outreach or the number of households served through these channels is much lower than the overall PRIME and it is unlikely that these channels would grow to the degree to which it can achieve the similar outreach and effectiveness of PRIME. In general, we can observe that the non-financial services will sustain and evolve beyond PRIME but not to the degree and scale achieved under the programme. The following case of a PRIME Palli Paramedic illustrates how PRIME non-financial services are being sustained at the grassroots level.

**Sustainability of PRIME Non-Financial Services explained through the transformation at the grassroots:**

Md. Kamrul Islam was trained as a paramedic for two years and finished his diploma in 2007. He was also involved in fish cultivation. He invested 1 lac 87 thousand taka in fishery and lost his capital in the tropical cyclone Aila. His condition worsened, but he was determined to fight back and repay the loans. He consulted the lending organization NGF to make his installments flexible after the disaster. His request was accepted and the installment was revised to TK 3000 per month. After Aila, the condition of his area Koira was miserable. He joined PRIME as a Palli Paramedic in 2011. On his joining he received a training for two weeks and started working for a monthly salary of TK 10,000. He continued to repay his previous loan from his salary. In 2014 Kamrul set up a pharmacy in Kalbari and started to attend to patients in the evening after work. As the number of patients increased, he expanded his pharmacy. He has invested TK 400,000 in his pharmacy till date and now employs a staff for TK 5000 monthly

salary. His daily income from the pharmacy and from attending patients is around TK 1200-1300 per day. Md. Kamrul Islam highlighted PRIME health services as one of the key components behind the success of this programme. Being affected by Aila he fell in a destitute condition, PRIME gave him the opportunity to work for the people in the community which helped him to regain his dignity. He has two daughters and wife in the family. His wife contributes to family income through tailoring works.

Some PRIME non-financial interventions may not sustain; but these interventions are at the core of the holistic approach of PRIME and thus should be continued by the programme: While some of the PRIME non-financial supports are expected to sustain albeit with limited outreach, some supports may cease to sustain beyond PRIME. This includes, nutritional support (the free distribution of micronutrients to PRIME beneficiaries with stunted children under 5) and antenatal care services. The micronutrients that are provided under PRIME are fully subsidized and are administered through the Community Health Promoters (CHPs). Our investigation suggests that the PRIME beneficiaries have limited access to pharmacies retailing the micronutrients. The free distribution of micronutrients to PRIME beneficiaries with stunted children ensures that all the cases in the community are accounted for and addressed. If driven by the market, there is a risk that some cases will not be reported and some beneficiaries will not avail the micronutrient for their children because of lack of knowledge or limited access to the micronutrient. Some beneficiaries may simply be unwilling to pay for the micronutrients. If these children grow as stunted, they are likely to be less economically active than other adults. There is thus a risk that these households will fall back in the long run. The nutrition support under PRIME thus insulates the households and reduces their vulnerability to health shocks.

PRIME promoted two types of training (i) Skill development training & (ii) Vocational training.

Skill development trainings have been delivered to equip beneficiary households with better capacities to implement on farm and off-farm IGAs initiated under PRIME support. Farm based skill development trainings are generally conducted in model farms in each area. These model farms are established with technical and grant supports from PKSf and POs in the houses of comparatively better performing beneficiaries. External technical experts, Upazila level local agriculture, livestock or fisheries extension officials from Govt. agencies and PA Tech staffs participate in the demonstration sessions and provide trainings. For off farm IGAs, short trainings with duration of 3-30 days are arranged depending on types of trades. In some trades like tailoring, mat-making etc., accumulated daily allowances allocated for each beneficiary are distributed after the completion of the training so that they can use it as a startup capital matching with loan supports from PRIME.

Vocational training provided by PRIME intends to promote self-employment and diversify IGAs of the beneficiary households. Eligible members (young sons and daughters of beneficiaries in most of the cases) are selected to receive training on suitable trades they are interested in. Depending on the types of trade, both residential and non-residential trainings are provided with varying duration of 30-180 days. Popular vocational trainings include mobile phone servicing, electrical house-wiring, electrical motor repairing, power-tiller repairing, irrigation pump repairing, motor-cycle mechanics, solar mechanics, tailoring, knitwear manufacturing, etc. PKSf and POs have partnered with specialized vocational training institutions like Bangla-German Sampriti,

Muslim Aid Institute of Technology, Adams, Safayat Hosiery Ltd., ICL Ltd., etc. for delivering these trainings. In most of the cases, training recipients have started their own ventures in the localities after getting the vocational training. Some others have secured jobs in industries. Overall, these vocational trainings have contributed to diversify family income sources for beneficiary households and ensured employment for young members.

The vocational and skill development trainings provided under PRIME may also not sustain and scale beyond PRIME. There are several factors that underlie the conclusion. The foremost is the cost for training and the unwillingness of the households to bear the cost of the training. Further to that, due to the lack of interest from the participants to pay, the training service mechanism relies on subsidies paid for by the NGOs and projects. The vocational and training education market system thus evolved as supply driven public goods market which is unlikely to change. The area specific demand for skilled mechanics for vocations like mobile phone repairing, motor cycle servicing etc. is low. The service providers will thus have to operate in a regional scale which would increase their cost for promotion and enrollment of trainees. Besides, currently the trainees pass through an apprenticeship based system which is least expensive and informal. A formal training service delivery mechanism which allows for systematic recruitment of ultra poor households cannot be sustained through commercial market mechanism without facilitation of a programme which is how the current system works.

**Our conclusion is that these non-financial services should be delivered by the programme and the costs for these should be borne by the programme under the push interventions while the pull interventions, which include flexible microfinance, should be driven by the market principles. We review this further in the following section on lessons learnt and way forward.**



# Sustaining the Achievements of PRIME: Lessons Learnt and the Way Forward

Pathway Analysis

*While most of the extreme poor households are able to reach the graduation threshold line by year 7, the vulnerable households require longer term support. Further to that, upon reaching the graduation threshold line, the graduated households require support to market their produce to the regional, national and export markets so that they are able to grow their microenterprises.*



In the previous section, we have explained that the scope of sustainability of PRIME interventions varies- while the financial services of PRIME can be sustained through market mechanisms, some of PRIME interventions would require state interventions, subsidy and aid. In this section, we highlight some of the key learnings from PRIME and suggest a strategic road map that could be adopted to sustain and leverage on the achievements of PRIME.

### **Adaptive programme management is a critical factor for extreme poverty alleviation**

The key to the success of PRIME is that it is non-time bound and non-prescriptive. The interventions evolved in response to the learning and experience and in response to the need of the beneficiaries as they evolved in the graduation pathway. The programme in this regard is quite different than other extreme poverty programmes in Bangladesh which are time bound and prescriptive and are designed on the assumption that extreme poverty can be addressed within a stipulated time frame and through a set range of project driven interventions. The graduation pathway analysis of PRIME suggests that graduation is not linear and non time bound and cannot be achieved within a stipulated time frame.

### **Mix of long-term push and pull interventions are needed to support graduation**

The experience of PRIME also shows that to address multidimensional aspects of poverty, it is essential that the programme works with a beneficiary till it is able to accumulate sufficient assets through diversified sources of income before the programme interventions are withdrawn. While most of the extreme poor households are able to reach the graduation threshold line by year 7, the vulnerable households require longer term support. Further to that, upon reaching the graduation threshold line, the graduated households require support to market their produce to the regional, national

and export market so that they are able to grow their microenterprises. The programme thus need to be mandated to apply a mix of interventions that complement each other over a long term period. This would allow the programme to ensure a mix of push and pull interventions in which the push interventions would drive the households towards the poverty threshold line and the pull interventions will move them up further and ensure that they are resilient. The following concepts in this regard should be noted:

**Graduation threshold line:** We concur with the PKSf definition of the graduation threshold line. A household is graduated if (i) the household has per capita household income of TK 1200 and beyond per month (ii) it is engaged in multiple off farm and on farm income generating activities (iii) the household can afford 3 meals a day in both regular and lean period without taking loans (iv) the household has more than TK 20000 in physical assets.

**Push interventions:** The push interventions should be driven by the programme and the cost of these interventions could be borne under social safety net schemes. The push interventions shall include but shall not be limited to – asset grants, emergency loans, primary health care and nutrition support, disaster management support, vocational training and skills development support. The scale of push interventions should reduce gradually over the programme period and should gradually be taken up by the pull interventions. Based on the review of the graduation pathway it can be suggested that the scale of push interventions could be reduced from year 3 in the programme and could be withdrawn completely for graduated households by year 5. However, for transient and vulnerable households it could continue till year 7. By year 7 the most vulnerable of the households should be taken over under social safety net schemes of the government and the programme should stop the push interventions. The transfer to the

social safety net programmes could also take place at the inception of the programme after the beneficiary selection exercise. Aged and disabled beneficiaries could be transferred to social safety net schemes at the very beginning of the programme since the PRIME experience shows that these households cannot be graduated through flexible microfinance and technical services even with continued programme support. The transfer in year 7 should thus be for those households which have fallen back due to health, natural and economic shocks that were outside the programme control. While all beneficiaries should qualify to receive the push interventions at the inception of the programme, the scope of asset grants should be limited to households having the lowest endowments for graduation which can be measured by the following criteria: (i) the household is fully dependent on seasonal labor and does not have leased or owned land (ii) the

household has immediate rehabilitation requirements and therefore cannot invest on income generating activities and (iii) the household is female headed and does not have young adult, male or female, to engage in income generating activities.

**Pull interventions:** Unlike the push interventions, the pull interventions will be driven by the market. The pull interventions will include flexible microfinance and enterprise loans, technical services on production, market linkage and market access, product development and innovation. Product development and innovation in this context refers to the LIFT interventions. While flexible microfinance will be the entry intervention, enterprise loans and market linkage services should be made available depending on the position of a household in the graduation pathway. Households entering the graduation threshold

### Push and Pull Interventions for Sustaining Graduation

#### Graduation threshold line

A household has more than TK 20,000 worth of physical assets, is engaged in multiple off-farm and on-farm income generating activities and has a minimum household income of TK 1,200 per household member per month.

#### Pull Interventions: Market-driven

- Flexible microfinance and enterprise loans
- Technical services on production
- Market linkage and market access services
- Product development and innovation

#### Push Interventions: Project-driven

- Group Formation
- Asset Grant
- Emergency Loans
- Disaster Management Support
- Primary Healthcare and Nutrition
- Vocational Training and Skills Development Support

line at any point in time should have access to these supports. The cost of technical services, market linkage and market access could be embedded to the PO cost of operations. The POs could be provided preferential rates for cost of borrowing based on their investment in market linkage and market access services on an ex-post basis. Product development and innovation could be undertaken by both private sector and NGOs under a market development fund or grant scheme. Market linkage and market access services are also expected to attract private sector provision of technical knowledge and market information thereby reducing the need for project's engagement on technical services. In this context, we propose that while the current strategy for technical service provision could be retained, the service could be gradually transferred to market actors ensuring that at the time the project support is withdrawn these services are available to the beneficiaries. Between year 7 and year 10 the programme should focus solely on pull interventions ensuring a successful and sustained exit of extreme poverty alleviation interventions.

**Market development and market systems change needs to be adopted as the core foundation of the programme, not as a separate element**

PRIME has evolved from an emergency response programme to a holistic poverty alleviation programme and is on track of being a systemic extreme poverty alleviation programme. In its next phase it should embrace market systems development as the core foundation of the programme design and management to deliver systemic and sustainable results. We strongly recommend that market development and market systems change should be the core foundation and not a separate element. Making market development a separate element could reduce the programme's capability to navigate across the graduation pathway through a mix of push and pull interventions depending on the need of the beneficiaries. To embrace market systems

change as the overarching approach for extreme poverty alleviation, the interventions should be guided by the following:

**Aligning programme interventions to the root causes:** Even though PRIME interventions are designed in consideration of root cause of poverty (as explained in section 6.3) the root causes are not systematically analysed or documented. We have provided the basic analysis to understand how PRIME is addressing the root causes of poverty. We recommend that the programme builds on our basic analysis and undertakes a systematic review to align the programme interventions to the root causes for poverty.

**Putting the market systems on the frontline of interventions:** PKSf has already started the process by adopting an IGA mapping exercise to identify area specific income generating opportunities for which there is strong market opportunities for inclusive growth. This should continue in the next phase. PKSf has also started to work with market actors to facilitate sustainable linkages in the value chain. However, this is currently limited to working with local traders to ensure that the producers are able to market their produce. In the next phase, this could be expanded to engage both regional and national private sector actors like agribusinesses, processors, traders for provision of quality inputs, technologies and for production and marketing of value added products. It should be noted here that engagement of large national private sector actors might require the programme to gather critical mass of producers under one trade. Such engagement might also need involvement of non-poor farmers in addition to poor farmers to facilitate faster impact and demonstrations. The future programme can address these in several ways. Firstly, if a systematic IGA mapping exercise is undertaken at the very onset of the programme, it might be able to identify several value chains that are common across different PRIME regions and therefore there could be a potentially critical mass of producers to make private sector engagement

viable at national level. Secondly, the new programme or the new phase could work with the graduated households under PRIME for demonstration on improved production, new technologies etc. Thirdly, as the new entrants graduate they can be taken up as role models or to set up demonstrations for other producers in a territory.

### **Having a strategic roadmap towards exit:**

Putting the market systems on the frontline would also mean that the programme clearly articulates at the very onset, what happens to the programme interventions once the programme support is withdrawn. As we explained, the scope of push interventions should gradually diminish as the programme progresses and by a certain period the push interventions should be transferred to the government's social safety net programmes. The pull interventions should be institutionalized at the level of PKSf, the POs and with the private sector actors. By having a clear strategic roadmap towards exit, the programme would be able to make its interventions more effective, efficient to ensure sustainable graduation.

**Results-based management:** PRIME already embraces results based decision making systems through the RBM and the annual impact assessments. Need based studies are also undertaken. PRIME's results based monitoring system is widely appreciated by experts working on extreme poverty programmes and is reflected on the PCR and the Annual Review 2014. While these efforts should continue, the programme should invest further on monitoring, particularly for knowledge management. This is detailed further in the section below.

### **To embrace market systems change as the overarching approach, the capacity of PKSf needs to be strengthened in certain aspects**

Even though PKSf embraced market systems change as the overarching approach for programme design and management, it happened as an evolution but not as a conscious strategic choice. For it to become a

holistic market systems change programme for extreme poverty alleviation, the following capacities need to be strengthened:

**Technical capabilities:** The core competency of PKSf and its partner organizations rests on microfinance and financial markets. Moving forward, PKSf envisions to become a leader in financial inclusion and move beyond traditional microfinance by embracing enterprise loans, enterprise development and such. This transition would require PKSf to acquire human resources having the expertise and experience in market systems facilitation. Such expertise is available in Bangladesh particularly because of the extensive engagement of DFID on market systems development programme in Bangladesh. PKSf has the option to acquire the expertise by recruiting and establishing a market systems facilitation component and also by establishing partnerships with local consultancies in Bangladesh having the expertise in research, design, management and monitoring of market systems programmes.

**Operational capabilities:** Adopting the market systems approach would require PKSf to engage in partnerships with large national private sector actors. PKSf does not have a history of such engagement. As PKSf deals with public fund, it might find it difficult to engage in partnerships with private sector actors. It is recommended that the PKSf management reviews the partnership modalities of DFID funded projects like Katalyst to understand the complexities of such partnerships and adopt its policies to mitigate the challenges foreseen.

**Monitoring and Knowledge Management:** PKSf through InM is distinctly able to undertake complex studies to monitor results of a complex extreme poverty alleviation programme. This is well manifested in PRIME. However, while engagement of external agencies make the PRIME programme management team lean and efficient it also means that PKSf is not able to capture the knowledge and experience in a continuum. Given the significance and scale of the programme, it can be argued that the programme needs to have its own monitoring



and knowledge management system to ensure on time data driven decisions. Otherwise, it loses time and efficacy which is an extremely important element of the graduation process as we have highlighted in this report.

**Anchoring the programme with an organization that has the mandate and capacity to test, scale up and sustain the innovations**

A key foundation to PRIME's success is that it is anchored with an organization that has the mandate to test, scale and sustain the innovations beyond the programme period and scope. A comparative review between CLP and PRIME was brought to our consideration by the programme managers of PRIME. Both programmes worked with POs. However in CLP the POs were engaged by a management contractor and in case of PRIME the POs were engaged by PKSf which have the direct mandate to steer the operations of these POs. It

has been observed that while CLP POs in general have started to withdraw their engagement in interventions facilitated by the programme, the POs which were also engaged in PRIME continued their engagement. These POs have classified the beneficiaries to different groups based on their performance and locations and according to their capacity to use loans. Subsequently, some of the beneficiaries were inducted to regular microcredit programme and some were engaged in other programmes according to the trade they were involved in. We have highlighted this in the review of sustainability of PRIME based on the accounts of the PCR and also based on our review of the transformation of the PRIME POs. We conclude that PKSf's institutional strength, decision making authority and capability to institutionalize the interventions for poverty alleviation makes it a competent and potent force to sustain the efforts towards sustainable development for extreme poverty alleviation in Bangladesh.



A woman wearing a yellow sari with a red border is shown from the waist down, standing on a light-colored surface. The sari is draped over her left shoulder and tied at her waist. She is wearing a red and yellow striped bangle on her right wrist and a gold chain around her neck.

PART-3

Sustainable  
Transformation  
Out of Extreme  
Poverty

# Pathways of Change

**A case Study on Programmed Initiatives for  
Monga Eradication (PRIME) in Bangladesh**

This section illustrates the stories of 12 households that received flexible microfinance and technical assistance services from PRIME. The successes and failures of these households explain the stages or the pathways of change that the households go through before they move out of poverty and become resilient to vulnerabilities.

# Executive Summary

This case study was commissioned by DfID Bangladesh which has been funding an innovative financing scheme titled Programmed Initiatives for Monga Eradication (PRIME) in Bangladesh as a subcomponent of the programme, Promoting Financial Services for Poverty Reduction (PROSPER). The programme was first piloted by the Palli Karma Shahayak Foundation (PKSF) in Lalmonirhat district in Bangladesh and was later scaled up with funding from DfID first in the northern region and then in south eastern region in Bangladesh which was affected by Aila, the tropical cyclone that left thousands of families homeless because of the tidal wave in 2009 for nearly 2 and half years. This case study, was expected to provide qualitative evidences of the pathway of change (positive or negative) of the PRIME beneficiaries. The evidences could support DfID to triangulate the quantitative evidences that have been collected by the Institute of Microfinance (InM) on the impact of PRIME on ultra poor households in Bangladesh. It was also expected that the case studies would reflect the differences in the programme's experience in the northern and the south eastern region in Bangladesh.

The study was conducted in two phases. In the first phase of the study, the consultant reviewed 10 cases in the Northern Region in Bangladesh the findings from which were presented to DfID and the Project Coordination Unit (PCU) of PROSPER. The consultant also discussed evolving findings with the concerned management of PKSF. The second phase of the study was conducted in the south eastern region. Twelve more cases were reviewed at this stage. As per the ToR, the consultant selected five successful cases, five stuck cases and two cases of failures from the 22 cases that were reviewed. Emphasis was given on selection of cases that presented different types of scenarios.

The case studies suggest that the beneficiaries

of PRIME who have completed a full cycle of graduation have gone through four stages of change: (i) start up, (ii) asset development (iii) expansion and finally (iv) diversification. These stages overlap and do not necessarily take place in a sequential order. The order in which the beneficiaries pass through the stages depends on the needs and opportunities the beneficiaries are exposed to. For instance, a beneficiary who does not have own house or the house is in dilapidated condition tend to consume some of the initial grants and savings from IGA on reconstructing their house at the start up stage rather than on the asset building stage. Most of the stuck cases suggest that the beneficiaries, due to external shocks, for instance health shocks, are forced to write off their assets and are unable to continue with the expansion and diversification thereby restricting them to grow further. The failed cases suggest that the beneficiaries are unable to move up from the start up stage to the asset building stage due to failure to sustain the IGA and pay back the loan. However, beneficiaries having extended family members and helping hands were found to be more resilient to external shocks. Beneficiaries who owned leased land prior to their engagement in PRIME also tends to be better resilient than beneficiaries who depended on a single source of income at the time they got engaged with PRIME.

The 12 cases that are included in this report illustrates that PRIME has incorporated several good practices which led to the success of the programme. This includes engagement of PA Tech officers, market linkage officers, support on diversified ranges of income generating activities, flexible loan schemes that include provision for emergency loans so that the beneficiaries could stand with economic and health shocks. In the Southern Region the programme conducted an IGA mapping exercise that led to the selection of IGAs like poultry farming and crab fattening for which there was favorable local market demand. However, the consultant did not review the



It is recommended that the beneficiaries attend a mandatory training on IGA selection through which they can identify their own capacities and IGAs that are relevant to their capacities. The programme has incorporated asset grant for beneficiaries that are unable to move forward through finance and technical support and it is expected that the grant scheme will be scaled up to include beneficiaries who have been struggling to move up further through the graduation process

criteria for selection of the IGAs and it appears from some cases of failure that the risks associated with IGAs like poultry farming and commercial scale goat rearing were not properly assessed. It was also not clear to what degree the beneficiaries who suffered were aware of the associated threats and risks.

It is recommended that the beneficiaries attend a mandatory training on IGA selection through which they can identify their own capacities and IGAs that are relevant to their capacities. The programme has incorporated asset grant for beneficiaries that are unable to move forward through finance and technical support and it is expected that the grant scheme will be scaled up to include beneficiaries who have been struggling to move up further through the graduation process. The investment of DfID on the recruitment of the PA Tech Officers, IGA officers and Market Linkage Officers for each of the implementing NGOs or MFIs is a key success factor for PRIME. However, this is an expensive intervention and a model needs to be evolved through which the implementing MFIs could make the schemes mainstream. It would also be interesting for DfID to check how the beneficiaries who are successfully graduating can now be linked with commercial service providers so the support of the PA Tech officers could be withdrawn.

The difference between the north and the south is observed on two areas: (i) the types of

IGAs that are being undertaken in the south differs to that from the north and (ii) the beneficiaries in the South are still in the early stage of the pathway of change and are yet to complete a full cycle of graduation that could make them resilient to economic or health shocks or shocks arising from disasters. Besides, PRIME has incorporated a new scheme of IGA mapping in the south based on the learning from the north with the expectation that this would help the beneficiaries identify IGAs appropriate for them. The financing scheme is also changed to allow for larger loans and grants to support larger scale IGAs like crab fattening and poultry farming. Besides, the beneficiaries in the south are provided with disaster management fund so that they could meet some of their reconstruction needs prior to getting engaged on an income generating activity. With PRIME support being mostly equal to all beneficiaries, the variables of success or failure in both region are primarily intrinsic to the beneficiaries the support provided by the husband, both husband and wife working on multiple vocations at the same time or working together to expand one income generating activity, the entrepreneurial aptitude of the beneficiary, the support received from immediate and extended family members, the age of the beneficiary, the family size and number of dependents etc.

# PRIME Case Study

# Introduction

## Background

Programmed Initiatives for Monga Eradication (PRIME) is a component under Promoting Financial Services for Poverty Reduction (PROSPER), a £40m programme supported by DFID with three main outputs:

### Output 1

PROSPER financed organizations & PROSPER replicators effectively deliver innovative & sustainable financial services, especially for i. the extreme poor, ii. micro, small enterprises & farmers; upgrade Credit Information Bureau (CIB).

### Output 2

Facilitation of an effective Microcredit Regulatory Authority.

### Output 3

Supply, demand & outcomes of training, consultancy, research, & development services is significantly improved (quantitatively & qualitatively).

This case study was commissioned by DfID Bangladesh for the development of the 'Pathways of Change' for the households participating in the PRIME component of the programme. It is expected that the case studies will help programme implementer (PKSF) and DFID to better understand how poor households utilize the flexible microfinance and technical assistance to sustainably alleviate themselves from extreme poverty in North and South Western part of Bangladesh.

## Objectives

The objective of the exercise is to produce selected household level case studies for the PRIME component of PROSPER programme on behalf of DFID Bangladesh as the sole donor supporting the project.

## Recipient

The Government of Bangladesh (GoB) through PKSf and DFID Bangladesh is the recipient of the services provided under this assignment.

## Scope

The review focused on the households of both North and South Eastern Part of Bangladesh to determine the impact of PRIME packages at household level. The scope was limited to development of narrative case studies on selected households which can help to establish pathway of change for the households and explain how economic and social context of the extreme poor people is changing because of the programme. It is expected that DfID and PKSf will use the findings from these case studies to triangulate and complement the findings of the impact assessments conducted by Institute of Microfinance (InM).

The case studies document the extent of support that each household received through the programme, how the households utilised the support and how they benefitted from the support. Additionally, the case studies in this report document the economic and social contexts of the households and describe the process of change in these contexts of the households. The case studies also capture wider social benefits of PRIME at household level. Through the case studies, the review aimed at determining factors for successful (or failed) graduation from extreme poverty and also assessed whether any regional variation exists (between the northern region and the southern region) among these factors. The scope of this case study is also limited to:

- Experiences of 5 households that have benefited from PRIME.
- Experiences of 5 households that benefited but also experienced shocks that diminished those benefits.
- Experiences of 2 households who did not benefit (or worsened) at all as a result of participating in PRIME.

For the Terms of Reference (ToR) of this assignment please refer to Annex 1.

## Methodological Approach

### Selection of Respondents

The households from the three categories as defined under the scope were identified by PRIME staffs in coordination with the Partner Organizations (POs) that are engaged on implementation of the activities. In total 22 cases were reviewed 10 in the Northern Region and 12 in the Southern Region of Bangladesh. The consultant also had discussion with personnel from PKSf responsible for the management of the PRIME programme. Respondents also included field staffs of the Partner Organizations. It should be noted that a scientific process for selection of respondents could not be adhered to since the beneficiaries of PRIME are not systemically documented under the category of successful, failure of stuck case which could have allowed for a random sampling. The list of respondents is included in Annex 2.

### Selection of cases

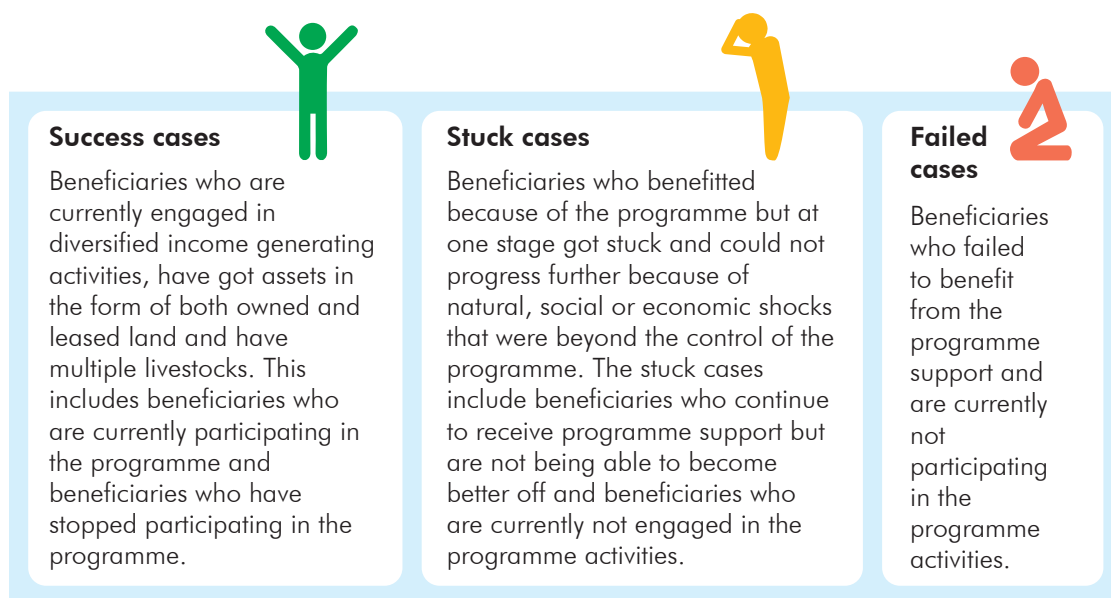
Of the 22 cases 12 were selected as representative. The selection was based on criteria that evolved as the study progressed. For instance, as the study progressed it was found that of the successful cases, several showed phenomenal success while some showed steady success. It was thus imperative to include both types so that we can learn about the variables that contributed to phenomenal success and the variables that led to more steady progress. Some cases suggested that even though the beneficiaries qualified against the selection criteria for PRIME, there were certain

other socio economic factors (for instance, the position of a beneficiary in the village power hierarchy) that made them better suited to become successful with or without PRIME support. One such case from the Southern Region is included to reflect such socio economic variables which made the beneficiary better off than other beneficiaries in the same region.

Stuck cases represent those who received programme support, started to benefit but then failed to progress further because of natural, economic, health or social shocks. This includes beneficiaries who continue to receive programme support in the form of emergency loan or asset grant and beneficiaries who currently do not receive programme support but have stable income sources. It was difficult to

trace failed cases for PRIME. This was due to the fact that as soon as a beneficiary was found to be struggling PRIME provided renewed support so that the beneficiary could withstand the shock. This included packages of emergency loan and lately asset grant. Non participation in programme activities could not be taken as indicator of failure of PRIME because several of these beneficiaries were found to be in a stable economic situation. However, several cases were found where the beneficiaries failed to benefit from the programme support and discontinued to participate in the programme. These cases were classified as failed cases. Annex 3 lists all the cases that were reviewed during the field assessment and provide a snapshot that could be used in future as a reference.

### Classification of beneficiary cases



### Tools for information collection and analysis

The consultant did not use a specific questionnaire to collect information. This was to facilitate a free flowing discussion and in depth probing. The interviews were digitally recorded

and the consultant kept note of important conclusions for future reference. The interviews were nevertheless structured so that the stories could be compared. First the beneficiaries were briefed about the purpose of the investigation. They were then asked about their family



members, their income sources, number of children and their education. The respondents were then asked to talk about their livelihood before they got engaged in the PRIME programme. Once a complete scenario was gathered about the respondent's socio

economic status prior to the programme, they were asked to narrate how they got involved in the programme and what happened afterwards. Finally, they were asked about their future plans. The consultant intervened wherever necessary to help the respondent explain their story.

## Structure of the interviews

### Stage 1

#### Beneficiary profile

How many family members does the beneficiary have, what are their income sources, how many children do they have and whether they go to school, whether the beneficiary lives in an extended family or independently with immediate family members, what economic opportunities exist in her locality

### Stage 2

#### Status of the beneficiary prior to the engagement with the programme

What did the beneficiary do to earn her living, what did her husband do and what was his source of income (given that the recipients of the PRIME support are women), whether the beneficiary had leased or owned land, what sorts of economic, natural, social or health shocks the beneficiary was exposed to etc.

### Stage 3

#### Benefit received from the programme and the pathway of change

How did the beneficiary get engaged with the programme, what were the different phases of support and how the beneficiary utilized the support, what are her economic options at present, what assets does she have, what is current status of her children's education, whether the beneficiary was exposed to any health, economic or natural shock and how the programme support helped the beneficiary to withstand those shocks.

### Stage 4

#### Future plan

What does the beneficiary plan to do in the future and to what degree her family is currently dependent on the programme.

## Modeling for Pathway of Change

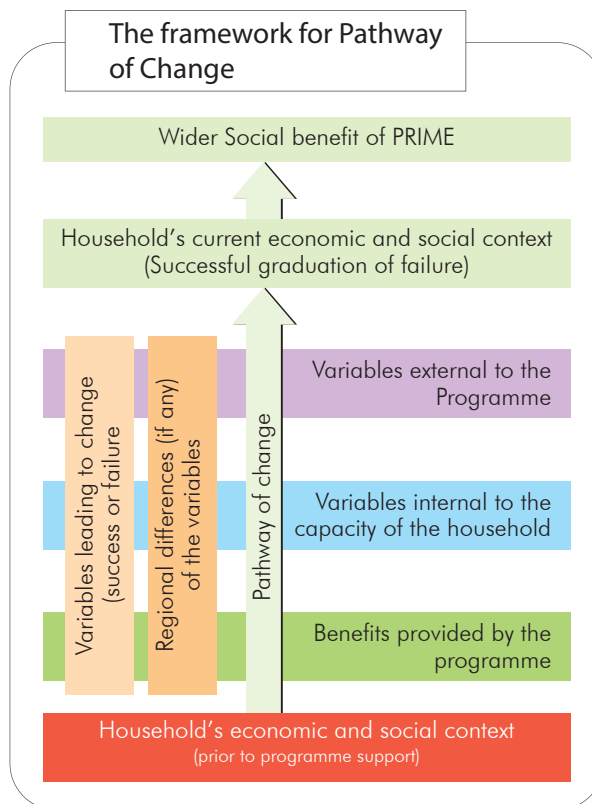
It was imperative to develop a model against which the beneficiary cases could be reviewed and compared and a pathway of change could be determined. 'Pathway of change' was defined in the ToR as 'how the economic and social context of extreme poor people is changing because of the programme'. The consultant developed a framework model (figure 1) that was used to review the pathway of changes of the individual cases. The starting point was the household's economic and social

context prior to the programme and the concluding point was the current economic and social context of the household and the wider social benefits that are visible. Then the progress in between was reviewed against three variables (i) benefits provided by the programme, (ii) variables internal to the capacity of the household (for instance certain skills that were already available within the household) (iii) variables external to the programme which includes presence of a strong market or group of service providers who provided extended support to the beneficiaries. From this review

conclusion was derived on the variables for success or failure or the reasons for the beneficiary being stuck at a certain stage. The regional differences that were observed and other programmatic implications were also analyzed through the model but are presented in the final section of this report rather than on the individual cases.

## Structure of the Report

We start with a description of the pathway of change that was observed because of the PRIME support in chapter 2 of this report. Instead of describing the pathway of change at the end of the report, we described it prior to the cases so that readers can understand how the beneficiaries in each of the cases fit into the pathway of change. The cases are presented in chapter 3 in 3 sections. Section 3.1 narrates the success cases, section 3.2 narrates the stuck cases and section 3.3 narrates the failed cases. Given the requirement of the ToR, each case study is narrated in two pages. The cases are narrated with supporting photograph of the respondent beneficiary taken by the consultant. Each case comes with a small synopsis in the beginning to facilitate the reader have a quick review. The cases are narrated in four subsections i. the household's socio economic situation prior to the programme, ii. the supports received from the programme and how those contributed to the change of the socio economic situation of the beneficiary (the pathway of change) and iii. conclusion on variables that have contributed to the success or failure. In chapter 4 conclusions on variables for success and failure are explained along with regional variations that were observed.



# PRIME Case Study

# Pathway of Change

The case studies suggest that the beneficiaries of PRIME who have completed a full cycle of graduation have gone through four stages of change: (i) start up, (ii) asset development (iii) expansion and finally (iv) diversification. These stages overlap and do not necessarily take place in a sequential order. The order in which the beneficiaries pass through the stages depends on the needs and opportunities the beneficiaries are exposed to. For instance, a beneficiary who does not have own house or the house is in dilapidated condition tend to consume some of the initial grants and savings from IGA on reconstructing their house at the start up stage rather than on the asset building stage. Most of the stuck cases suggest that the beneficiaries, due to external shocks, for instance health shocks, are forced to write off their assets and are unable to continue with the expansion and diversification thereby restricting them to grow further. The failed cases suggest that the beneficiaries are unable to move up from the start up stage to the asset building stage due to failure to sustain the IGA and pay back the loan. Snapshot 1 narrates the different stages of the pathway of change that the PRIME beneficiaries pass through.

## SNAPSHOT 1: THE PATHWAY OF CHANGE OF THE PRIME BENEFICIARIES

### Startup stage

At this stage, the beneficiaries (women) get engaged on safety net programmes as labors working on construction of public roads, mosques, schools etc. in their locality. They work for a period of 90 days for a daily wage of TK70. At the end of the work a beneficiary earns about TK 7875 much of which is saved by the beneficiary and invested as a top up to the first credit provided by the Microfinance Institution (MFI) (the POs of PRIME) which enlisted the beneficiary to receive support from PRIME. The beneficiaries then become part of the microfinance group and receive the first loan. The loan size varies from TK 2000 to TK 5000 depending on the capacity of the beneficiary. It was found that most beneficiaries consume the first loan to pay for their immediate need or debt, for instance, the AILA (a heavy cyclone and tidal wave that severely affected the south eastern region in 2008) victims using the loan to reconstruct their houses. The beneficiaries pay back the first loan usually on a weekly installment in 6 months primarily from their savings from the work they do under the safety net programme or from the earning of the husband as an agricultural labor.

All the Partner Organizations under PRIME have several Project Assistant Technical (PA Tech) and IGA officers (around 1 PA Tech per 1500 PRIME beneficiary) who work with the beneficiaries to support them on selecting an Income Generating Activity (IGA) that the beneficiary can and is willing to undertake. The IGAs selected by the PRIME beneficiaries is heavily concentrated on livestock (duck rearing, poultry, beef fattening, dairy, goat rearing).

However, cases suggest that beneficiaries also opted for IGAs like tailoring, handicrafts, crab fattening, basket making etc. depending on the skills set the beneficiary had and the natural resources that were available in their region. At this stage the loan received by the beneficiaries range between TK 5000 to TK 10000. In most of the cases, the beneficiaries invested the savings from their work under the safety net programme on top of the loan received from the MFI to start the IGA. The Partner Organizations provide an initial training on the IGA through the PA Tech Officer and then continue to provide support to the beneficiaries regularly so that the beneficiary learn the necessary skills and are able to address unforeseen problems, for example disease of the livestock. The Partner Organization also provides market access support through a market linkage officer who connects the beneficiaries to the traders in their locality or in the region. The startup stage lasts for about 18 months. Within this period a beneficiary takes at least two loans; one loan is paid back on fixed rate after 6 months, the other loan is paid back on a weekly or monthly installment over a period of one year. The beneficiaries usually tend to retain the earning after repayment of the loan and invest it to further expand their income generating activity which leads to the expansion stage.

It should be noted that PRIME is an evolving programme which has added more components to the programme's scope of support and services as it expanded. In the Southern Region, to rehabilitate the AILA victims, it started with an IGA mapping at the very beginning and decided to support about 35 households under a demonstration programme on poultry farming. These households received TK 20000 as grant and TK 20000 as loan at the start up stage to start small scale poultry farm.



### Asset building stage

The asset building stage and the expansion stage takes place almost concurrently. However, most beneficiaries tend to prioritize asset building over expansion to secure them of risks. PRIME beneficiaries usually invest on purchasing or leasing agricultural land, cattle and goats as assets. At this stage much of the loan (loan size ranges from TK 10000 to TK 20000) is consumed on building assets and some are invested on expansion. This stage lasts for about 6 months to one year. It is now around 2 and half years since inception of support. The loan is usually taken on either fixed rate to be paid after 6 months (TK 22,000 against the loan of TK 20,000) or on a weekly installment basis to be paid over a period of one year.

### Expansion Stage

Once the startup stage is successful and the beneficiary has met some of the immediate household needs for assets, they take further loan (ranges from TK 20,000 to TK 30,000) to expand the IGA they started with. This is the stage where the beneficiary who started with duck farming, invest further on purchasing more ducks, the beneficiary who started with poultry expands the shed to accommodate more birds. At the expansion stage the beneficiaries also tend to invest some of their loans on purchasing or leasing agricultural land (the overlap between the asset building stage and the expansion stage). It is also common to see that the beneficiary households reorganize their economic activities to support the expansion. For instance, the husband discontinues to work as a day labor and concentrates on expansion of the IGA. The expansion stage usually lasts over a period of 12 months to 24 months before the household decides to invest on diversification of their income base. It is now around 4 and half years since inception of programme support that the beneficiary has successfully passed through the expansion stage and sustained the initial IGA.

### Diversification stage

Beneficiaries successfully passing through the expansion stage begins to invest in new IGAs and start to diversify their income base. It is the stage where they invest on establishing a grocery shop near to their house, starts fishery, invests further on agricultural land and moves up from subsistence agriculture to cash crops. The diversification stage usually begins after the beneficiary has completed the expansion cycle in 4th year since inception of the programme support. However, there are cases where the beneficiaries invested early on diversification while continuing to invest on the IGA that they started with as they saw clear opportunities. It is worthy to note here that even though the entrepreneurial aptitude of the beneficiary and her husband plays the most critical role in the household's capacity to pass through these stages, the advisory support and supervision provided by the PA Tech and IGA officer of the Partner Organization is found to be critical in ensuring that the households are able to make informed decisions.

Successful Cases

Pathway of Change

# Case Studies



# From 50 ducks to integrated farming

## The story of Afroza Khatun and Fulu Mia



*The direct recipients of PRIME support are women. However, the husbands play a critical role in making investment decisions. Furthermore, the entrepreneurial aptitude of the recipient or her husband plays a decisive role in the success of the household in the transformation that takes place over the years. The case of Afroza Khatun and Fulu Mia from Chandanpath, Gaibandha, in the Northern Region in Bangladesh, illustrates the role of the husband and the importance of the entrepreneurship aptitude on the graduation process and the pathway of change.*

### Status before enrollment in the PRIME programme

Before enrolling as a beneficiary under the PRIME programme in 2009, Afroza Khatun worked as a helping hand for wealthy neighbours in exchange of two meals and ½ kg rice a day. Her husband, Fulu Mia, worked as an agricultural labor for land preparation, weeding and harvesting for a wage rate of around TK 150 per day with two meals. His income was limited only for few months during the winter and summer season. Fulu mia and Afroza Khatun did not have any other source of income and shared a floor space in a relative's house where they lived with their son, who was then about a year old.

### Current situation

The family currently has a duck farm with the capacity to rear 900 birds. The shed is constructed above a 105 decimal leased pond which is used for integrated duck and fish farming. Another 37 decimal land is leased in which the family is producing potato, sweet gourd and seasonal vegetable. They are also cultivating banana in about 16 decimal land in front of the shed constructed for duck rearing. Fulu mia and Afroza Khatun now live on their own house tin shed house. They have also constructed shed for cattle and a small storage for their agricultural produce. The family owns a cow, 7 goats and about 36 chickens that are reared on scavenging model. Their son is now 7 years old and they have a daughter aged around 3. The son goes to school. The family is now planning to start a bull fattening farm with 4 cows with support from ESDO, the Partner Organization of PRIME that has been providing the financial, technical and market access support to the family for the last 5 years.

### Factors contributing to the success

The success of Fulu Mia can be primarily attributed to two factors: (i) The entrepreneurial aptitude of Fulu Mia and (ii) the continuous advisory support received from the PA Tech officer. While the family continued to invest on building assets and diversify their source of income, Fulu Mia was supported by the PA Tech officer of ESDO with regular advise on management of the duck farm and agricultural crops. According to the PA Tech Officer, Fulu Mia is an active member in the microcredit group and sincerely followed the advise provided to him. This further motivated the PA Tech officer to maintain a regular contact with Fulu Mia and work together with him to create a demonstration farm that could motivate other PRIME beneficiaries in the locality. Besides, the family did not encounter any economic, natural or health shock which meant that their investment was protected. Finally, the small family size meant that the family could invest time and their earnings on maintenance, expansion and diversification of their income and assets.

## The pathway of change

It was 2009 when Afroza Khatun heard about a programme enrolling poor households in her locality for financial and technical support for income generating activities. She eventually got enlisted through an FGD that was conducted by ESDO to identify the households that conform to the criteria for enlistment (household income less than TK 4500 per month, labor being the primary source of income and the land holding of the household is less than 50 decimal land). Upon enrollment, Afroza received the first loan of TK4000 which was to be paid on weekly installment over a period of 1 year. The PA Tech from ESDO advised Fulu Mia to start a duck farm with 50 birds since the cost for food and maintenance would be very minimal. As advised, Fulu Mia used the loan to purchase 50 ducks that started to lay eggs after one month. During the pick period the ducks laid about 35 to 40 eggs providing the household an income of about TK 120 per day (TK 3/ egg). The earning was used to pay back the loan while Fulu Mia continued to work as an agricultural labor to earn the living for the family. The family was able to save about TK 400 to TK 500 a month after repayment of the loan over this period.

Upon successful repayment of the first loan, the family took the second loan of TK 8000 in 2010 and bought 100 ducks. The income from duck farming at this stage doubled and their savings increased to TK 700 to TK 800 a month. After 9 months the 100 ducks were sold for TK 14000 as they reached the culling age. So far, Afroza Khatun took care of the ducks while Fulu Mia continued to work as day labor. When the family decided to expand their duck farm, Fulu Mia took it as a full time vocation and with advise from the PA Tech officer of ESDO bought 900 day old ducklings from



*Afroza Khatun and Fulu Mia*

the small family size meant that the family could invest time and their earnings in maintenance, expansion and diversification of their income and assets.

a government hatchery in Naogaon, Santahar. He used the earning from the sales of the 100 ducks (TK14000) and took the third loan of TK 15000 for the expansion. At this stage the family had about TK 12000 in savings which was invested to lease a land in which they planted sugarcane and about 150 saplings of banana. During the pick stage, the family received about 550 eggs every day yielding a return of TK2000 per day. After one year, once the loan was repaid, Afroza Khatun took TK 20,000 as regular loan and TK 15000 as seasonal loan (to be repaid at once after 6 months). This was invested to lease a land for agriculture (about 37 decimal) and to construct a shed for the ducks. Besides, they topped up the loan with their savings and purchased a

cow and a goat, constructed their house on 4 decimal land and started potato and vegetable cultivation. During this period the family also invested on chickens and currently owns about 36 chickens which are raised as scavengers.

In early 2013, Fulu Mia was supported to receive 3 day long training in Mymensingh Agricultural University on fish cultivation. The training motivated Fulu Mia to invest the fourth cycle of loans (TK 29000 as regular loan and TK 30000 as seasonal loan) received in mid 2013 to lease a pond (about 105 decimal) and start integrated duck and fish farming. Lately, ESDO provided him free hybrid seeds of sweet gourd (worth about TK 1200). At the time this study was conducted, about 300 sweet gourds (each weighing about 25 to 30 kg) were harvested and another 300 were in the field. Each sweet gourd was expected to be sold for TK 70 which means the family will have an additional income of around TK 42000 this year from the sale of sweet gourd. The family has recently received TK 15000 as seasonal loan which is being used as working capital on their farm. They are now planning to invest further to start beef fattening with 4 cows.



Jahira Khatun

# Leading from the front transforming through skills



*The case of Jahira Khatun from Kachukata, Pashchim Deshaipara, Nilphamari illustrates the significance of the training and market access support provided by the Partner Organization of PRIME. It also illustrates that favorable market demand for the produce is a prerequisite for the beneficiary to take off. Besides, many beneficiaries spend the loan that they receive as part of PRIME package on rehabilitating their otherwise unemployed husband and on building assets rather than on investing in their IGAs since their growth on their vocation is dependent on their skills rather than on their investment.*

## **Status before enrollment in the PRIME programme**

Jahira Khatun got married when she was a student of class 8. Her husband was unemployed and was not able to take care of the family. They hardly could have three meals. Jahira's family was dependent on the financial support from her father in law. The house that they lived in was also provided for by her father in law. Jahira was unskilled and did not have her own source of income. She had a son who was then 2 year old.

## **Current situation**

Jahira currently owns a house that she and her husband constructed on a 3 decimal land together with her husband's brother. The house has a shed in which Jahira and her sister in law works to produce Shataranchi, a traditional mat produced in the Northern Region in Bangladesh. They now have 3 cows, several goats and chickens and are producing vegetable on the backyard. Her husband has a permanent tea stall in the local bazaar where he sells betel leaf, cigarettes and snacks. Apart from producing mats Jahira works as a trainer on Shataranchi for RDRS in Nilphamari. The family leased 32 decimal in 2013 in which they are producing rice. When she started the vocation of producing Shataranchi, she worked on a wage rate of TK9 per square feet. The thread was supplied by RDRS. Currently she procures her own threads and sells the finished material to RDRS and other traders coming from different parts of the country.

## **Factors contributing to the success**

The case reveals the strength of the PRIME package as it provides support on two streams: (i) micro credit and (ii) technical support on income generating activities. The case suggests that these two streams of support do not necessarily need to be invested on the same vocation or IGA. This is evident from the fact that the success of Jahira Khatun primarily came because of her skills on producing mats and her engagement as a trainer on production of Shataranchi while the micro credit was used to establish and expand a small business for her husband and for building assets for the household. The income of Jahira was used for larger investment like leasing land. Support from the programme on a resource based and capital intensive vocation (the small business for the husband) and a non resource intensive skill based vocation (production and training on Sataranchi) provided a diversified source of income from the very beginning. Besides, RDRS had its own marketing channel and consistent demand for Shataranchi which meant that a cluster could grow banking on the demand from RDRS, the partner organization of PRIME. As the production increased in the neighbourhood, trader from other parts of the country started to procure the mats from Jahira and her neighbours. This meant that gradually they became less dependent on RDRS for market access.

## The pathway of change

Jahira received her first loan, TK 6000 in 2007 and used it to help her unemployed husband start a make shift betel leaf store in the local Bazaar. In 2008, she received her second loan, TK 10,000, and reinvested it in her husband's store. Over this period, she received life skills training on health but was not engaged on any income generating activity. In 2009, RDRS suggested her to take training on producing Shataranchi, a traditional mat produced in the Northern Region in Bangladesh. She received the training for 45 days on RDRS training center which was about 30 minutes walk from her house. Her son stayed with her mother in law when she attended the day long training every day for 45 days. She saved TK 7650 from the daily allowance of TK 170 that she received while she undertook the training and used the savings to reconstruct the shed of the house that her father in law provided her husband.

On completion of the training in 2009, RDRS provided her the raw materials for production of mats. She worked as a waged labor earning TK 9 per square feet. Those days, she was able to produce about 7.5 square feet of a mat each day. Her income from the production of Shataranchi was around TK 3000 per month. After one year, with the savings that she and her husband had, they purchased a 3 decimal land in 2010 together with her husband's brother and constructed their own house. She took her third loan of TK 15000 in 2010 and used it to purchase a cow and several goats. She also repaid some debts she had with neighbours. In



*Jahira Khatun*

The success of Jahira Khatun primarily came because of her skills on producing mats and her engagement as a trainer on production of *Shataranchi* while the microcredit was used to establish and expand a small business for her husband and for building assets for the household

2010, she also had her breakthrough when RDRS appointed her as a trainer on Shataranchi for the Nilphamari district. She received TK 225/ day as trainer's fee. The training for each batch lasted for 45 days. Along with the cost for transportation and meals, Jahira received TK 18000 from the training for each batch. So far she has provided training to five batches and earned TK 90000 as fee for the trainings since 2010.

In 2013, Jahira Khatun invested her savings from the training to lease 32 decimal lands for TK 70,000 and started producing rice for household consumption. The day job as a trainer meant that Jahira only had time during the evening to work on producing

the mats. Even though she then had a one year old daughter, she was undeterred and with support from her in laws continued to work on producing mats late in the evening. Over this period (2011 to 2014) Jahira took four more loans and used it primarily to pay for the working capital for her husband's business, for reconstruction of their house along with a latrine and tube well and for the purchase of 3 cows. She currently procures her own raw materials and supplies directly to RDRS and traders coming from different parts of the country. The success of Jahira Khatun inspired 70 other women in her neighbourhood to start producing Shataranchi.

## Anjali and Bimalendu Biswas

# Recovering from the shock of Aila with support from PRIME and simultaneous engagement in other development programmes



*PRIME was expanded in the southern region in 2011 to support the rehabilitation of the AILA victims, the tropical cyclone that left thousands of households in the south-eastern region in Bangladesh homeless in 2009. While the support provided by PRIME since 2011 laid the foundation for Anjali Biswas and her husband to reconstruct their livelihood, their simultaneous engagement on other programmes in the locality strengthened their capacity to rapidly transform their economic situation. Anjali Biswas lives with her husband and her only son in the Srinagar village in Kamarkhola union in Dakope Upazila in Khulna.*

### Status before enrollment in the PRIME programme

Anjali's husband had Shrimp Gher and agricultural land back in early 1990s. He had to sell off his gher and agricultural land to pay for the debts he had that resulted because of loss in business in late 1990. When Anjali got married about 18 years back, her husband worked as a day labor on shrimp gher, agricultural land and on public works for paving roads and constructing buildings. The family was heavily affected by Aila, the tropical cyclone that hit the region in mid 2009 and lived in the nearby road along with other families for nearly 2 and half years. Anjali passed the Higher Secondary Certificate (HSC) examination before she got married and eventually dropped out from college. But her HSC degree came as a blessing since she was employed by a local NGO to work as a facilitator for the women groups for a salary of TK 1600 per month. She worked in the NGO for 3 years from 2010 to 2012 while her husband continued to work as a day labor. They were enrolled in PRIME programme in 2011 and Anjali eventually left her job in the NGO in 2012 when the contract expired.

### Current situation

The family currently owns a layer farm with 200 birds. They started with a broiler farm with support from PRIME in 2012 but shifted to layer farm in late 2013 as they observed a decline in the demand for broiler chicken in their locality. The family owns 3 cows and 4 goats. Their only son is about 17 year old and is preparing for the Higher Secondary Certificate (HSC) Exam that will be held in 2015. Anjali's husband became an agent of Bandhu Chula, the eco friendly stove that is being promoted nationwide by the German Agency for Technical Cooperation (GIZ) in early 2013. He earns about TK 10000 a month as commission from the sales of the eco friendly stoves. He is also the general secretary of the local school and is a respected person in the community. The family lives in their inherited property in 13 decimal lands.

### Factors contributing to the success

Anjali Biswas was still working in the local NGO when she got enrolled in the PRIME programme in 2011. As per the selection criteria of PRIME, households having income from sources other than agricultural labor are supposed to be excluded. However, her monthly salary was only about TK 1600 and her husband worked as a day labor which meant that the total household income was less than TK 4500, the threshold level for inclusion under PRIME. Anjali continued to work in the NGO several months since her enrollment in the PRIME programme. The family could thus invest the first two loans on rehabilitation. However, the grant money of TK 20000 on top of the seasonal loan of TK 20000 was the decisive factor without which the family could not start the broiler farm. Subsequently, Bimalendu's engagement as the commissioning agent for Bandhu Chula meant that the household was able to quickly diversify their income and start a layer farm with bigger investment. In brief, in this case, two factors contributed to the success: (i) the income brought forward by the beneficiary and their engagement on economic activities supported by other development programmes in the locality and (ii) the innovative scheme of PRIME which allowed for a large scale grant which made the beneficiary capable to invest on large scale income generating activity like a layer farm.

## The pathway of change

Anjali first received a seasonal loan of TK 5000 as a beneficiary of PRIME in 2011. The emergency loan was used to reconstruct their house in which they shifted in 2011 after living on the road side for nearly 2 and half years. The loan was repaid after 6 months and the family received TK 3000 as regular loan to be paid on monthly installment in the last quarter of 2011. They used the loan to start fish farming on a small pond that they had on the backyard of their house. In early 2012, HEED Bangladesh, the partner organization of PRIME, conducted an IGA mapping exercise and selected poultry farming as a viable IGA for the region. A new component was integrated in the PRIME programme under which the beneficiaries selected for poultry farming received TK 20000 as regular loan and TK 20000 as grant. Anjali Biswas was one of the beneficiaries in the region who received the support under the scheme to start a poultry farm. With the money they constructed a shed on the backyard of their property and started with 200 day old chicks purchased (DOCs) from the local agent of Nourish, one of the leading suppliers of day old chicks and poultry feed in Bangladesh. The PA Tech officer of HEED provided regular advise on vaccination and farm management. The Nourish agent linked Bimalendu Biswas to local traders who started to procure the birds from the farm gate. They had four cycles of production and earned around TK 10000 as profit after expenses. Within this period Anjali's contract with the local NGO, Ulashi Shamaj Kalyan Shangstha, for which she worked as an agent ended. The savings from her salary was used to purchase a cow.

By the end of the fourth cycle of production, around 5 months since inception of the poultry farm,



*Anjali and Bimalendu Biswas*

## Bimalendu's engagement as the commissioning agent for Bandhu Chula meant that the household was able to quickly diversify their income and start a layer farm with bigger investment

Bimalendu Biswas noticed that the price for broiler is declining and the traders are showing reluctance to purchase as they said there was over supply of broiler chickens in the market. Bimalendu and Anjali Biswas then consulted with the PA Tech officer of HEED and expressed their interest to start a layer farm as they thought it would give them regular income for 18 months. Even though the PA Tech officer was apprehensive about the decision because of high expenses and risk of mortality associated with layer farming, Bimalendu decided to move ahead and invested TK 70000 to start a layer farm with 200 birds. They had retained the grant money of TK 20000 that they received at the initial stage from the sales of the broiler chickens. They

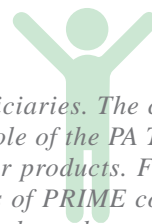
took a seasonal loan of TK 20000 and a regular loan of TK 10000 and topped it up with their savings of TK 20000 to start the layer farm in early 2013. The total expense was around TK 100,000. The remaining TK 30000 was spent in phases with credits that they received from the agents who supplied the feed and the chickens.

In early 2013, Bimalendu Biswas also got engaged as the local agent for Bandhu Chula, the eco friendly stove that is being promoted by GIZ. As the local agent Bimalendu earns about TK 500 from the sale of each stove. According to Bimalendu, he is able to sell around 20 stoves each month and earns around TK 10000 a month as commission from the sale of the stoves. The family currently has a monthly income of TK 15000 from the layer farm and from the sale of the stoves. Part of the income (around TK 4000 a month) is spent on the education of their son. According to Mr. Biswas, his major investment is the education of his son who is studying as a science major and thus requires private tuition on several subjects. They plan to expand the layer farm and expect that they can earn around TK 15000 a month from the layer farm which can help them to sustain their livelihood.



Zahura Khatun

## Working together with the PA Tech Officer of PRIME to learn the trade of tailoring



*The PA Tech Officers play an important role in the transformation of the beneficiaries. The case of Zahura Khatun from Datinakhali in Shyamnagar, Shatkhira, illustrates the role of the PA Tech officer in supporting a PRIME beneficiary to develop her skills and market her products. From this case, we are also faced with the question, to what degree the beneficiaries of PRIME could sustain their vocation without the support of the PA Tech Officer and in cases where the service is essential how the support could be continued after the conclusion of the PRIME programme.*

### **Status before enrollment in the PRIME programme**

Zahura Khatun's house was flooded during Aila in 2009 and they were forced to leave their house and take refuge in a relative's house. Even though they returned home after 6 months, they had to live on a makeshift bamboo platform in their house since the house was flooded every day with the high tide. Her husband continued to work as a day labor and much of the income of the house came from logging in the nearby Sundarbans forest. The family spent much of their income on the elder son's education who was then preparing for Higher Secondary Certificate (HSC) Exam. The family lived barely on the food relief provided by NGOs like Muslim Aid and the rotten rice that they retained after the flood water receded temporarily receded three weeks after the cyclone.

### **Current situation**

Zahura's husband continues to work as a day labor and logs wood from the Sundarbans. However, they have leased a 70 decimal gher (pool) for shrimp culture. When her husband works in the forest, Zahura and her two sons work on the shrimp gher. With advice and technical support from the PA Tech Officer of NGF, the partner organization of PRIME, Zahura started to work as a tailor in early 2013. She currently earns around TK 3000 a month from tailoring. The flood water has permanently receded and the family has reconstructed their house. They do not have any cow but have got 6 chickens and 4 ducks.

### **Factors contributing to the success**

Even though Zahura Khatun has invested the loans that she has received so far on two types of IGAs (shrimp culture and tailoring) and on reconstruction of her house she is still in the start up phase of her vocation. We qualified her to be successful because she now has a sustained income and is set to take off. However, her success is largely due to the support that she continues to receive from the PA Tech Officer Rahima Biswas who works as the link between Zahura and her buyers. We are thus faced with the question, what happens if Rahima's support is withdrawn? Will this significantly affect the trade of Zahura or will she be able to manage her vocation of tailoring without Rahima's support?

The work that Rahima is currently doing is similar to that done by local collectors employed by handicrafts shops and boutiques like Aarong, the largest retailer of handicraft products in Bangladesh. It would thus be important for PRIME to define the mechanism through which Zahura could continue to work with specialized service providers like Rahima Biswas, after withdrawal of the programme support. One likely scenario could be that Rahima assumes the role of an intermediary as she sees an opportunity to market the products produced by the likes of Zahura. The other scenario could be that NGF, the NGO that appoints Rahima sees the opportunity of marketing the products and retains Rahima as an employee after the programme is concluded. The eventual outcome can provide an answer to the question, how the technical support on top of microfinance could be sustained by the micro finance institutions that are currently managing the innovative financing scheme under PRIME.

## The pathway of change

The family first received a loan of TK 3000 in 2011 after they got enlisted as a beneficiary of PRIME. The loan was provided under the Disaster Management Fund (DMF) for a flat interest rate of 4%. The loan was used for the reconstruction of their house which was severely damaged because of the cyclone in 2009. Once the loan was repaid, Zahura received TK 10,000 under the ultra poor loan scheme for an interest rate of 10%. Zahura's husband topped up the loan with an additional TK 4000 from his savings and leased a 70 decimal gher. They needed an additional TK 6000 to TK 7000 to purchase the seed or the post larvae (PL) of the shrimp and TK 1500 to prepare the gher for shrimp culture. Much of this investment was financed with credit purchases from the suppliers and was paid back in monthly installment from the income of Zahura's husband as a day labor. In 2013, Zahura, along with 25 other women in her village, received training on tailoring from the local NGO, Noabeki Gonomukhi Foundation (NGF) which is implementing PRIME in the region. The participants were provided TK 220 as per diem (TK 100 for transportation and TK 120 for food) and a sewing machine worth TK 6000 after completion of the training. Following up to the training, Zahura received her 3rd loan, TK 30,000, which she used entirely to purchase fabric to start her tailoring shop.

NGF identified tailoring as a potential vocation for the women through an IGA mapping exercise that was conducted in 2012. In mid-2013, NGF recruited, Rahima Biswas as the PA Tech Officer for tailoring. Rahima previously worked in other NGOs as a trainer on tailoring and had knowledge about



*Zahura Khatun*

It would thus be important for PRIME to define the mechanism through which Zahura could continue to work with specialized service providers like Rahima Biswas, after withdrawal of the programme support. One likely scenario could be that Rahima assumes the role of an intermediary as she sees an opportunity to market the products produced by the likes of Zahura

the local market. She advised Zahura to procure the fabric and tailor different types of clothes that includes frocks, fatuas, salwars. Rahima also identified 10 traders from 5 markets in Shyamnagar as potential buyers of the clothes produced by Zahura and the other women who started tailoring with support from PRIME. Currently, Rahima, along with the market support officer also appointed by NGF under the PRIME programme, is working to identify potential buyers from Jessore and Khulna who could purchase the tailored products from beneficiaries like Zahura. According to Zahura, her income from tailoring increased from around TK 2000 a month to TK 3500 a month when she started to supply the products as per the

design and order that she received from Rahima.

NGF has recently started a new scheme under which they are buying the tailored cloth from Zahura at a predetermined price. They then supply these products to some other non PRIME beneficiaries whom they trained to do Katha stitch, a special type of embroidery work, which is very popular in the region. These workers are paid a wage rate and NGF markets the products to the traders. NGF also participated in a local trade fair organized to celebrate the Bengali New Year in 2014 where they exhibited the products produced by Zahura and other PRIME beneficiaries whom they engaged on tailoring.

# Parul opts out of PRIME but her family flourishes on the foundation laid by the support provided by the programme



*PRIME staffs working in the field usually qualify a beneficiary who decided to discontinue her engagement in the programme as a failed case. However, the case of Parul from Shunagar, Nilphamari, revealed that the PRIME beneficiaries do not necessarily need to be continuously engaged with the programme and receive micro credit every year to successfully graduate from poverty*

## **Status prior to the engagement with the programme**

Parul got married when she was about 12 year old. She was her husband's second wife and was married to her husband after the death of his first wife. Her husband had two sons with his first family and worked as agricultural labor in different parts of the country when Parul got married to him. He continued to work as agricultural labor and was unable to pay for his children's education. Parul lived with her husband in her father in law's house. The elder sons from her husband's first family eventually got married. The eldest of the two sons took employment in a restaurant. The younger one took driving lessons and became a bus driver. Parul lived with her husband with her own children two sons and a daughter.

## **Current situation**

Parul used the loan provided under PRIME to start a Buck farm through which she changed her fate. Parul's husband died about 2 years back of heart attack. Before the death of her husband, Parul with support from her husband and his two sons from his first family, constructed a house on 10 decimal land. They leased 70 decimal lands in which they are cultivating maize, tobacco and rice. Parul and her family also invested their income and savings along with the loan from PRIME for bull fattening. She discontinued her engagement with PRIME after her husband's death but continued to work on her Buck farm.

## **Factors contributing to the success**

Parul was able to top up her income from Buck farming with the income of her two elder sons from her husband's first family to invest on two critical assets: the house and the agricultural land that they leased for cultivation of cash crops like maize and tobacco along with rice. Besides, the demand for insemination was very high in her community since there was no other family raising Bucks. She thus had a sustained income which motivated her to expand her Buck farm. By the time her husband died and she decided to discontinue her engagement with the programme, she already had diversified sources of income and assets which helped her sustain her living. She could thus withstand the shock of her husband's death. The case of Parul suggests that the PRIME beneficiaries, who have successfully diversified their sources of income and have built critical assets like land and shelter, are resilient against critical shocks like death of the household head.

The case of Parul suggests that the PRIME beneficiaries, who have successfully diversified their sources of income and have built critical assets like land and shelter, are resilient against critical shocks

## The pathway of change

Parul started with one Buck which she bought for TK 2000, the first loan that she received under the PRIME programme in 2008. She became interested about Buck farming as she got to know from the PA Tech Officer employed by SHARP, the NGO implementing the PRIME programme, that buck farming would be more profitable than goat rearing. Her neighbours took Buck farming as a vocation of the followers of the Hindu religion and ridiculed her for her work. But she continued to invest on expanding her Buck farm. She invested the second loan of TK 5000 and purchased 3 more Bucks. She earned TK 100 for each insemination. From her three bucks she earned around TK 1600 every day during pick period (that lasts for about a month and half) which largely offset the expenses of TK 500 per day on rearing the bucks. The profit that she earned from Buck



*Parul*

third loan from PRIME (TK 7000) in 2009 and she purchased two bulls for fattening. The bulls were bought respectively for the price of TK 19000 and TK 17000. When the third loan was paid off in 2011 she took the fourth loan of TK 10000. This loan was used to lease 10 decimal lands in which they constructed the house where Parul currently lives with her children. The construction of the house required significant

2012, Parul received her fifth loan, TK 15000 and the family invested further to lease 60 decimal land for the price of TK 98000 in which they started to cultivate rice, maize and tobacco. The cost of the land was borne from the income of the two elder sons, her husband and the sale of bucks and bulls. It was at this stage, her husband died and her loan was written off by SHARP. Parul decided to discontinue her

Parul and her family also invested their income and savings along with the loan from PRIME for bull fattening. She discontinued her engagement with PRIME after her husband's death but continued to work on her buck farm

rearing motivated her to purchase more Bucks and at one point she had about 7 Bucks. When her bucks reached maturity she sold four Bucks for TK 28000. The income from the sales of the bucks was topped up with the

investment, about TK 60000, which was paid for from the income and savings of her husband and his two elder sons from the first family.

Over this period the family sold 2 bulls and bought 2 more. In

engagement with PRIME. However, she has sustained her Buck farm, raises two bulls and has continued to cultivate maize, rice and tobacco on the leased land with support from her family members.



Stuck Cases

Pathway of Change

# Case Studies



Farida Parveen

# Coping up with husband's paralysis and persistent economic distress



*PRIME beneficiaries who failed to pass through the graduation process are often victims of health shocks in the family. The case of Farida Parveen from Ithapota, Lalmonirhaat illustrates the struggle of a woman to cope up with her husband's illness and sustain her family's livelihood.*

## Status prior to the engagement in the programme

Farida and her husband did not have any formal source of income. She was just 14 year old when she got married. Her husband worked as a van puller and as an agricultural labor. Farida's family was largely dependent on the support that they received periodically from her husband's parents. They had three children; the eldest was a daughter and was attending school.

## Current situation

Farida's husband got partially paralysed about 3 years back. He was pulling a rented van overloaded with paddy and fell on a nearby ditch which left him severely injured. Since then the family has been struggling to maintain their livelihood as much of the income of the family is spent for the treatment of Farida's husband. Her husband has partially recovered now and occasionally pulls a rickshaw that Farida bought with one of the loans that she received from PRIME. They have one cow, five goats and lives on a thatched house. Farida's mother in law recently gave her 13 decimal lands from which she is able to partially meet her family's annual requirement for rice. Unable to keep up with the economic pressure, Farida had to get her elder daughter, Banesa married at the age of 16. Farida's daughter now lives in Dhaka with her husband who works in a garment in Dhaka. Farida lives with her husband and her two other children, a son and a daughter.

## Factors contributing to the struggle

Farida's struggle is primarily due to her husband's illness which forced her to sell her cows and goats for her husband's treatment. The family was dependent on her husband's work as a rickshaw and van puller. His illness meant that they did not have any regular source of income. Farida tried to rebuild with further loans that she used for bull fattening. But that was not enough to pay for the education and food of her three children. She was once again forced to sell her bulls, goats and her savings and took loans from relatives to get her daughter married. She was thus unable to expand and diversify her source of income and build assets which could help her sustain her livelihood. She continued to receive seasonal loan, regular loan as well as emergency loans (which is why she received 7 loans over a period of 5 years) from ESDO under the PRIME programme which helped her keep up with the shock. Without the series of loans, the situation of Farida Parveen would have clearly worsened. However, the continuous support that is required to help such beneficiaries to keep up with their economic distress, signifies the importance of a different scheme that could help them take off despite their distress. The asset grant scheme that is now being incorporated under PRIME might be a possible solution to support beneficiaries like Farida Parveen cope up with their persistent economic distress.

Farida had to get her elder daughter, Banesa, married at the age of 16. Farida's daughter now lives in Dhaka with her husband who works in a garment factory in Dhaka. Farida lives with her husband and her two other children, a son and a daughter

## The pathway of change

At the initial stage of her engagement with PRIME, Farida worked as a day labor to pave roads. Farida's in laws and her husband did not approve of her work as a day labor. Despite their disapproval, Farida decided to join the work. She used her earning to construct a thatched house. She then got engaged on the savings group and received a small loan of TK 4000 which she used to purchase two goats and some chickens. After one year, she received her second loan of TK 6000 which she used to buy her husband a rickshaw. Within this period she sold couple of goat kids which helped her to support her family. On repayment of the third loan, Farida received her fourth loan, TK 8000 with which she purchased a cow. With her fifth loan of TK 11000 and the income from the sale of the first cow she bought two more cows. Her husband pulled rickshaw and also rented a van to carry agricultural produce.

When Farida was set to take off, her husband got severely injured in an accident. He fell in a ditch with his van full of paddy. With her husband unable to work, Farida decided to get her elder daughter married. Her daughter, Banesa was then studying in class 8. She had to sell off her cows and used all her savings and took



*Farida Parveen*

the continuous support that is required to help such beneficiaries to keep up with their economic distress, signifies the importance of a different scheme that could help them take off despite their distress. The asset grant scheme that is now being incorporated in PRIME might be a possible solution to support beneficiaries like Farida Parveen to cope up with their persistent economic distress

loans from relatives for her daughter's marriage. The wedding cost her TK 70,000 even though she did not pay any dowry. After her daughter's marriage, Farida took another loan of TK10,000 and bought a cow. Her last loan, TK 7000 was used to purchase another cow. Besides, she earns around TK 800 a month from stitching quilts for neighbours. Her husband occasionally pulls the rickshaw but stays most of the time at home. He is still undergoing treatment and has lately been mentally unstable. Farida's mother in law recently gave her 13 decimal lands in which she is cultivating IRRI rice. They also have five goats. The family primarily lives from the income from the sale of the bulls and the goats.

## Amina Begum

# Learning to be resilient



*Most of the struggling cases reveal that the PRIME beneficiaries are highly vulnerable to health shocks if they are exposed to it at the early stage of their engagement in the programme and before they have sustained diversified sources of income and assets. Besides, families that depend on only one earning member appear to be more vulnerable to such shocks. The case of Amina Begum and Mukhlesur Rahman from Khutamara Union Parishad, Nilphamari illustrates the struggle of such families to take off despite continued support from the programme.*

### Status prior to the engagement in the programme

When she got married, Amina's husband worked as a microphone operator. He started early, at the age of 14 as a microphone operator and learnt some electrical works on the job. At the time they got married, Amina's husband was just 18 year old and Amina, 14. Her husband barely earned TK 50 to TK 100 day. They lived in a small thatched house, about 10 ft by 6ft and did not have any other source of income.

### Current situation

Currently, Amina's husband, Mukhlesur Rahman runs a mobile tea stall. The family does not have any other source of income. They have a 5 year old son and a 2 year old daughter who lives with Amina's mother since Amina and her husband are unable to pay for their food and education.

### Factors contributing to the struggle

The persistent health shock has clearly contributed to the economic distress of Mukhlesur and Amina. Even though at one stage they were able to diversify their sources of income and had livestock as assets, the benefits were diminished as they faced one shock after the other. Beneficiaries like Amina and her husband, who are primarily dependent on labor and do not own or lease agricultural land appear to be much more vulnerable to such shocks than beneficiaries who owns or have leased land at the time they get enrolled with the programme which was evident from the case of Parul from Nilphamari. Beneficiaries like Amina who are dependent on a single source of income should qualify for the asset grant that has recently been incorporated as a pilot under PRIME. This would help the beneficiaries to quickly invest on multiple IGAs that could employ both the husband and the wife and thereby make them more resilient against health shocks during the early stage of their engagement in the programme.

Amina and her husband Mukhlesur Rahman have a 5 year old son and a 2 year old daughter who live with Amina's mother since Amina and her husband are unable to pay for their food and education

## The pathway of change

Mukhlesur was not in favor of taking loan when Amina approached him about the opportunity that she heard about from her neighbours. But he eventually agreed to her request and took the first loan of TK 3000 which he invested on starting an electrical shop. The decision paid off as his income increased to around TK 200 per day. He used to repair fans and TVs. Their first son died 72 hours after birth. While the shock was significant for Mukhlesur and Amina, they dreamt of a fresh start when they had a daughter after one year. Just when the family was beginning to settle down, their daughter, then 7 months old, was diagnosed with pneumonia. Mukhlesur spent all his savings to save his daughter's life but failed. Unable to stand with the shock, he left home. Mukhlesur returned home 14 days after his daughter's death and planned for a fresh start. Amina took the second loan of TK 6000 which was reinvested on the mechanical shop. When the loan was repaid after 6 months, they took a third loan of TK 9000 with which they bought a cow. After the third loan was paid off, they took the fourth loan of TK 11000 which was primarily invested as working capital for Mukhlesur's electrical shop. By this time they had a calf and had some income from selling milk.

To increase the income of the family and pay off their debts, Mukhlesur took a job with a local cable service operator. He still



*Amina Begum*

Beneficiaries like Amina who are dependent on a single source of income should qualify for the asset grant that has recently been incorporated as a pilot under PRIME. This would help the beneficiaries to quickly invest in multiple IGAs that could employ both the husband and the wife and thereby make them more resilient against health shocks during the early stage of their engagement in the programme

maintained his mechanical shop. By this time the family was almost on the process of graduation from the start up stage and had diversified sources of income. In late 2013, while at work, Mukhlesur slipped from the ladder and severely broke his right leg. To pay for his treatment the family was forced to sell the cow, the calf and the equipments that they had in the mechanical shop. They

were supported with two emergency loans of TK 3000 each under PRIME to pay for the treatment. But this was hardly enough for the treatment which cost them about TK 60000 so far. Amina and Mukhlesur were left with no more assets and savings. They have recently taken a seasonal loan of TK 16000 under PRIME with which Mukhlesur has started a mobile tea stall.



## Shobha Rani Mondol

# Coming to terms with husband's death

*Shobha Rani Mondol from Gobai Gram in Lalmonirhat was making fast progress with support from PRIME. They quickly diversified their sources of income and were building assets. But her husband's death in 2012 restricted the family from making further progress. This might be due to the fact that Shobha Rani did not have adult children or immediate family members who could support her to keep up with the momentum and sustain the growth.*

### Status prior to the engagement in the programme

Shobha's Husband worked as an agricultural labor. The family lived on shared premise with inlaws (her husband's younger brother and father) but the families lived on their own income. Shobha's family did not have livestock or agricultural land and was solely dependent on the income of Shobha's husband, late Ram Chandra Mandal.



### Current situation

Shobha's husband died of electrocution two years back while working on the land they leased to cultivate cash crops like tobacco and potato. Before his death, the family invested on leasing about 82 decimal lands which they have now leased out to other families for cultivation. The leasing term was such that Shobha's family is entitled to use the land as long as the original owner does not pay back the money for which he leased out the land to Shobha's family. Shobha owns 3 cows and 2 goats. She has a son and a daughter. The son, Khokon Chandra, is about 11 year old. He is autistic but he continues to go to school. The daughter is about 2 year old. The family lives primarily from the income earned from the leased land.

### Factors contributing to the struggle

Shobha is unable to move beyond the stage her husband left her with primarily because she does not have a helping hand. In the case of Parul from Nilphamari, husband's death could not constrain her from moving up since she had adult and earning family members from the first family of her husband. Besides, Shobha's family invested mostly on expanding agricultural production and Shobha was not engaged on IGAs which she could manage while staying at her house. Shobha could probably have continued to sustain the growth of the income of the family even after the death of her husband if she herself was engaged on an income generating activity like small scale poultry or tailoring that she could manage from her house.

### The pathway of change

Like most of the ultra poor beneficiaries of PRIME, Shobha's engagement with the programme started under the cash for work scheme for road works. She worked for 45 days for the wage rate of TK 70 per day. She used the income primarily for household consumption. She used her first loan, TK 3000, to purchase two goats. In the first year, Shobha sold four goats and earned around TK 4000. Her husband at that time continued to work as a day labor primarily for agricultural work. The second loan, TK 5000 was topped up with TK 10000 from their savings and the income from the sales of the goats to lease 15 decimal lands. They started to cultivate potato, tobacco and wheat in the leased land. Over the next three years the family took three loans, respectively TK 8000, TK 12000 and TK 15000 which were all invested on expansion of their leased land for agriculture. In between, they used their income and savings from agriculture to purchase a cow. By the time her husband died, the family had about 82 decimal of leased land, 3 cows and 2 goats. Shobha was not able to move up beyond this stage and survives on her income primarily from the leased land which she now has leased out to other families.

## Reziya Begum

# Keeping up with grants



*Some of the PRIME beneficiaries were unable to benefit from the loan and technical support scheme because of old age and lack of helping hand in the family. The programme thus incorporated a new scheme of asset grant through which beneficiaries are supported for goat rearing on a raised bamboo platform inside the house of the beneficiary. The technique promoted under PRIME is said to be highly effective in protecting goats from PPR, a deadly disease. The case of Reziya Begum from Kachukata, Pashchimpara in Nilphamari district illustrates the evolving nature of PRIME which helps the beneficiaries to keep up with their livelihood*

### Status prior to the engagement in the programme

Reziya lived with her son, daughter and her husband in a two decimal property with two rooms. Her husband worked as a day labor. But he suffered from arthritis and was not able to work regularly. Her son was still unemployed. She had a daughter who was yet to be married. The family hardly had three meals a day.



### Current situation

Reziya's son currently works as a driver in Dhaka. He is now married and the wife lives with Reziya and her husband. Reziya's daughter has also got married and lives with her husband. Reziya's husband still suffers from Arthritis and is not able to work. The family owns a cow and has 3 decimal leased lands in which they cultivate rice and potato. They have recently received 4 goats as a grant from PRIME and have constructed a raised platform with bamboo inside the house in which Reziya lives with her husband.

### Factors contributing to the struggle

Husband's illness and expenses for subsequent marriages of her son and her daughter meant that the family had to write off their income and savings in quick successions before they could invest the income to diversify the sources of income and assets. Reziya is also too old to be able to work and lead her family while her husband is incapacitated. Reziya's case illustrates that the age of the PRIME beneficiary and the immediate household needs can play a decisive role on the household's capacity to graduate out of poverty even though they are supported with series of microfinance and technical assistance support

### The pathway of change

Reziya's engagement with the programme started with a loan of TK 6000 which she spent to buy her son a van which could help him get self employed. The second loan, TK 8000 was used to reconstruct their house which is nevertheless is still in a dilapidated condition. At this stage Reziya worked under the cash for work scheme for road works and earned TK 70 a day for 45 days for her work. The income from this was also spent on construction of the house. With the third loan of TK 10000 Reziya bought a cow. The fourth loan of TK 10000 was used to lease 3 decimal land and they started cultivating rice and potato. Within this period both her son and her daughter got married and the son relocated to Dhaka where he currently works as a driver. Even though Reziya's investments suggest that she was able to diversify her sources of income, according to the PA Tech officer who has been working with Reziya, none of her income generating activities took off since the family tended to dispose of the assets and the savings quickly to pay for the treatment of Reziya's husband. Besides, the marriage of her daughter and her son also meant that much of the savings were spent for and the family could not invest on expansion of the IGAs. Since her son left for Dhaka and her husband's condition has worsened, there are no other earning members in the family and Reziya can hardly work as a labor because of her old age. It is at this point, Reziya was selected as a recipient for the new asset grant scheme under PRIME through which she received four goats and the money to construct a raised bamboo platform to keep the goats.

Srimoti Sabita Rani Mondol

## Subsequent losses from crop failure and outbreak of goat plague leads to economic distress



*High salinity in the southern region in Bangladesh is a major threat for agriculture. Outbreak of PPR can wipe an entire herd of goats. Srimoti Sabita Rani Mondol from Purbadhankani, Shymanagar in the southern coastal belt of Bangladesh was affected by both. Even though the family was initially successful in homestead gardening, the subsequent losses due to crop failure and outbreak of PPR led the family to severe economic distress. The case identifies risk analysis as a pre-requisite for selection of appropriate IGAs for the PRIME beneficiaries*

### Status prior to the engagement in the programme

Srimati Sabitarani Mandal lived with her husband in his inherited property of 17 decimal lands. Her husband had two brothers and shared the property with their families. He worked as a labor in a nearby gher and earned TK 4000 a month as salary. He had an injured backbone and was not fit to work as a day labor. The family had a small pond (about 2 decimal) which was used for small scale pond fish culture. The backyard was used for homestead gardening. They had two goats and some chickens. The family did not have any other assets or sources of income.

### Current situation

Sabita's family is currently heavily indebted because of subsequent crop failure and goat plague that wiped off the investment that the family made from the loans that they took under PRIME and from their relatives. They have an outstanding loan of TK 30000. Currently they are cultivating potato on their backyard. Sabita does not have any children.

### Factors contributing to the struggle

The struggle of Sabita can be attributed to the failure to properly assess the risks associated with the IGAs. Since the region was affected by the tropical cyclone Aila and there were complaints of high salinity on the soil, the PA Tech officer should have advised her to conduct a soil test before she invested on Brinjal cultivation. The threat of Goat Plague was also not seriously thought about since the goats were not diagnosed for plague at the time those were purchased. Sabita and her husband did not have the knowledge on selection of the appropriate goats and were later told that the goats were already affected with PPR at the time those were bought. Since PRIME has incorporated IGA mapping as a prerequisite for selection of appropriate IGA for the beneficiaries in the Southern Region it is expected that the exercise will make the beneficiaries aware of associated risks and risk mitigation strategies prior to the selection of the IGA.

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## The pathway of change

Sabita started with a small loan of TK 4000 in late 2011 which she used to produce vegetable (ridge gourd, bitter gourd, red amaranth) on the backyard. The production was good and she was able to pay back the loan from the produce in weekly installments within one year. The success motivated her to take further loan and expand her production of vegetable. This time she decided to produce Brinjal since the price and profitability was much higher than other seasonal vegetables. However, the cost of production for Brinjal was much higher than the other vegetables that she previously produced. She took her second loan, TK 8000 from PRIME and borrowed around TK 15000 from her relatives. Her husband at this point left his job as a guard in the gher to support Sabita on the cultivation. But soon they were taken by surprise as the crop completely failed. They called the PA Tech officer who suspected that the crop failed because of high salinity which was affecting much of the crops in the region. Even though they did not have any income from the crop they managed to pay back the loan since the brothers shared the land and paid some of the installments.

Sabita was then advised to start a goat farm and was provided one time loan of TK 20000. With the loan she bought 16 goats from the local market in phases and constructed a house for the goats



*Srimoti Sabita Rani Mondol*

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as per the advise of the PA Tech officer. Before long, some of the goats showed symptoms of diarrhea and the PA Tech officer was called in. Unable to diagnose the disease, the PA Tech Officer called the local livestock officer who diagnosed the disease as PPR or goat plague. He immediately used injection and medicines worth TK 1200. He advised to treat the goats with medicines worth TK 4000. Desperate to save the goats, Sabita obliged. But the goats started to succumb to the disease and Sabita was advised to sell those which were still living with the disease. She was able to sell 4 goats for merely TK 1000. The only goat that survived was the one that she got from her mother in law. Sabita is currently paying off her debts from her income from the fish pond and continues to produce vegetable in small volume in their backyard. Her husband is currently unemployed.

Pathway of Change

# Case Studies

Failed Cases





Amjad Molla and Mazida Begum

## Unfavorable market demand and low price for poultry leads to failure at the very onset of the programme

*The case of Amzad Molla and Mazida Begum from Burigoalini, Shyamnagar in the southern region in Bangladesh illustrates the significance of favorable market demand for IGAs like small-scale poultry farming for the beneficiaries to be successful. If the market conditions are unfavorable and the beneficiary is unable to make profit from their investment, they might not be able to move any further beyond the starting point.*

### Status prior to the engagement with the programme

Unlike most PRIME beneficiaries who are young and able, Mazida Begum is old and is unable to work. She has four sons who have their own families and live on their own. Mazida's husband, Amjad Molla is an old man in his mid sixties. However, he continued to work and lived on his income primarily from fishing in the canals in the Sundarbans. He occasionally worked as an agricultural labor. The family was directly hit by Aila as they lived adjacent to a canal in the Sundarbans and lost 8 goats, 18 chickens and 6 ducks on the cyclone. They took refuge in the nearby cyclone center and returned home 18 days after the flood water receded. Amjad Molla worked as a day labor under cash for work programme the income from which was used to rebuild their house.

### Current situation

Amzad Molla currently does not have any asset or formal source of income. He continues to earn his living primarily from fishing in the Sundarbans.

The family was directly hit by Aila as they lived adjacent to a canal in the Sundarbans and lost 8 goats, 18 chickens and 6 ducks on the cyclone.

### Factors contributing to the failure

Poultry farming in Bangladesh has been unstable for last several years. The price of the day old chics varies significantly from month to month. The end market price for broiler also varies due to the recurring threat of bird flu and fluctuating supply in the market. NGF supported several other beneficiaries on the same region to start broiler farm. Those beneficiaries were able to withstand the market risk since they received the grant money of TK 20000 which Amzad Molla did not receive. The failure could be averted if Amzad Molla was well informed about the scheme and was advised not to invest on the broiler farm with the loan of TK 20000. Besides, he did not have any prior experience on broiler farming which meant that he had limited market knowledge. It is ideal to conduct a beneficiary profile assessment prior to the selection of IGA which could the beneficiary about their capacity to undertake certain IGAs. Poultry farming is better suited for families in which both husband and wife can work in turn and the family has some prior experience on the technical issues of farming. This was evident from the other cases of poultry farming that was reviewed as a part of this case study.

## The pathway of change

Mazida Begum got enlisted as a beneficiary of the PRIME programme in 2011. The first loan, TK 5000 was used to purchase a boat and fishing nets. Amzad Molla topped up the loan with an additional TK 15000 that he had as savings. The loan was paid back on weekly installment by the end of 2011. In 2012, Amzad Molla was advised by the PA Tech Officer of NGF, the local NGO implementing PRIME, to invest on a poultry farm. Under the scheme Amzad received TK 20000 as seasonal loan. As per the scheme, Amzad was supposed to receive TK 20000 as grant money on top of the seasonal loan to start the poultry farm. But by the time Amzad Molla decided to apply for the scheme, NGF already exhausted the quota of the number of beneficiaries who were to be supported under the scheme. Nevertheless, Amzad Molla decided to continue since



*Amzad Molla and Mazida Begum*

he already invested his own money to construct a shed for the poultry farm. Amzad started with 150 birds. Within 35 days he was able to sell the birds for TK 24000. He paid back TK 22000 to NGF and received second round of loan of TK 20,000 for the farm. This time, the price of the day old chicks increased significantly from TK 36 per piece

to TK 60 per piece. The market price for broiler also decreased leading to a loss of TK 8000 from the second batch of production. Amzad had to pay the loan back from his income from cash for work activities over the next several months. Unable to cope up with the loss, he decided to discontinue his engagement with the programme.

It is ideal to conduct a beneficiary profile assessment prior to the selection of IGA which could tell about the beneficiaries' capacity to undertake certain IGAs. Poultry farming is better suited for families in which both husband and wife can work in turn and the family has some prior experience on the technical issues of farming. This was evident from the other cases of poultry farming that was reviewed as a part of this case study

## Ashalota Mondol

# Unwilling to take loan, she continues to live alone with support from neighbours and her daughters

*Ashalota Mondol from Sutarkhali Union in Dakope Upazila in the southern region in Bangladesh was selected as a beneficiary of PRIME. But she discontinued her engagement with the programme beyond the 'cash for work' scheme which helped her construct her house on her inherited property. Ashalota continues to live with support from neighbours and two of her daughters who are married and live with their in laws. Her decision to discontinue with the programme was prompted by the fact that she does not have a helping hand who could help her to maintain an income generating activity.*

### Status prior to the engagement with the programme

Ashalota Mondol's husband died several years back on a launch accident. She raised her three daughters on her own by working as helping hand in neighbour's house and with support from her relatives. The elder daughter, Sumita is married and lives in India. The second daughter, Shapna is also married and lives with her husband. She occasionally visits and lives with her mother. The youngest of her three daughters is still studying and lives in her aunt's house. Ashalota lived in her inherited house which was completely damaged by the tidal wave of the tropical cyclone Aila. After Aila she lived on the nearby road along with her neighbours for nearly 2 and half years.

### Current situation

Currently Ashalota Mandal lives alone in a one room thatched house. The plinth of the house was raised by the members of the savings group under the cash for work scheme under PRIME. Ashalota raised around TK 40,000 from her relatives to construct the house on the raised plinth. She did not take any loan from PRIME but participates in the savings group. She occasionally works as helping hand for neighbours apart from fishing in the nearby canals in the Sundarbans.

### Factors contributing to the failure

PRIME has been unable to change the economic condition of Ashalota primarily because of her own lack of willingness to move further. She is old and does not have responsibilities. Ashalota might be an outlier amongst the beneficiaries of PRIME. The programme does not have age restriction as a criterion for selection of the beneficiaries. Income generating activities are often found unsuitable for widowed women beneficiaries who are above the age of 50. Such beneficiaries are supposed to be supported by the government of Bangladesh through stipends under the scheme for the aged and the disabled.



Ashalota Mondol

### The pathway of change

Ashalota did not pass through a pathway of change. She did not take any loan since she was afraid that she would be unable to pay back the loan. She also does not have much need since two of her daughter's are married and the youngest of her three daughters is being supported by her relatives. Ashalota could raise couple of goats which could have helped her live a better life. Some of the PRIME beneficiaries in the northern region who have socio economic conditions similar to that of Ashalota are being supported with asset grant to raise black Bengal goats on raised bamboo platforms. The scheme is yet to be implemented in the south.

# PRIME Case Study

# Conclusions

The 12 cases that are included in this report illustrates that PRIME has incorporated several good practices which led to the success of the programme. This includes engagement of PA Tech officers, market linkage officers, support on diversified ranges of income generating activities, flexible loan schemes that include provision for emergency loans so that the beneficiaries could stand with economic and health shocks. In the Southern Region the programme conducted an IGA mapping exercise that led to the selection of IGAs like poultry farming and crab fattening for which there was favorable local market demand. However, the consultant did not review the criteria for selection of the IGAs and it appears from some cases of failure that the risks associated with IGAs like poultry farming and commercial scale goat rearing were not properly assessed. It was also not clear to what degree the beneficiaries who suffered were aware of the associated threats and risks.

It is recommended that the beneficiaries attend a mandatory training on IGA selection through which they can identify their own capacities and IGAs that are relevant to their capacities. The programme has incorporated asset grant for beneficiaries that are unable to move forward through finance and technical support and it is expected that the grant scheme will be scaled up to include beneficiaries who have been struggling to move up further through the graduation process. The investment of DfID on the recruitment of the PA Tech Officers, IGA officers and Market Linkage Officers for each of the implementing NGOs or MFIs is a key success factor for PRIME. However, this is an expensive intervention and a model needs to be

evolved through which the implementing MFIs could make the schemes mainstream. It would also be interesting for DfID to check how the beneficiaries who are successfully graduating can now be linked with commercial service providers so the support of the PA Tech officers could be withdrawn.

The difference between the north and the south is observed on two areas: (i) the types of IGAs that are being undertaken in the south differs to that from the north and (ii) the beneficiaries in the South are still in the early stage of the pathway of change and are yet to complete a full cycle of graduation that could make them resilient to economic or health shocks or shocks arising from disasters. Besides, PRIME has incorporated a new scheme of IGA mapping in the south based on the learning from the north with the expectation that this would help the beneficiaries identify IGAs appropriate for them. The financing scheme is also changed to allow for larger loans and grants to support larger scale IGAs like crab fattening and poultry farming. Besides, the beneficiaries in the south are provided with disaster management fund so that they could meet some of their reconstruction needs prior to getting engaged on an income generating activity. With PRIME support being mostly equal to all beneficiaries, the variables of success or failure in both region are primarily intrinsic to the beneficiaries – the support provided by the husband, both husband and wife working on multiple vocations at the same time or working together to expand one income generating activity, the entrepreneurial aptitude of the beneficiary, the support received from immediate and extended family members, the age of the beneficiary, the family size and number of dependents etc.







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