



Sustainable Transformation Out of Extreme Poverty:
Pathway Analysis of PKSF
PROSPER PROGRAMME



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Palli Karma-Sahayak Foundation

November, 2016

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Extreme Poverty:
Pathway Analysis of
PKSF PROSPER PROGRAMME

Study Conducted By:



Innovision Consulting Private Limited

House - 26, Pragati Sharani, Block - J
Baridhara, Dhaka - 1212, Bangladesh

Lead Consultant:

Md. Rubaiyath Sarwar,
Innovision Consulting

Advisor:

Dr. Martin Greeley,
Institute of Development Studies,
University of Sussex

Research Associate:

Galib Ibn Anwarul Azim,
Innovision Consulting



Palli Karma-Sahayak Foundation

PKSF Bhaban
E-4/B, Agargaon Administrative Area,
Dhaka - 1207, Bangladesh

Telephone: 912 6240,
E-mail: pkssf@pkssf-bd.org,
Website: www.pkssf-bd.org

PKSF initiated the Programmed Initiative for Monga Eradication (PRIME) and the Learning and Innovation Fund to Test New Ideas (LIFT) to look beyond microfinance to address the extreme poverty conditions and as a response to the seasonal deprivation called Monga in the northern regions in Bangladesh. The UKAid Department for International Development (DFID) provided funding to the programmes under the Promoting Financial Services for Poverty Eradication (PROSPER) programme from 2007. PROSPER was later expanded to the southern region in Bangladesh in 2011 as a response to the tropical cyclone Aila.

Even though PROSPER is anchored on access to finance for the ultra poor, its success has been widely credited to the provision of financial and non-financial services in a long term package. The non-financial services includes technical and market linkage services, vocational education and skills development services, asset grant, essential health and nutrition services for the pregnant and lactating mothers and children under 5 etc. which are provided as a long term non-time bound package support to the targeted extreme poor households. This subsequently attracted the policy makers, academics and practitioners to study the PRIME and LIFT interventions and define the scope and evidence on the application of financial and non-financial services as an essential package to alleviate poverty. We believe this report will provide further evidence and learning that could be used to design and manage next generation extreme poverty alleviation programmes in Bangladesh and beyond.

This Report Presents the Findings from Secondary Literature and In-depth field investigation undertaken by Innovision Consulting under commission of PKSF. While PKSF has reviewed the findings and made contribution in the form of presentation of data and facts and checked for validity of the information and conclusions, the analysis, conclusions and recommendations are that of the consultants. For further query, you can reach to the lead consultant Md. Rubaiyath Sarwar at rubaiyath.sarwar@innovision-bd.com.

Acronyms

CFW

Cash for work

CHP

Community Health Promoter

CLP

Chars Livelihood Project

DAE

Department of Agricultural Extension

DFID

Department for International Development (UK)

EEP

Economic Empowerment of the Poorest

EU

European Union

FEDEC

Finance for Enterprise Development and Employment Creation Project

hh

Household

IFAD

International Fund for Agricultural Development

IGA

Income generating activity

InM

Institute for Inclusive Finance and Development

LIFT

Learning and Innovation Fund to Test New Ideas

OTUP

Other targeted ultra poor

OSS

Operational Self Sufficiency

M&E

Monitoring and evaluation

MFI

Microfinance Organisation

MFMSFP

Micro Finance for Marginal and Small Farmers Project

MFTSP

Micro Finance and Technical Support Project

MIS

Management Information System

NP

Non PRIME

NPCO

Non PRIME Credit Only

PA (Tech)

Project Assistant (Technical)

PACE

Promoting Agricultural Commercialisation and Enterprises Project

PCO

PRIME Credit Only

PCP

PRIME Credit Plus

PCU

Prosper Coordination Unit

PKSF

Palli Karma Sahayak Foundation

PLDP

Participatory Livestock Development Project

PO

Partner Organisation

PRA

Participatory Rural Appraisal

PRIME

Programmed Initiatives for Monga Eradication

PROSPER

Promoting Financial Services for Poverty Reduction

RBM

Results based monitoring

SAAO

Sub-Assistant Agricultural Officer (of DAE)

SIPP

Social Investment Programme Project

STUP

Specially targeted ultra poor

USAID

United States Agency for International Development



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 alleviate rural poverty.





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 alleviate rural poverty. In 2007 UK-Aid 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, programme coverage was expanded in 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 health care services and nutrition support will lead to sustained employment and income generation for the extreme poor and help them to address vulnerability arising from seasonal deprivation of food and employment
- Capacity building support to the POs will help them to sustain the innovations promoted under PRIME and therefore ensure that in the long run the POs can continue to scale 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 holistic approach for poverty alleviation by incorporating interventions on Primary Health Care 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 salient approach through provision of market linkage services for the beneficiaries. The programme interventions at this stage were steered through deep understanding of market opportunities in the programme territories. This resulted 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 level 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 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. 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. 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. 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 to understand the impact that could be attributed to PRIME. As per the 7th round of Impact Assessment Report, higher percentage of PRIME beneficiaries (PRIME Credit Plus or PCP) are food secured 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 based on the household per capita income, food intake, sources of income and access to productive assets. They are:

- ① graduate,
- ② transient and
- ③ vulnerable

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 lesser 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 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 point 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 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 and demand for the product or service. The programme addresses root cause 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-

- the local economy does not provide enough opportunities for year round income generation for the extreme poor
- the poor does not have the capital to engage in income generating activities
- the poor does not have the knowledge and skills to engage in income generating activities for which there is local market opportunity.

A market systems programme is also adaptive and evolutionary in its approach, it is driven by market actors and it has a strategic vision and road map 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 alleviation of extreme poverty.

We conclude that PRIME is on track of 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 '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. 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 includes asset grant, primary health care and nutrition support, vocational training support, emergency loans depend on external aid or special financing instrument under PRIME. Even though there are signs that the primary health care 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 of embracing a holistic market systems

approach, 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 programme period and through its own complementary programmes. ■

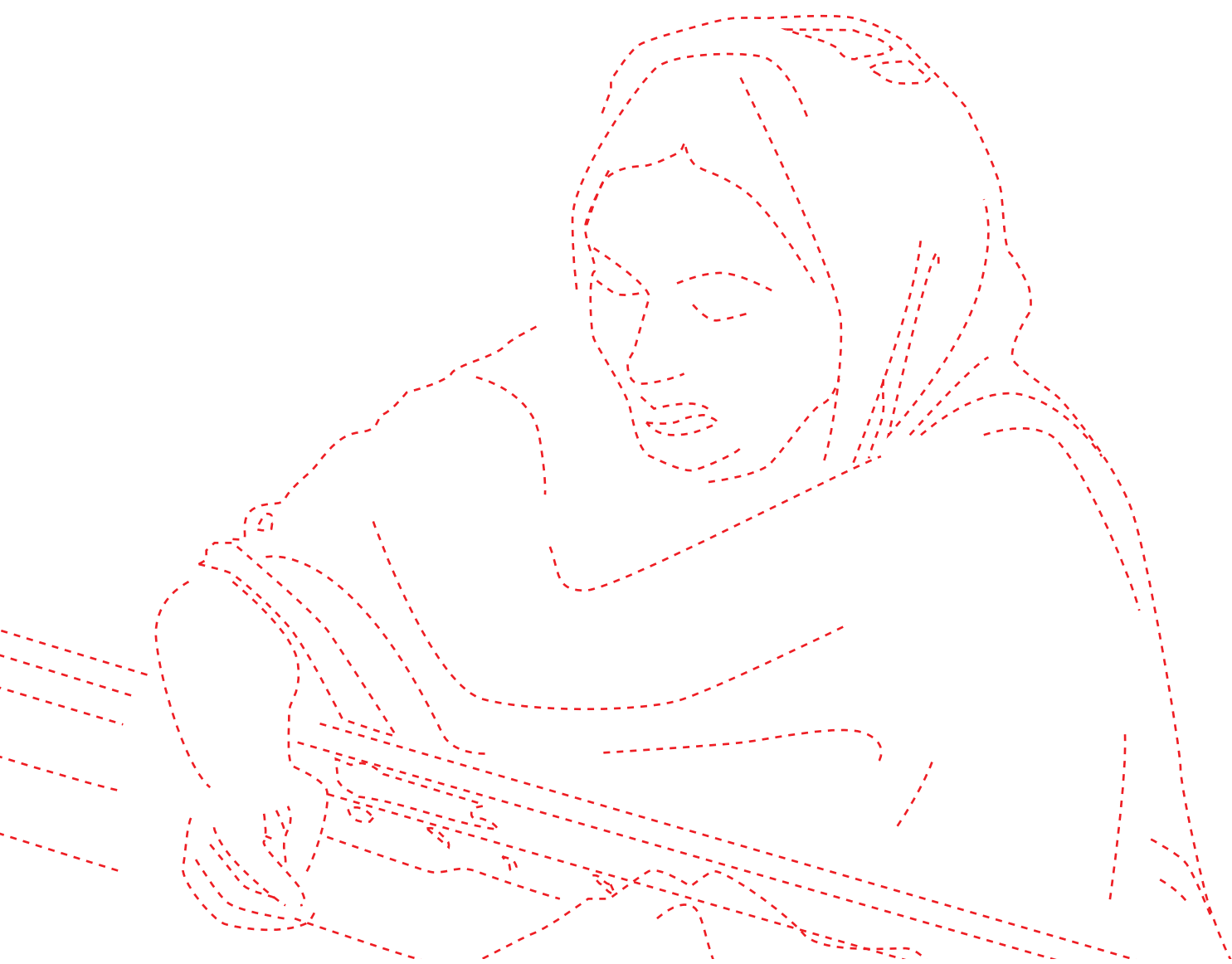


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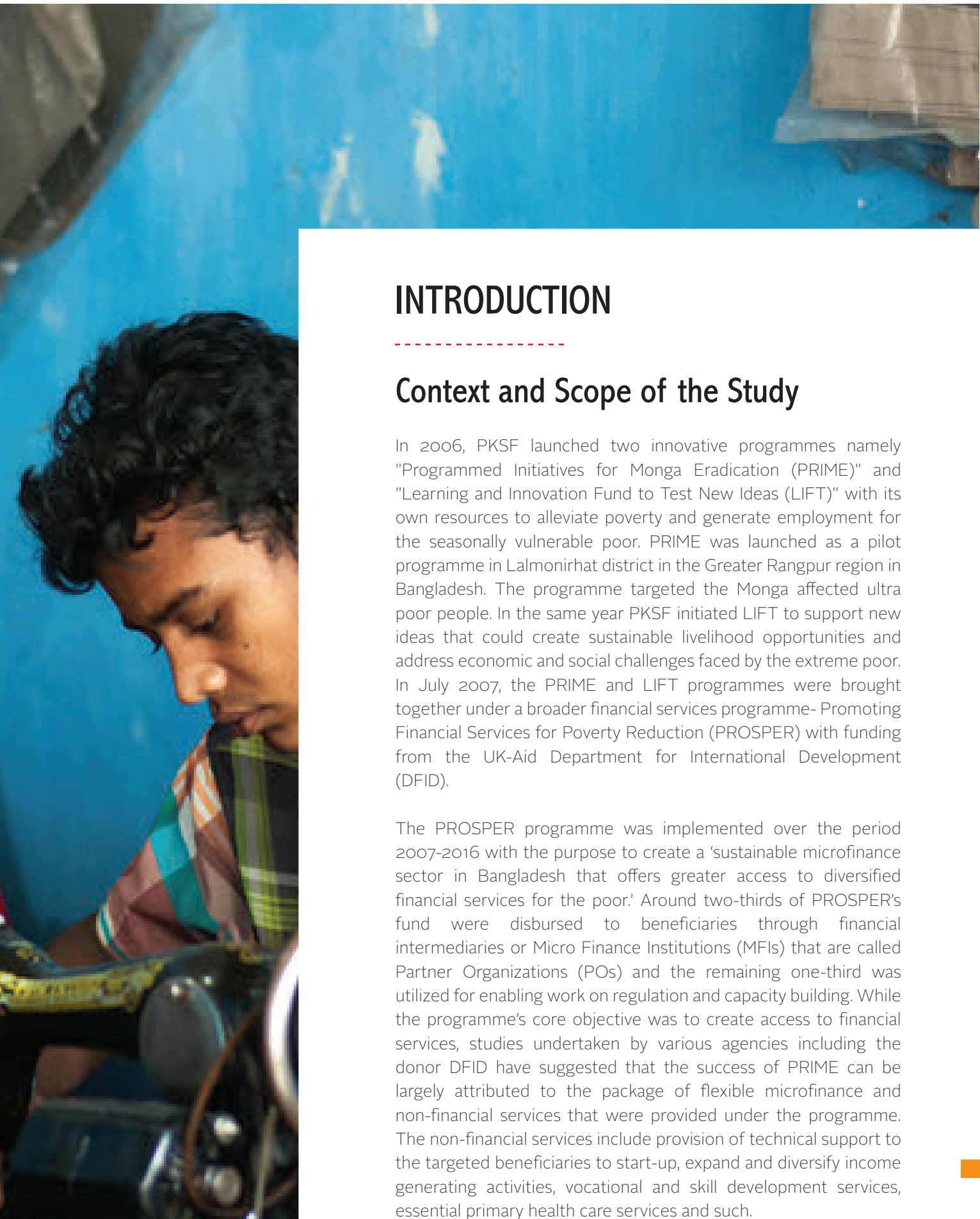


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INTRODUCTION

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. In 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 LIFT programmes were brought together under a broader financial services programme- Promoting Financial Services for Poverty Reduction (PROSPER) with funding from the UK-Aid Department for International Development (DFID).

The PROSPER programme was implemented over the period 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 PROSPER's 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 health care 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 to collect evidences 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, 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 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 Programme



Summary of PRIME and LIFT Interventions

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 districts 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 health care and group formation. As part of LIFT interventions, 50 innovative poverty reduction initiatives have 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

PROJECT DURATION



July
2007

July 2007- June 2016

June
2016



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.

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 health care and nutrition services, disaster management support

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

FUNDING

PRIME

BDT 28,978.32
(in Lac Taka)

LIFT

BDT 2701.75
(in Lac Taka)



FUNDING AGENCY

DFID Department for
International
Development

UK-Aid
Department for
International
Development
(DFID)



Palli
Karma-Sahayak
Foundation
(PKSF)

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.¹ 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 between 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 instalment for an effective interest rate of 24.98% and in weekly instalments for effective interest rate of 19.90% and (iii) emergency loan for the 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

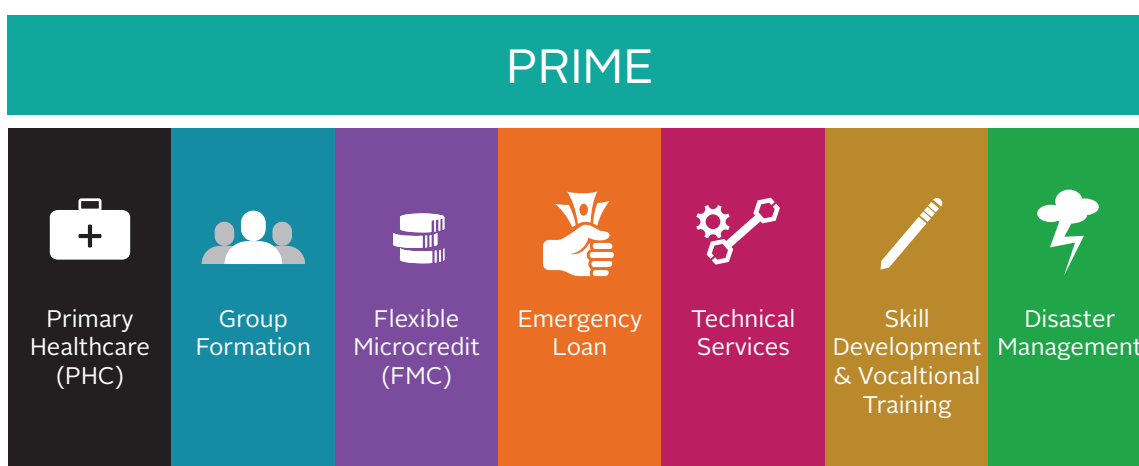


Figure 1: PRIME Interventions

¹ 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.

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, national and export market. Further to that, innovations piloted under LIFT programme (for instance Vermi Compost, Black Bengal Goat rearing and breeder farms), were also introduced and scaled 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 introduced market linkage officers to support the beneficiaries market their produce to the traders and buyers from both local and national market.

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.

Timeline

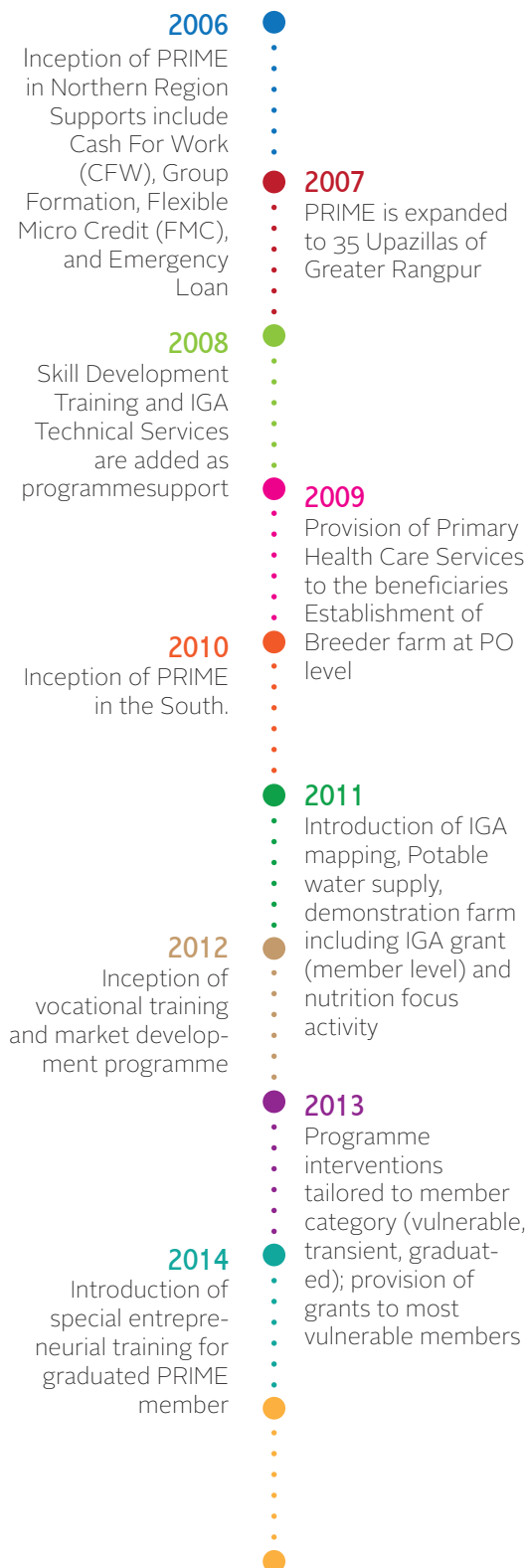


Figure 2: PRIME Pathway of Interventions

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 UKAid 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, 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 saline 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. 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 being disbursed. PKSF also extends supports for organizational capacity building to ensure successful implementation of the projects by the partners. PKSF and implementing partners work closely to nurture innovations, scale and replicate activities for successful market linkage.

The innovations range from testing novel ideas of vermicompost and black Bengal goat breeder farms to solving crisis of safe drinking water in saline prone regions.

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 supports to the selected programme recipients covered under each branch area. These branches have been established in five phases during the course of the programme in between 2006 to 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 for 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 supports have been obtained for impact assessments, monitoring & evaluation of the project at different phases.

LIFT: Interventions under LIFT have been implemented in partnership with implementing organizations, both POs and non-PO. 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 supports 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.

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 productively engage in IGAs.

Theory of Change

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

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)

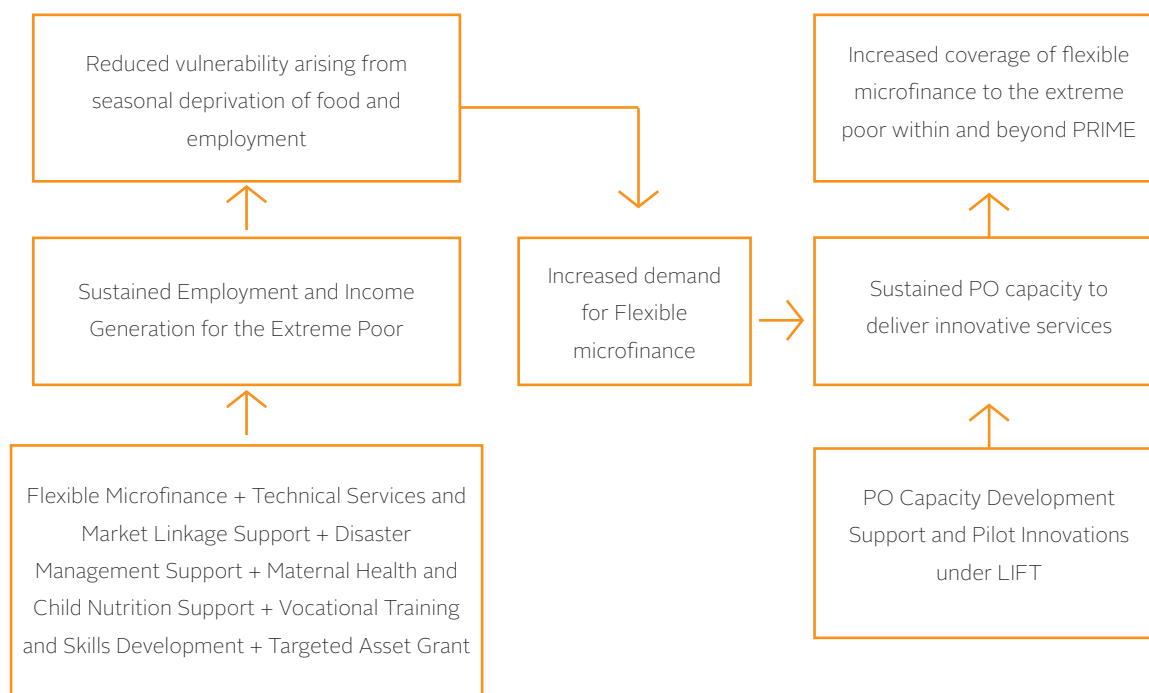


Figure 3: Theory of Change of PRIME

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

- Capacity building support to the POs will help them to sustain the innovations promoted under PRIME and therefore ensure that in the long run the POs can continue to scale 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

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 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 who are not capable to utilize 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.

The Significance of the 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.

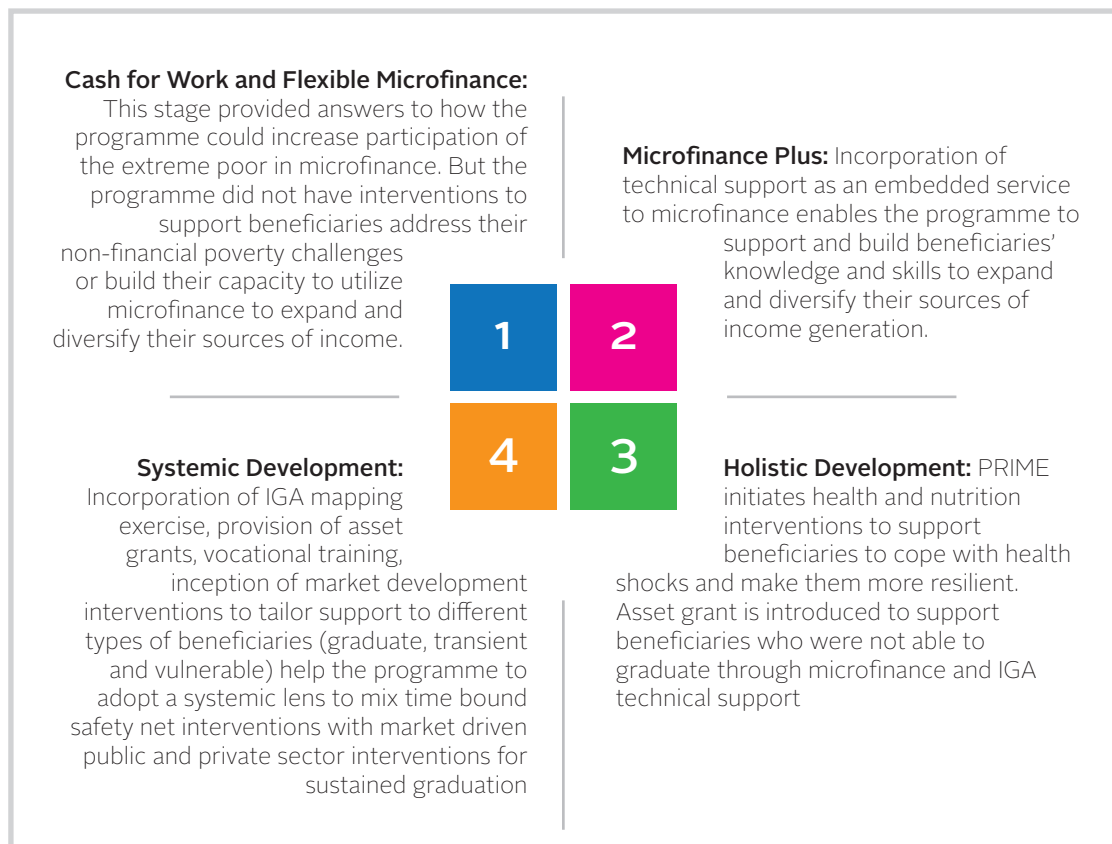


Figure 4: Evolution of PRIME

The extreme poor have varying degrees of capacities and resources to be able to respond to programme interventions; the evolution helped PRIME to 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 which are affected by health shocks, economic shocks, natural disaster. Also, the study indicates that these households are those which usually do not have young income earning member 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 supports 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 rationale 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 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 underlie 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 on the fact that LIFT was continued even after

withdrawal of funding from DFID. PKSf could scale 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 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) conducted 7 rounds of impact assessment of PRIME till 2016. This provided foundation to measure 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

PRIME started off as a Munga 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 level and provides a key diagnostic tool for PRIME managers.

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 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.

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.

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 to understand the impact that could be attributed to PRIME. The report summarizes impacts of PRIME under three 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

LEVEL	MEASUREMENT TOOLS	INDICATORS MEASURED
IMPACT	Seasonal Vulnerability Reduction Index (SVRI)	<ul style="list-style-type: none"> Food Security Adoption of MONGA Coping Strategy
OUTCOME	Economic Self Sufficiency Assessment Sheet (ESSAS)	<ul style="list-style-type: none"> Employment Economic Activities Responses of the beneficiaries to Technical and Primary Health Care Services
OUTPUT	Activity to Output Monitoring (ATOM)	<ul style="list-style-type: none"> Measures progresses against all 7 components of PRIME

Figure 5: PRIME's Results Based Monitoring Systems (RBMS)

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 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 monga season. Percentage of PRIME beneficiaries who have regular three meals during the monga 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, 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 lead 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, (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

Inclusiveness of PRIME interventions

PRIME beneficiaries are selected through a rigorous screening exercise involving participatory process and data. The inclusiveness depends not only on 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 Shatikhira, 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 in a khas land (government owned land) which the household has 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 includes, 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.

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).

Table 1: Classification of PRIME beneficiaries with respect to status of graduation

Indicators	Categories		
	Graduate Ultra Poor	Transient Graduate 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 equivalent BDT 20000 or above	Possession of productive assets equivalent BDT 6000-20000	Possession of productive assets equivalent less than BDT 6000

Table 2: Percentage Distribution of Households under Different Categories

Beneficiary Category	PRIME (North)		PRIME (South)		OVERALL PRIME	
	No of Member	%	No of Member	%	No of Member	%
Graduated Ultra Poor	161034	46	56852	35	217886	43
Transient Ultra Poor	147031	42	74719	46	221750	43
Vulnerable Ultra Poor	42009	12	30862	19	72871	14
Total	350074	100	162433	100	512507	100

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: 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 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.

From savings to income diversification:

Before enrollment in PRIME in 2009, Komola Begum worked in neighbor's houses as helping hand. She earned around TK 100 per day or 1-1.5 kg of rice in exchange of her labor. 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 mean time 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 the sales of milk. Recently she has started catfish farming in the backyard pond. Over this time, the family investing in renovating their thatched house. This case of Komola Begum exhibits how PRIME has contributed to create 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.

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 couple of goats and rice for his family. One goat is raised in his house. The other is given 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 on 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. 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.

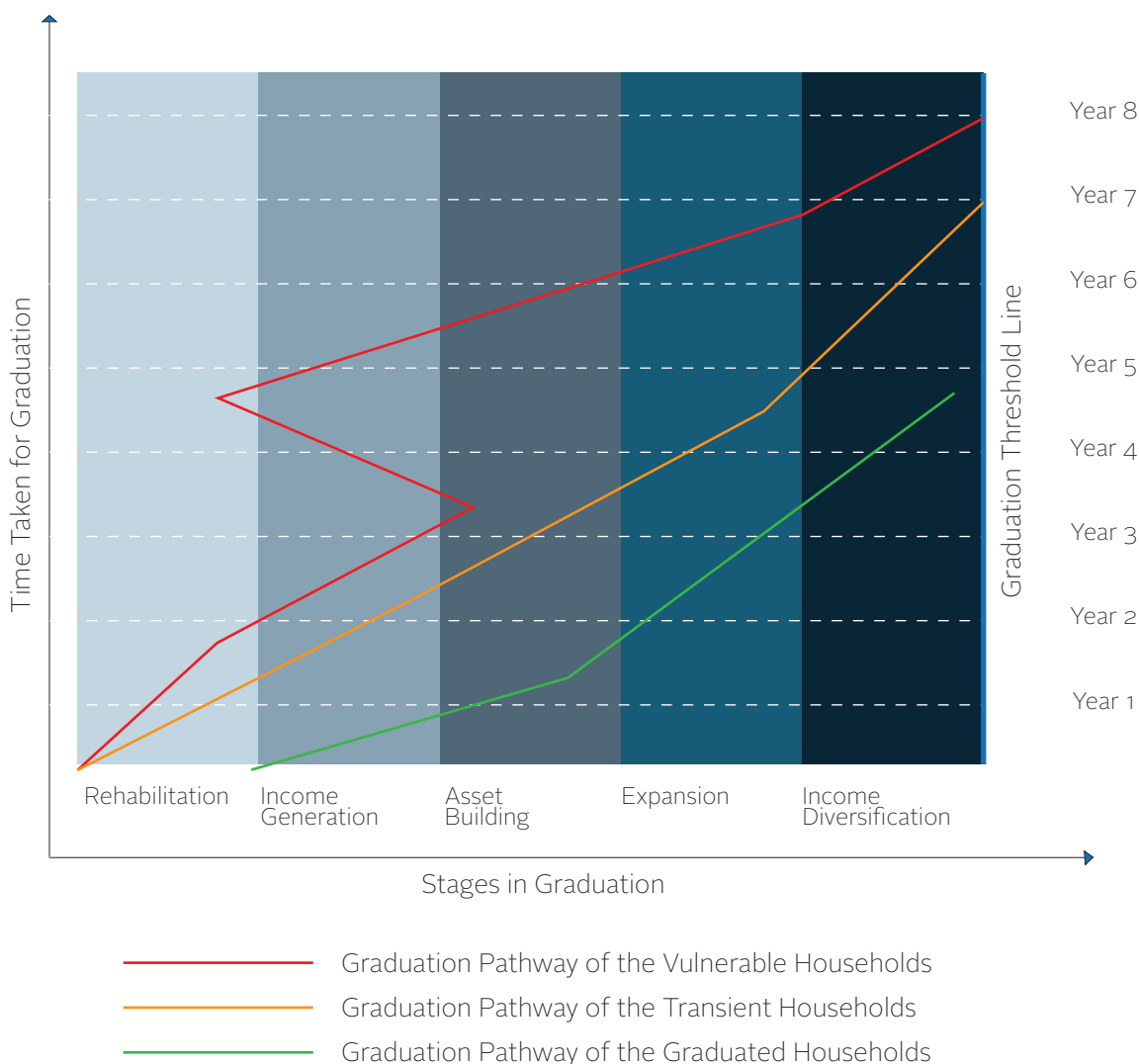
Dalits have been living in a small area in Kumira for generations; these landless families reside in the land owned by a local landowner family. They are secluded from mainstream socio economic activities and are treated as outcaste by both Muslims and Hindus. Being poorest of the poor, they never received 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 explained further in the next page.

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 passes through a rehabilitation stage before they start-up or start income generation with flexible microfinance, technical and skills development support provided under PRIME.

Figure 6: Illustrative mapping of the graduation process of different types of PRIME households



As illustrated in figure 6, 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 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 on 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 stage, 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 stage 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 changes over time.

As the households pass through the stages in the graduation pathway, the context, need and dependency of the households on the interventions shift.

The asset grant combined with emergency loans and disaster management support helps households to withstand shocks

and pass through the rehabilitation stage. The flexible microfinance combined with technical support, skills development support, vocational training and education helps household to 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:

- 1 **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)
- 2 **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 need 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 responses 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 Noabeki Gonomukhi 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 Shatkhira district in the South. According to NGF, PRIME had several transformative impacts on the organization's capacity to deliver microfinance services to the

“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.”

**Humayun Khaled,
Director- Microfinance, RDRS**

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 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 6 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 . 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. 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.

“ We wore poor clothes and looked pale, people behaved rude with us. Nobody used to invite us to religious festivals or social events.

Now we have become self-dependent and people in the community don't ignore us like they did in the past.

Prevalence of diarrheal and water borne diseases were high in the area. Now the deep tube well (set up by PRIME grants) has solved the problems.

**Sushama Biswas,
Dalit Community, Kumira
Branch, Tala, Satkhira**



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.

“ In the past there was time when I did not have even 2 taka in my hand. My relatives humiliated me from time to time for being poor. Now I am self reliant and gained my social acceptance to others through struggle.

**Mosammat Nasima Begum,
SHARP Member, North
Kazirhat**

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 includes 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

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.

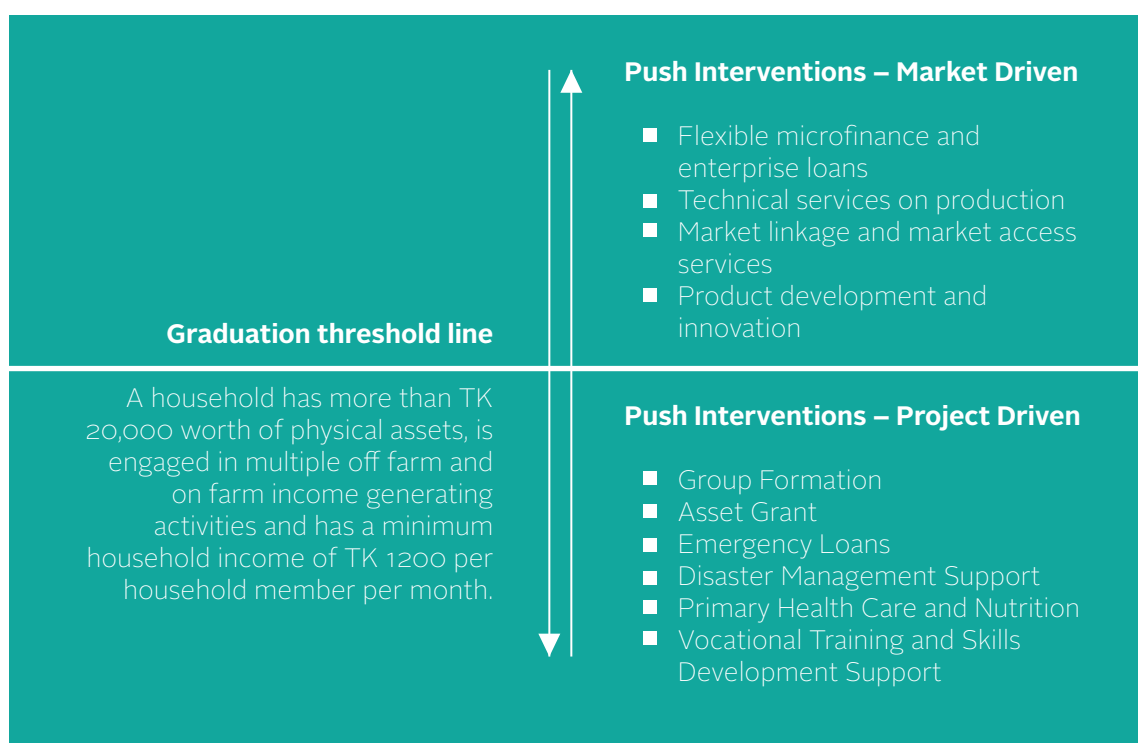
Push interventions: The push interventions should be driven by the programme and the cost of these interventions could be borne under social safety net schemes. The push interventions shall include but shall not be limited to – asset grants, emergency loans, primary health care and nutrition support, 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.



Figure 7: Push and Pull Interventions for Sustaining Graduation



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 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 on 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; following capacities need to be strengthened:

Technical capabilities: The core competency of PKSf and its partner organizations like InM 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

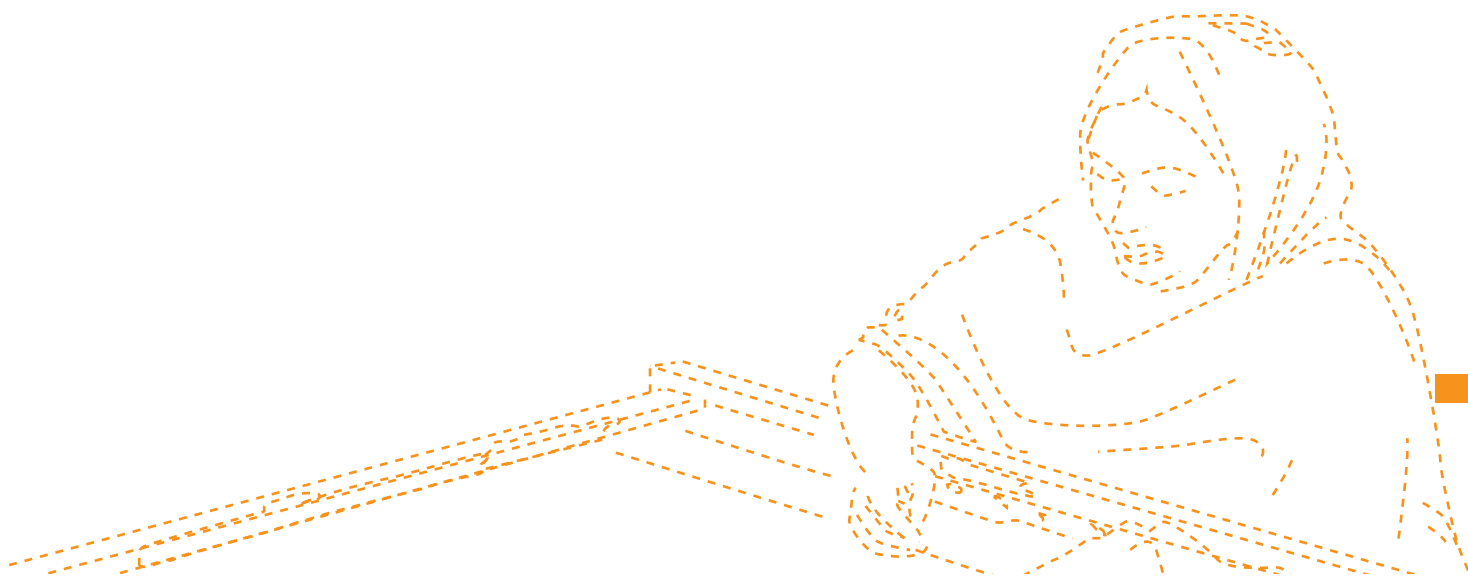
consultancies in Bangladesh having the expertise in research, design, management and monitoring of market systems programmes.

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 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. ■





Palli Karma-Sahayak Foundation

PKSF Bhaban

E-4/B, Agargaon Administrative Area, Dhaka - 1207, Bangladesh

Tel: 912 6240, Email: pkssf@pkssf-bd.org, Web - pkssf-bd.org