Editorial

Microfinance and enterprise development – especially value chain interventions – do not reach the poorest. Statements like this can meet with horror and denial – see our Crossfire debate between Sam Daley-Harris of the Microcredit campaign and Jamie Zimmerman. After all, what have we been doing all these years if we've by-passed those most in need? What are we to say to members of the public who thought their donations were helping the very poorest to start a business? In fact, we don't need to apologize for directing efforts at a microfinance industry that is helping the poor and not-so-poor to progress economically – this is a huge achievement in itself. But equally it is important for two important reasons to admit that microfinance does not reach the very poor: firstly, the very poor require different programmes and approaches from microfinance clients, and secondly, these approaches require continuous funding and cannot be expected to be covered by interest income on loan programmes.

This first point is recognized by BRAC, which has experimented with separate programmes for the poorest since the 1980s (the IGVGD programme) and now has perhaps the best-known programme for the poorest, 'Targeting the Ultra Poor' (TUP). Selected households benefit from a two-year programme of carefully phased inputs including the transfer of assets (such as chickens and cages), skills training and back-up (such as veterinary support), a stipend, free health services and network building to overcome social marginalization. This last element recognizes that those targeted might have been excluded from existing BRAC microfinance groups, and in earlier incarnations of the TUP were often still excluded even after they had been through TUP. One of the programme's innovations was to involve the more public-spirited members of village élites in Village Assistance Committees to oversee separate microfinance groups for TUP members and to help counter any discrimination (Hulme and Moore, forthcoming).

On the other side of the world, BRAC's approach is being replicated in Haiti by the microfinance organization, Fonkoze, and the results are described here by Huda and Simanowitz. Members of their programme for the poorest, CLM, also benefit from the 'vertical solidarity' that the village assistance committees confer. When landlords responded to members' increased prosperity by putting the rents up, the committee members intervened or themselves offered alternative land for rent. The evaluation of the CLM programme shows some impressive increases in income.

Social marginalization and a lack of confidence are obstacles facing people living with HIV/AIDS and with disabilities, and the pro-

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grammes described by Daniels and Jeans in Uganda and Kenya pay a lot of attention to changing attitudes and creating role models among people facing disability or stigma, so that they can run appropriate economic activities with confidence.

Snelgrove and Manje's article deals with the potential dependency that can be created when outsiders intervene. In this case outside finance from MEDA is used to foster the take up of agricultural technologies by very poor, risk-averse farmers. MEDA avoids the dependency trap by becoming invisible: technology vouchers funded by MEDA are handed out by suppliers as if they were their own 'money-off trial' vouchers. It is to be hoped that by the time the voucher programme has ended the farmers are confident enough with the technology to buy it at the full price.

The second point to bear in mind about programmes that work with the poorest is that they don't come cheap. BRAC's TUP costs $280 per client, and this is after years of piloting, refining the programme and streamlining. Programme scale has been important to bring the operational costs of TUP down – as much as 84 per cent of the total is the cost of the asset being transferred – and this is possible because the organization behind it, BRAC, is so large, with fieldworkers, infrastructure and a research department already in place. Christopher Dunford also writes about the advantages of building outreach to the poorest onto existing strong microfinance programmes, and shows how a credit union programme that mainly deals with urban men as individuals can branch out to serve poorer groups of rural women.

Even with scale, there is clearly a need to fund the costs of reaching the poorest from outside the programme. Commercial banks currently serving mainstream microfinance customers are not going to be willing or able to help poorer clients who need assets, health care, skills training and empowerment. Value chain and market development programmes need to offer subsidies in order to enable the poorest to participate. Well-designed programmes that are proven to give the very poorest a hand up to the next level must have funding for the foreseeable future from governments and donors.

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References

Hulme, David and Moore, Karen (forthcoming) 'Assisting the poorest in Bangladesh: Learning from BRAC's "Targeting the Ultra Poor' Programme"' in Hulme, David, Lawson, David, Matin, Imran and Moore, Karen (eds) *What Works For The Poorest?* Practical Action Publishing.