



Good Practices for the Economic Inclusion of People with Disabilities in Developing Countries

Funding Mechanisms for Self-Employment



**HANDICAP
INTERNATIONAL**

**HANDICAP INTERNATIONAL
FRANCE**

Headquarters

14 avenue Berthelot - 69361 Lyon CEDEX 07, France

Tel: +33 (0) 4 78 69 79 79

Fax: +33 (0) 4 78 69 79 94

Email: contact@handicap-international.org

www.handicap-international.org

Office

104-106 rue Oberkampf 75011 Paris, France

Tel: +33 (0) 1 43 14 87 00

Fax: +33 (0) 1 43 14 87 07

Email: paris@handicap-international.org

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Executive summary

This report aims to highlight good practices, strategies, tools and operational methods that guarantee the efficiency and sustainability of projects that support access to funding mechanisms and the self-employment of landmine victims and people with disabilities in general. More specifically, the study focuses on the use of microcredit and grants for the start-up and expansion of microenterprises.

These guidelines are based on the findings of: a global survey and interviews with organisations of/for people with disabilities and microfinance providers; a literature review; field studies in seven countries (Afghanistan, Bangladesh, Ethiopia, India, Kenya, Nicaragua and Uganda); the outcome of regional workshops conducted in Dhaka, Bangladesh and Nairobi, Kenya; and a final workshop in Geneva where the first draft of this report was discussed with practitioners from the microfinance and disability sectors.

One of the objectives of this report is to identify strategies that help reduce poverty among people with disabilities, in this case through access to microcredit for self-employment. Indeed, it is estimated that 10–12 per cent of the world's population has some kind of disability and that 82 per cent of them live below the poverty line. Being able to earn a stable income is therefore a main priority for people with disabilities.

A major finding of the study was that people with disabilities are highly underrepresented among the clients of microfinance institutions. While it is estimated that people with disabilities constitute an average of 10 per cent of the population, microfinance organisations reported that 0–0.5 per cent of their clients had a disability; although most of them do not control this variable.

Two main kinds of barriers were identified:

1. **'internal' barriers**, such as lack of business skills, lack of formal education, or lack of self-confidence
2. **'external' barriers**, such as inadequate financial product design or attitudinal barriers (stigmas and prejudices).

In response, two main approaches are used:

1. **Inclusion in mainstream microfinance institutions** through a variety of schemes, including raising awareness among microfinance staff, establishing partnerships for cooperation, adapting methodologies, or simply by supporting people with disabilities to submit their loan applications. Interestingly, some microfinance institutions mentioned that people with disabilities were among their best clients. Examples include that of Handicap International in Senegal and Central Africa, which have reached over 200 persons after establishing successful partnerships with microfinance institutions. This seems to be the most successful strategy in terms of *sustainability, cost-efficiency and effectiveness*.

2. **Provision of financial services by organisations of/for people with disabilities themselves.** Some organisations affirmed that inclusion in microfinance institutions was a long-term goal, but that this would not respond to current pressing needs for loans. Others believed that people with disabilities could not afford to meet the mainstream microfinance institutions' requirements and fees. Some of the programmes that tried to provide financial services themselves have failed because of lack of expertise. However, some have been very successful in terms of *breadth and depth of outreach*, providing services to a vast number of people with disabilities, and reaching some of the poorest among them. For instance, Asociación de Discapacitados de la Resistencia Nicaragüense (ADRN) in Nicaragua has reached more than 700 people with disabilities in various provinces; International Committee of the Red Cross (ICRC) has reached over 4,600 in Afghanistan. However, this approach requires strong capacity building to enable organisations of/for people with disabilities to manage complex financial programmes. It also requires long-term donor commitment, since low or non-existent interest fees do not cover operational and financial costs.

One of the most successful approaches may be to apply a strategy that parallels the 'twin-track' approach developed by the Department for International Development (DFID): ^[1]

- ✓ to work towards facilitating the **inclusion** of landmine victims and people with disabilities in mainstream microfinance institutions, which is the most sustainable and cost-efficient solution and also promotes an inclusive society
- ✓ to **empower** people with disabilities through specific initiatives. These may include social work and self-confidence building, or specific structures such as self-help groups or revolving funds, if the necessary human and financial resources are available.

Indeed, the most successful strategy is to work towards an inclusive society where people with disabilities can have access to the same services – including financial ones – as the rest of the population, while organisations of/for people with disabilities focus on supporting people with disabilities through their core activities.

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Our warmest thanks go to the people with disabilities in different countries who kindly shared with us their experiences, thoughts, hopes and inspiring stories.

Research team

Hervé Bernard, Anne Leymat, Thierry Kowalczyk, Ton de Klerk, Wanda Muñoz, Marie Cécile du Mesnil, Sylvain Bord

Hervé Bernard and Anne Leymat from the Handicap International Inclusion Unit directed and coordinated the making of this report throughout. Thierry Kowalczyk prepared the initial stages of the research. Ton de Klerk was in charge of the main research, conducted the visits and workshops in South Asia and East Africa, and prepared the first draft of the report. That draft was revised by Wanda Muñoz, who also led the research on Latin American countries. Marie Cécile du Mesnil carried out the preliminary surveys and compiled information from over 30 countries in a preliminary summary of findings. Sylvain Bord contributed to the logistics of the project, in particular organising the translation and publication of the report, and organising the Geneva workshop, where experts met to review the first draft.

Reviewers

Thanks go to the following participants in the Geneva workshop, who reviewed the first draft and improved it with their field experience from various backgrounds around the world.

Hubert Seifert, Christoffel-Blindenmission, Kenya

Ginason Jandwa, Leonard Cheshire International, Tanzania

Enzo Martinelli, Leonard Cheshire International, UK

Fanta Wolde, Microfinance African Institutions Network

Dominique Marcon, Solidarité Internationale pour le Développement et l'Investissement (SIDI), France

Abdus Sattar Dulal, Bangladesh Protibandhi Kallyan Somity, Bangladesh

Janet Heisey, Trickle Up, United States

Johan Edvard Grimstad, Norwegian Association of Disabled, Norway

Ton de Klerk, Consultant for Handicap International

Wanda Muñoz, Handicap International

Facilitators: Hervé Bernard and Anne Leymat, Handicap International

Photos and illustrations

Handicap International

Foreword

Microfinance generally claims to provide proximity financial services to the poorest of the poor. It has also become common now among development actors to talk about social justice. Among people to whom these two interrelated principles apply are men, women and children with disabilities. Credible sources have identified the existence of undisputable correlation between poverty and disability, that one affects the other, thus reducing further the opportunities for people with disabilities in accessing means of social services and economic activities which are part of human rights.

Disability does not necessarily mean inability. There is sufficient evidence, as demonstrated by field work in many parts of the world, that there is a strong desire among people with disabilities to be engaged in productive activity and lead dignified lives. With modest financial services they are able to do business according to their capabilities and even engage themselves in sportive, cultural and environmental undertakings.

The question for microfinance institutions and other development actors is to revisit the linkage between rhetoric and action, because inclusiveness is one of the fundamental principles of development. Therefore, the right time is now to take up the challenges of designing appropriate products to serve without discrimination.

Handicap International has taken a bold initiative in this direction and involved microfinance actors, solidarity financing organisations and other agencies in a process of reflection over **the last year**, thus increasing the understanding of issues related to the provision of financial and technical services to people with disabilities.

The present document is a result of such extensive consultation and dialogue. It is an invitation to institutions and individuals to whom integrated development and social justice matter.



Fanta Wolde Michael
Executive Director
Microfinance African Institutions Network (MAIN)

Preface

For years, landmine victims and other persons with disabilities, and the professionals working to help them, have been reporting that their top priority is to be able to earn a living and take care of their families.^[2] As the majority of people with disabilities, and particularly landmine victims, live in developing countries, self-employment is frequently the most accessible way to earn a living. Often deprived of access to formal education and living in communities with unstable economic conditions, people with disabilities turn to self-employment to earn an income, support their families and be recognised as equal contributors to the development of their communities.

But starting up a microenterprise is not easy. Self-confidence, motivation, business skills, technical skills, education and networking are some of the elements needed to achieve success. Organisations of/for people with disabilities have been working on providing services to bridge these gaps for years. Access to capital is another essential element, yet this is currently one of the most difficult gaps to fill. Lack of adequate services, lack of compliance with microfinance institutions' requirements, and lack of information exchange between the microfinance and the disability sectors are some of the main reasons.

Through its experiences around the world, Handicap International has realised the importance of working towards finding accessible, affordable and sustainable financial services for people with disabilities. We therefore decided to conduct this research and publish this report. Our goal is to share our own experiences and those of our partners, organisations of/for people with disabilities and a wide variety of microfinance providers – all of which have used innovative solutions to address this problem.

We also want to share the experiences of some people with disabilities who have managed to break the cycle of poverty by establishing sustainable microenterprises. These include, for instance, Rosa María Pérez in Nicaragua, whose children used to beg for a living but now are able to go to school, since she has a small grain shop in the local market; and Guto Onkoba in Kenya, a 40-year-old man with seven children who started a shoe-repair shop through a loan and well-managed savings. Rosa María and Guto were able to change their lives, and those of their relatives, thanks to a change in attitudes and practices within their communities, within organisations of/for people with disabilities and within microfinance providers.

This document aims to analyse and explain some of the instruments, approaches and methodologies that will allow organisations to work towards enabling many more vulnerable persons such as Rosa María and Guto to change their lives.

We believe that sharing these experiences will be useful for organisations that, like Handicap International, are interested in supporting the economic development of poor people with disabilities who want, as we all do, to earn a decent living through their work. This goal will have more chance of success if people from the microfinance and the disability sectors get together to know each other and collaborate to achieve social change – as happened throughout this study. We hope this publication is a step towards that goal.



Dr Jean-Baptiste RICHARDIER
Director
Handicap International

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Acronyms

ACODEP	Asociación para el Desarrollo de la Micro, Pequeña y Mediana Empresa
ADD	Action on Disability and Development
ADRN	Asociación de Discapacitados de la Resistencia Nicaragüense
ADU	Afghan Disabled Union
AMFIU	Association of Micro Finance Institutions of Uganda
ANNV	Asociación Nacional de No Videntes
APDK	Association of Physically Disabled Persons in Kenya
ASCA	accumulating savings and credit association
BKF	Bandu Kallyan Foundation (MFI in Bangladesh)
BPKS	Bangladesh Protibandi Kallyan Somity (Bangladeshi DPO)
BRAC	Bangladesh Rural Advance Commission
CAM-FINCA	Centro de Apoyo a la Microempresa - FINCA
CBM	Christoffel Blindenmission
CBR	community-based rehabilitation
CGAP	Consultative Group to Assist the Poor
DFID	Department for International Development (British Government)
DPO	disabled people's organisation
DSO	disabled people's service organisation
FFPD	Ethiopian Federation for Persons with Disabilities
FURWUS	Fundación para la Rehabilitación Walking Unidos
GDP	gross domestic product
HI	Handicap International
ICRC	International Committee of the Red Cross
ILO	International Labour Organisation
IOM	International Organisation for Migration
K-Rep	Kenya Rural Enterprise Programme
LCI	Leonard Cheshire International
LSN	Landmine Survivors Network
MAIN	Microfinance African Institutions Network
MFI	microfinance institution
MISFA	Microfinance Investment Support Facility for Afghanistan
NAD	Norwegian Association of Disabled
NGO	non-governmental organisation
NUDIPU	National Union of Disabled Persons of Uganda
OLC	Oportunidad Latinoamérica Colombia
PSID	Persons with Disabilities Self-Initiatives to Development (at BPKS)
ROSCA	rotating saving and credit association
SARPV	Social Assistance & Rehabilitation for the Physically Vulnerable
SPD	Save the Planet & Disability (Bangladeshi DPO)
TLM	The Leprosy Mission
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WRF	World Rehabilitation Fund

Introduction

Context and focus of the report

It is estimated that about 10 per cent of the world's population has some kind of disability. Handicap International's experience of working with persons with disabilities and landmine victims living in low income countries has demonstrated that persons with disabilities need to have access to sources of employment if they are to overcome poverty and exclusion. Supporting self-employment is particularly relevant in developing countries, since the majority of the population in these countries is self-employed – many in the informal sector – due to a lack of other opportunities.

To be successful, self-employed persons need access to financial services, particularly to microcredit. However, people with disabilities are usually underrepresented in formal and informal financial institutions. There are many reasons for this, including self-exclusion, high economic and social vulnerability, lack of adequate financial services, no physical accessibility, and prejudice against the capacities of people with disabilities to manage a business.

Fighting against these barriers is one of Handicap International's priorities within its efforts towards the socio-economic inclusion of people with disabilities. It is not a simple task. In order to achieve the important goal of facilitating access to financial services for people with disabilities in a sustainable way, we need innovative financial instruments, a willingness from microfinance providers to meet and work with people with disabilities, and a strong commitment from people with disabilities themselves.

Why did we produce this report?

Handicap International decided to carry out a study on access to funding mechanisms – loans and grants – for people with disabilities, with the overall goal of producing a framework document. This document would highlight good practices, strategies, tools, and operational methods that guarantee the efficiency and sustainability of self-employment projects for people with disabilities, particularly focusing on the appropriate use of microcredit to finance them. More specifically, our objectives include:

- ✓ raising awareness on the rights and capacities of people with disabilities to have access to affordable and sustainable financial services for self-employment
- ✓ sharing Handicap International's and other organisations' approaches and methodologies to facilitate access to funding mechanisms
- ✓ illustrating with practical examples, good practices and lessons learned in various contexts
- ✓ building on the experience of hundreds of microfinance and development practitioners, and sharing these ideas with those who work in, or are planning to work in, this domain.

Although microfinance covers a wide range of services, this report focuses mainly on microcredit, as this is an essential step towards the creation or expansion of an enterprise. Grants, which are not a microfinance service, will also be discussed as they are used by over 40 per cent of the organisations for people with disabilities that responded to our surveys (→ see *Chapter 3 for a definition of funding mechanisms, grants and microcredit*).

Handicap International hopes that those working in the disability and/or microfinance sectors will find interesting ideas and guidance in this report. We hope these will inspire them to adopt good practices or create new initiatives, which (adapted to the local context) will facilitate access to funding mechanisms for people with disabilities in different regions of the world.

The report, therefore, mainly targets organisations of/for people with disabilities, microfinance providers, and organisations that provide grants to vulnerable populations. In addition, government officials, donors, and non-governmental organisations (NGOs) may find useful information to help them identify the constraints facing people with disabilities and microfinance providers, and to provide technical and/or financial support to organisations working in this domain.

Methodology

Research for this report was carried out over a year and was divided into three phases. The first consisted of a literature review and a survey, through which 463 organisations were contacted; 107 responded to the main questionnaire. Of these, 58 were organisations of/for people with disabilities and landmine victims and 49 were microfinance providers. Experts from the International Labour Organisation (ILO), the World Bank and other international organisations also provided insights into their experience. Through this first phase, the research team identified the most innovative programmes for further analysis. Three regions were selected: South Asia, East Africa and Central America.

The second phase consisted of field visits in Afghanistan, Bangladesh, Ethiopia, India, Kenya, Nicaragua and Uganda. Regional workshops were organised in Dhaka and Nairobi. These field visits allowed the research team to compare the practices from the field with the results of the survey and the literature review. Over 62 organisations were interviewed through the field visits and workshops.

Phase three involved consolidation and analysis of the information. A first draft of this report was then discussed during a workshop in Geneva. Practitioners from the microfinance and disability sectors met over two days to share their experiences and positions on the proposed recommendations. This publication is the outcome of this process. (→ A more detailed explanation of the methodology can be found in Annex 1.)

What will you find in this report?

This report does not aim to provide tools to enable organisations of/for people with disabilities to directly provide microcredit. Rather, it focuses on sharing methodologies for selecting funding mechanism that are most appropriate for specific situations. It shares information on how these may be accessed (through formal microfinance institutions, self-help groups, revolving funds, NGOs, etc). And it looks at what organisations can do to create bridges between people with disabilities and formal microfinance institutions – the most successful strategy. Research and experience have demonstrated that access to loans and other financial services is most sustainable when they are provided by institutions with adequate expertise and human and financial resources. Furthermore, the human rights-based approach to disability aims to guarantee access to mainstream services for people with disabilities. In the context of self-employment, this means people with disabilities should have the possibility of accessing mainstream microfinance institutions instead of creating parallel financial structures.

Still, many organisations of/for people with disabilities provide grants and loans themselves. We found this approach is used particularly when there have been unsuccessful attempts to collaborate with microfinance providers, or when people with disabilities are very vulnerable and do not comply with formal microfinance institutions' requirements. Because this approach is widely used in the regions that Handicap International surveyed, we also provide examples of good practices for it. However, it should be remembered that inclusion in mainstream financial services is a right for people with disabilities, is the most cost-effective and sustainable way of accessing financial services, and should remain an objective, even if it is for the medium or long term.

Some of the organisations we interviewed involve landmine victims within their activities to target people with disabilities. The vast majority of participant organisations do not focus exclusively on landmine victims: most mentioned they did not make distinctions about the origin of the impairment among their members or beneficiaries. The main approach was to assess people with disabilities according to their personal needs. Landmine victims may require more emphasis on psychological counselling, assistive devices and long-term rehabilitation, while people with disabilities from an early age may require other kinds of assistance. Personal strengths and weakness, and a vulnerability analysis – rather than the cause of their impairment – defined the required approach for self-employment. Therefore, we will refer to people with disabilities in general as a term that includes landmine victims. This is also in line with Handicap International’s position: instead of creating special structures for landmine victims – at the exclusion of other people with disabilities – Handicap International supports their development and rehabilitation by working, *with people with disabilities in general*, in areas with high incidence of landmine victims.

How to use this report

Because of its wide scope, this report does not intend to give detailed descriptions on how to implement specific strategies or how to manage microfinance principles. Instead, it intends to provide the reader with an overview of possibilities and experiences. A ‘Recommended reading’ section (Annex 4) provides a list of suggestions for further research. It may not be necessary for every reader to read the whole report; readers with different backgrounds will find some chapters more useful than others.

Chapter	Intended reader	Brief description
1. <i>The economic situation of people with disabilities</i>	All readers	An overview of the challenges of economic inclusion for people with disabilities and the importance of self-employment
2. <i>Understanding disability</i>	Persons not acquainted with disability	Overview of the disability sector
3. <i>Understanding funding mechanisms and the microfinance sector</i>	Persons not acquainted with microfinance	Brief introduction to microfinance and definitions of funding mechanisms
4. <i>Funding mechanisms: what is being done in the field?</i>	All readers	Describes the results of the first-phase survey regarding the use of grants and loans
5. <i>Practical recommendations for the provision of grants and loans: factors to consider</i>	All readers	Identifies the factors that should be analysed prior to deciding which funding mechanism may be most appropriate for a specific person
6. <i>Facilitating the inclusion of people with disabilities in mainstream microfinance institutions</i>	Microfinance providers, organisations for people with disabilities	Provides recommendations for facilitating access to mainstream microfinance institutions and creating partnerships as required
7. <i>Providing funding mechanisms: experiences from organisations of/for people with disabilities</i>	Organisations of/for people with disabilities	Provides recommendations for organisations looking for alternatives to working with mainstream microfinance institutions
8. <i>Implementing funding mechanisms programmes</i>	Organisations of/for people with disabilities	Describes good practices throughout the phases of a programme that aims to facilitate access to funding mechanisms



Part I:

Overview of the Context

1

**Understanding
the economic
situation of people
with disabilities**

This section will discuss how poverty and disability are related, and the relevance of self-employment for people with disabilities. It will then examine the livelihood approach to economic inclusion and analyse the strengths and weaknesses of people with disabilities who opt for self-employment.

1.1 The relationship between poverty and disability

The United Nations estimates that 10–12 per cent of the world’s population, over 600 million people, has some form of disability.^[3] Of this total, 80 per cent live in low-income countries.^[4] Official definitions of disability vary. However, DISTAT, the UN database on disability which summarises statistics from different countries, mentions figures from 0.3 per cent (in Thailand) to 20 per cent (in New Zealand).^[5]

People with disabilities are highly over-represented among the poor; about 82 per cent of them live below the poverty line. Poverty is considered both a cause and a consequence of disability. Poverty is a cause of disability since the poor often lack resources to prevent malnutrition, and do not have access to adequate health services that may prevent some disabilities. Poverty is a consequence of disability since people with disabilities often lack access to education, health services and income-generating activities; they are often denied their human, social and economic rights. These factors contribute to high levels of vulnerability and exclusion.

It is estimated that 10-12 per cent of the world's population has some kind of disability and that 82 per cent of people with disabilities live below the poverty line.

Figure 1.
The vicious circle between poverty and disability
Source: DFID^[6]



The Millennium Development Goals, launched by the United Nations in 2000, set targets for combating poverty, hunger, disease, illiteracy, and discrimination against women. If 20 per cent of the world’s poorest are people with disabilities, then the Millennium Development Goals will only be achieved if explicit and specific efforts are undertaken to include them in programmes aimed at reaching the world’s poorest.

1.2 Employment perspectives for people with disabilities

The World Bank considers that leaving people with disabilities outside the economy translates into a forgone GDP of about 5–7 per cent. People with disabilities often have to rely on their families or on charity for survival. Furthermore, women with disabilities are generally worse off than men with disabilities; they have less access to jobs and earn half the income of male peers in similar jobs.^[7] Participation in economic life is a necessity. People with disabilities need to earn a living and contribute to the support of their families. Economic activity is also one factor that enhances self-fulfilment and self-esteem. Work offers people with disabilities the opportunity to be recognised as contributing members of their communities.

People with disabilities need employment to earn a living, contribute to their families' support and to improve their self-esteem; but less than 20 per cent of them are employed.

People with disabilities usually have a higher rate of unemployment than the rest of the population. And when they do work, they tend to do so for longer hours and lower incomes, face a greater risk of becoming unemployed for longer periods, and have fewer chances of promotion.^[8] This may be due to lack of adequate education or training, lack of motivation, preconceived ideas about people with disabilities on the part of employers, lack of physical accessibility to the workplace, and lack of adequate transportation. It is estimated that 80 per cent of all people with disabilities of working age are unemployed.^[9]

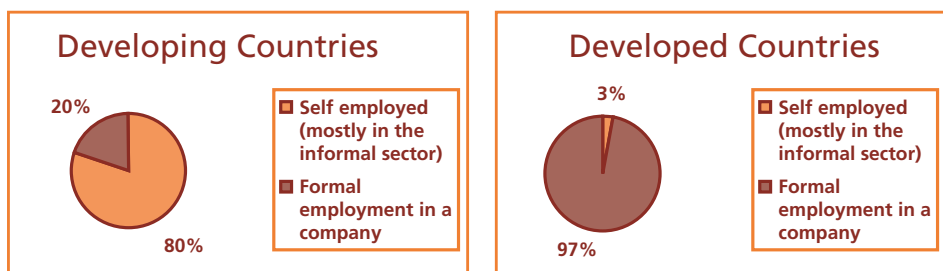
1.3 Why do people with disabilities opt for self-employment?

Like the rest of the population in developing economies, most people with disabilities turn to self-employment because of a lack of opportunities in the job market. Although many would prefer to have a job with a regular income, self-employment is often the *only* option available. It is estimated that for each person with disability employed by a company in developing countries, four more generate their own income through self-employment, most of them in the informal sector. In contrast, in developed countries, less than three per cent of people with disabilities are self-employed.^[10]

Figure 2.

Comparison of self-employment for people with disabilities

Source: Harris, C. 'El autoempleo de las personas con discapacidad en países en desarrollo'. IDRC Reports, 1997



1.4 What kind of economic activities do people with disabilities develop through self-employment?

Many people with disabilities have started shops, craft workshops and farming activities; others are involved in street vending, tailoring, carpentry, etc.

In rural areas, self-employment also includes farming or agricultural activities. The majority of people with disabilities in developing countries live in rural areas, like the rest of the population. Economic inclusion programmes for people with disabilities should also give attention to rural livelihoods. Grants or loans for investment in crop production are

Self-employed people with disabilities around the world have successfully started small shops and crafts workshops, as well as farming and agricultural activities.

not very common; self-help saving and lending groups are mostly used to obtain loans to buy seeds, insecticides or pesticides, to pay land rent, or to hire agricultural labour.

1.5 Requirements for successful self-employment of people with disabilities

First and foremost, people with disabilities who opt for self-employment should have their basic needs covered prior to starting their projects. Food security, understood as guaranteed access to safe, sufficient and nutritious food, should be the first priority.

According to their personal situation, people with disabilities may also need assistive devices, rehabilitation, psychological support and social inclusion programmes prior to, and/or during, their economic activity.

Successful self-employment also requires motivation, adequate personal attitude, self-confidence, and some specific know-how (education, vocational training or prior business experience) that will allow the person to successfully develop a sustainable micro or small business.

Requirements for successful self-employment of people with disabilities include: adequate personal attitude, know-how and business skills, and sustainable and affordable access to capital, as with every other entrepreneur.



People with disabilities, as with all micro-entrepreneurs, need start-up capital for their activities. Sources of start-up capital include family savings, and grants and loans from relatives, moneylenders, NGOs, microfinance institutions or banks. However, the demand for capital from people with disabilities remains largely unfulfilled.

1.6 When is self-employment an adequate option?

Self-employment is not the only strategy to achieve the economic inclusion of people with disabilities. For those who are not willing to take the risk of being an entrepreneur, job placement schemes and training schemes designed for employment in the formal sector may also provide some opportunities.

Some people with severe disabilities may require safety nets and social security resources to cover their special needs. The UN Standard Rules on the Equalization of Opportunities for Persons with Disabilities recognises that “States should ensure the provision of adequate income support to persons with disabilities who... have temporarily lost or received a reduction in their income or have been denied employment opportunities”.^[11] Unfortunately, in developing countries, this is often not the case.

1.7 People with disabilities: a heterogeneous group

People with disabilities are not a homogeneous group: they have different types of impairments with various degrees of severity; they also have diverse combinations of education and skills.

Usually, people with physical impairments face fewer problems for social and economic inclusion than people with visual or hearing impairments. Persons with intellectual impairments are the most disadvantaged group in this respect.

People who have had a disability since birth or early childhood have often been denied formal education or have lived in social isolation. As a result, they may have poorly developed social skills and they may suffer from lack of self-esteem. They may need more time and training prior to starting economic activities.

In contrast, persons who were injured or developed impairments at a later age face a different set of problems. They may require trauma counselling and special training in new occupational skills suited to their situation. However, they are often less stigmatised and may have had the opportunity to go to school or to gain prior work experience. Self-employment strategies, and funding mechanisms to support them, must be adapted to these different circumstances.

People with disabilities are a heterogeneous group. There are different types of impairments and degrees of severity; people with disabilities also have different kinds and degrees of education, professional experience and family and community support.

Some programmes integrate the families of people with disabilities into their economic inclusion activities, particularly when a person cannot undertake employment or self-employment because of the severity of his/her impairment.

1.8 Analysing strengths and weaknesses for self-employment

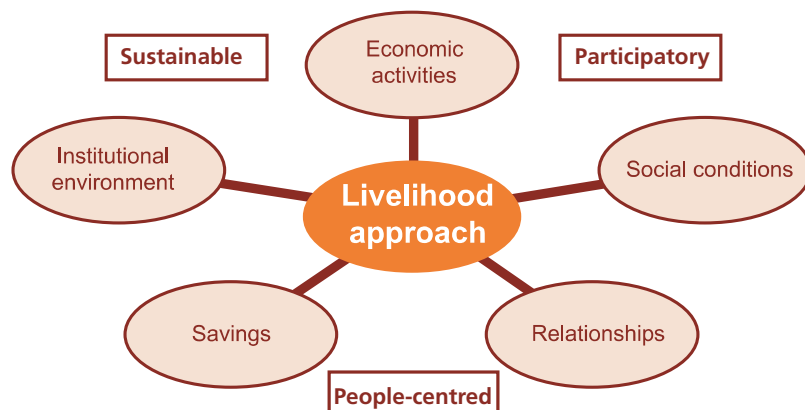
Not all people with disabilities or their families are poor or equally poor. Due to these different socio-economic conditions, some people with disabilities have better chances on socio-economic inclusion than others. Differences in strengths and weaknesses should be taken into account when designing self-employment programmes and choosing funding mechanisms for self-employment.

While people with disabilities who have prior education and experience may be ready to integrate into formal microfinance institutions, more vulnerable groups may need special loan conditions or grants to assist them in the start-up phase. The needs and capacities of each person and/or a delimited target group should be adequately assessed prior to deciding which is the best strategy to support their access to funding mechanisms.

1.9 A livelihoods approach to economic inclusion

Livelihoods – defined as the sum of ways and means by which individuals, households or communities make and sustain a living – is a broader concept than income-generating activities. It is a term often used to describe self-employment, and encompasses the economic activities that people develop but also their social, institutional and organisational environment.

Figure 3.
 Livelihood approach components



A livelihood approach analyses the broad spectrum of strategies that people develop to sustain their living – including economic activities such as farming and non-farming activities, seasonal migration, and economic and social relationships with traders and landowners.

A complementary livelihood strategy is to set aside reserves for the future, for instance food reserves or cash, which may be done through participation in traditional saving and lending groups. The specific situation of people with disabilities who live in rural areas should also be taken into account, since their livelihood strategies vary from those living in urban areas.

The livelihood approach points to the importance of savings as a normal livelihood strategy. Savings are used to divide the irregular income flow more equally over the year, to have reserves for emergencies, or for occasionally high expenses and adverse times. Savings reduce the saver's vulnerability since he/she may rely on his/her own savings for an emergency, instead of depending solely on loans. Economic inclusion programmes for people with disabilities should therefore look at reinforcing their savings capacity as a livelihood strategy. This is done in many societies through traditional saving and lending systems such as ROSCAs.^[12]

Savings reduce vulnerability and regularise the income flow throughout the year.

Structural problems, such as lack of infrastructure and huge competition in the markets, are some of the main difficulties facing the poor, and particularly people with disabilities, in their efforts to earn a living. These should also be analysed and taken into account in a self-employment programme.



In summary

- ✓ People with disabilities suffer from **high poverty levels and high rates of unemployment**; yet employment is essential to earn a living, contribute to their families' support, and improve self-esteem.
- ✓ Self-employment is the only accessible option for many people with disabilities because, in general, **it is difficult to find a formal job** in developing countries. However, it is not an option for everyone, since people with disabilities are a **heterogeneous group**.
- ✓ One of the main obstacles to self-employment is **access to capital** for start-ups.

Part I:

Overview of the Context

2

**Understanding
disability**

This chapter addresses readers who are not familiar with disability issues. It will explain how the understanding of disability has evolved over the years, describe the multi-sector approach to self-employment for people with disabilities and the role of community-based rehabilitation (CBR), and discuss the specificities of landmine victims.

2.1 Defining disability

There are many different ways of understanding and interpreting disability; national legislations reflect the way disability is defined.^[13] Various models have defined the way in which society understands and responds to disability, including:

- ✓ the so-called **medical model**, which defines disability as an individual health problem, illness or impairment. The problem is placed on the individual; therefore the response is to look for a cure or rehabilitation so that the person can adapt to the society. This model was predominant for several decades, and it still is within some contexts. However, not all people with disabilities are included in programmes designed under this model – it is more limited than the human rights framework and does not include the notion of equal opportunities.
- ✓ the **social model**, which defines disability as the result of the limitations imposed by social, cultural, economic and environmental barriers; the problem is placed on discrimination and exclusion. Therefore, the response is to remove those barriers while at the same time recognising the importance of medical intervention.^[14]
- ✓ the **human rights model**, derived from the social model, is based on the principle that all people must access equal opportunities to participate in society. This model's main goal is to empower people with disabilities and to guarantee their right to equal and active participation in political, economic, social, and cultural activities.

The *Disability Creation Process* is an essential approach to understanding disability as it considers disability not as a fixed 'state' but as a process which limits a person's social and everyday activities.^[15] Under this model, disability is considered a disturbance in a person's life habits (his or her full social participation) as a result of an interaction between the person's abilities and the person's environment. Disability is therefore a relative situation which varies from person to person and according to the context and the environment. This 'disability situation' can change or evolve by reducing the impairment, developing capabilities and changing the physical and socio-cultural environment.^[16]

Disability is a relative situation that results from an interaction between a person's abilities and a person's environment

The World Health Organization International Classification of Functioning, Disability and Health (ICF) has been accepted by 191 countries as the international standard to describe and measure health and disability. The ICF recognises the interaction between body functions and structure, activities and participation as well as personal and environmental factors as contributors to disabling situations.^[17]



2.2 Is there an international legal framework to protect the rights of people with disabilities?

With a few exceptions,^[18] people with disabilities are not specifically protected by international legally binding rules. In contrast to other vulnerable populations, they do not benefit from the existence of a specific international body in charge of monitoring the respect of their rights. The United Nations General Assembly established an Ad Hoc Committee in 2001 “to consider proposals for a comprehensive and integral international convention to promote and protect the rights and dignity of persons with disabilities”.^[19] The Ad Hoc Committee will meet for its Eighth Session in August 2006 with a view to finalising the negotiations on the *Comprehensive and Integral International Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities*.

Article 22 of this Convention will recognise the right of people with disabilities to earn a living by working, emphasising the importance of economic empowerment based on the principles of equal opportunity and equal treatment. This article reinforces the *ILO Convention 159*, which aims to promote vocational rehabilitation, employment opportunities and fair treatment for people with disabilities; and Rule 7 of the *United Nations Standard Rules on the Equalization of Opportunities for Persons with Disabilities* which affirms people with disabilities must have equal opportunities for productive and gainful employment in the labour market.

2.3 Inclusion through community-based rehabilitation

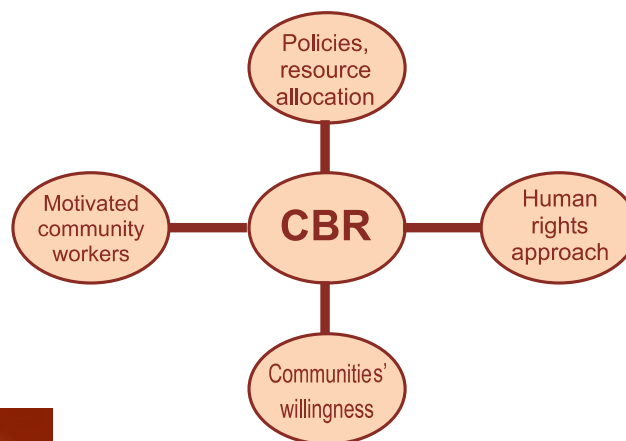
It is estimated that the fundamental needs of 80 per cent of people with disabilities could be satisfied at the community level. One of the tools to achieve this is CBR.^[20]

Figure 4.

Basic elements of

a CBR programme.

Source: ILO, UNESCO, WHO.^[21]



CBR is a comprehensive strategy that aims to foster rehabilitation, equal opportunities and social inclusion of all peoples with disabilities. It promotes collaboration among community leaders, people with disabilities, their families and communities, and the appropriate health, education, vocational and social services. CBR is based on the principles of participation, inclusion, sustainability and self-advocacy. Implementation of CBR varies from country to country; the ILO, UNESCO and WHO recognise the four elements in the above diagram as the basic ones. New guidelines on CBR will be launched in 2007.

2.4 Self-employment for people with disabilities: a multi-sector approach

Considering that the economic inclusion of people with disabilities is a cross-cutting issue, successful results require complementary activities in multiple sectors. These may include health care, rehabilitation (including assistive devices), public education, barrier-free access, transport, communications, education, social welfare and community development, awareness on people with disabilities' rights, social security, sport and recreation, and adequate and enforced public policies and legislation.

Economic inclusion and self-employment programmes should be developed through multi-sector initiatives, but this does not mean a single institution should try to work on all of them on its own. Rather, a more effective and cost-efficient strategy is to establish partnerships among organisations which work in different domains.

Case 1. A multi-sector approach: BPKS, Bangladesh

Bangladesh Protibandhi Kallyan Somity (BPKS) is a Bangladeshi institution that supports the set-up of grassroots units for people with disabilities. Its programs use a multi-sector approach to foster the socio-economic inclusion of people of disabilities, including activities such as:

- ✓ *continuous needs assessments of people with disabilities*
- ✓ *referral of people with disabilities to health services*
- ✓ *development of economic inclusion programmes that include promotion of self-employment (through savings, skills training, provision of loans and access to local financial institutions) and job placements*
- ✓ *guaranteeing a safe environment by installing safe, accessible water and sanitation.*

Behavioural changes within communities result in greater opportunities for education, employment and leisure activities and indicate that public awareness and attitudes are beginning to change positively.

The next figure shows various components that successful economic inclusion programmes have combined to support people with disabilities' self-employment projects.

Figure 5.

Economic inclusion through self-employment, programme components.





2.5 The situation of landmine victims

There are between 15,000 and 20,000 new landmine casualties every year, the majority of them civilians. Although it is difficult to establish an exact figure because many victims are not reported, it is estimated that hundreds of thousands of people have been killed and injured in the last decades.^[22] The term *landmine victims* refers to mine survivors themselves, but also to their families and to mine-affected communities. A majority of mine victims today live in the rural areas of the world's poorest countries, most of which are in a difficult position to provide for the needs of mine victims. During 2004, casualties were reported in 58 countries and eight territories throughout the world.^[23]

Landmine survivors are not considered a separate group from people with disabilities. Usually, victims' assistance programmes inscribe their activities within larger disability and development programmes. It is important to remark, however, that landmine survivors also need specific initiatives, including accessible first-aid, intensive medical care, and life-long rehabilitation.

Landmine survivors have affirmed that their main priority is to earn an income and to contribute to their families' well-being; often, economic inclusion is considered even more important than medical care and mobility per se. Economic inclusion is important to guarantee the independence of landmine survivors, but also to help them maintain their place as productive members of the community. For those who want to start a business, the main obstacle is often the lack of access to capital. There is growing recognition that facilitating access to existing microfinance is an important step for inclusion.^[24]

The *Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (Ottawa Convention)*, which entered into force in 1999, is the first multilateral arms control treaty to address the humanitarian needs of the victims of a particular weapon system.^[25] The First Review Conference on a Mine-Free World – the *Nairobi Summit* of 2003 – reaffirmed that “the very purpose of the Convention is to put an end to the suffering and casualties caused by antipersonnel mines” and restated the vital importance of socio-economic reintegration for landmine victims.^[26]

The Nairobi Action Plan restated the importance of ending suffering caused by mines and the relevance of socio-economic inclusion.

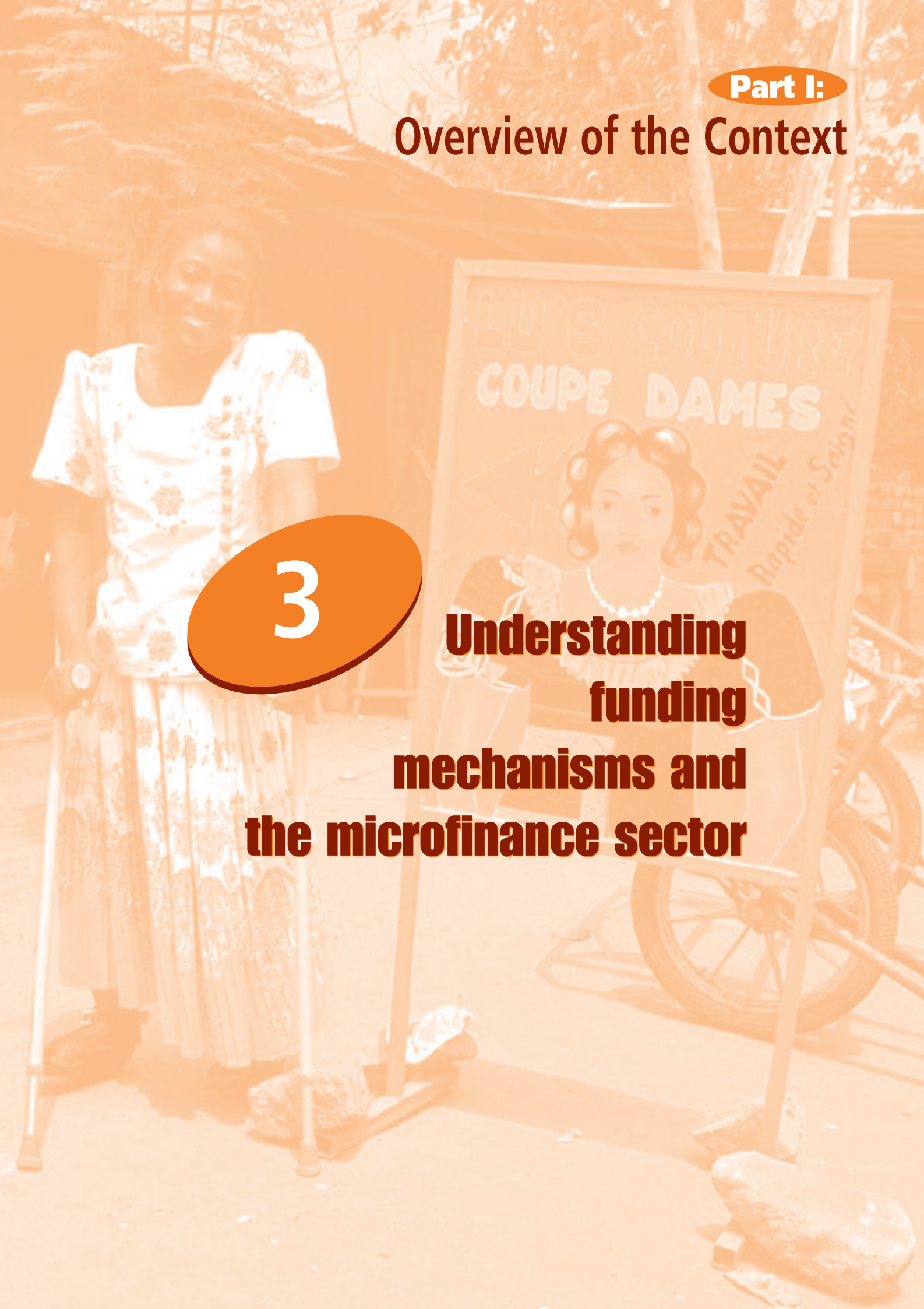
In summary

- ✓ **Disability** is a relative situation that results from the **interaction** between a person's abilities and a person's environment.
- ✓ **CBR** aims to equalise the opportunities of people with disabilities by involving a variety of actors, particularly the family and community.
- ✓ An **multi-sector approach** that addresses the various disabling barriers is required for successful economic inclusion of people with disabilities.
- ✓ **Economic inclusion of landmine victims** is one of the main challenges for the State Parties of the Ottawa Convention, reaffirmed in the Nairobi Summit. Access to capital is now considered one of the main elements of economic inclusion.



3

**Understanding
funding
mechanisms and
the microfinance sector**



This section targets readers who are new to the world of microfinance and funding mechanisms. It defines the terms that will be used in the report and explains some basic concepts of financial and non-financial services.

3.1 What are ‘funding mechanisms’?

We will use the term ‘funding mechanisms’ to refer to grants, subsidised loans and loans used to start up or expand a micro or small business. While all funding mechanisms have the same function – to support the creation or expansion of a business – they are appropriate in different circumstances.

Table 1. Funding mechanisms

Funding mechanisms	Definitions	Examples
<i>Grant</i>	Funds provided by an agency to a beneficiary, who is not required to reimburse them	A development NGO provides US\$100 for a person to start a small business. The person is not expected to return the US\$100 in the future
<i>Loan</i>	An arrangement in which a lender provides money to a borrower and the borrower agrees to repay the original amount (principal), along with interest fees (the cost of borrowing), at some future point in time	A microfinance institution lends US\$100 to a borrower. The interest rate is 10% per month. One month later, the borrower returns US\$110 to the microfinance institution: US\$100 for the principal amount borrowed US\$10 as interest fees (cost of borrowing)
<i>Subsidised loan</i>	An arrangement in which a lender provides money to a borrower and the borrower commits to returning the amount borrowed without paying full interest fees on the loan (i.e. the borrower reimburses the amount of the loan, but does not pay 100% of the cost of borrowing). In this case, the lender or some external agency bears the rest of the cost (called subsidy).	A microfinance provider that has a partnership agreement with an NGO lends US\$100 to a borrower. The interest rate is 10%, so the microfinance provider needs to recover US\$110 at the end of the loan term. One month later, the borrower returns US\$105 to the microfinance provider. US\$100 for the principal amount borrowed US\$5 as interest fees (cost of borrowing) The partner NGO pays the extra US\$5 – a subsidy – needed to cover the 10% interest rate of the microfinance provider.

3.2 Microfinance and its innovations

The term *microfinance* is usually defined as the provision of financial services to the poor and those who have traditionally been excluded. Many of them are self-employed. Financial services are generally understood as savings and credit, but they also include insurance, transfers, payment services and remittances. The term *microcredit* refers specifically to the provision of small loans.



Although some microfinance providers complement their financial services with business development services (such as business training) and social services (such as health, nutrition and literacy), these are *not* financial services.

The poor and vulnerable have traditionally not been a target for the banks: loan amounts required by the poor are usually small, as are their savings. Risks involved are considered too high, since many cannot provide traditional collateral such as assets, guarantors or a proven business record. Furthermore, reaching the poor may not be cost-effective for traditional banks, since the poor and vulnerable require the same (or more) staff time for follow-up. Those in rural areas, in particular, require more time and effort to be reached.

Innovations within the microfinance industry to eliminate these obstacles include:

- ✓ personalised assessments of clients, their characters and their businesses
- ✓ group lending methods where group members act as guarantors
- ✓ small loan and savings amounts (some as small as US\$10)
- ✓ accepting alternative forms of collateral, such as compulsory savings, assets pledged at less than the value of the loan and personal guarantees.

Microfinance will have more chance of bringing long-lasting impact to its users if there is a stable macroeconomic environment. Absence of law and security, or hyperinflation, will make it difficult for microfinance providers to operate, although some strong and innovative microfinance providers are able to operate even in challenging circumstances. These providers usually follow two prerequisites: discipline both for clients (timely repayment) and institutions (business practices that lead to sustainability); and no subsidisation of interest rates, to maintain or consolidate their sustainability.^[27]

Although microfinance covers a wide range of services, this report focuses mainly on microcredit and savings, since these are the first financial instruments required to start up or expand a business – and the ones that people with disabilities find more useful in the first stages of their economic development.

Table 2 illustrates a general classification of microfinance providers, although the dividing lines are not absolute and vary in different geographical regions.

Table 2. Microfinance providers

Source: The Microfinance Handbook^[28]

Formal sector	Semi-formal sector	Informal sector
Central bank	Savings, credit cooperatives	Savings associations
Commercial banks	Credit unions	Rotating savings and credit associations and variants
Development banks	Village banks	Non-registered self-help groups
Other non-bank institutions	Development projects, NGO	Individual moneylenders
	Registered self-help groups and savings clubs	Traders and shopkeepers

Every country has a different legal environment concerning microfinance; some have specific legislation concerning its provision while others have a specific legal framework. Institutions that manage savings and deposits should follow regulation and monitoring to protect savers.

3.3 Lending methodologies

Methods of credit delivery may be divided into two categories:

- ✓ **individual lending**, usually with collateral or personal guarantor requirements. Institutions lend based on business and client's characteristics, including cash flow and debt capacity
- ✓ **group-based lending**, where various persons interested in accessing financial services form a group to create their own fund or to guarantee each other's loans. Group-based lending may take various forms, including:
 - **solidarity group lending**, where 5–10 persons get together to guarantee each other's loans
 - **community-based organisations**, such as ROSCAs and accumulating savings and credit associations (ASCAs)^[29]
 - **village banking**, where members of a community – usually 20–30 people – are trained to run their own bank, usually with an emphasis on community development.

3.4 Why do some programmes require savings prior to disbursement of a loan?

Obligatory savings can serve as a security for the loan, thus they cannot be withdrawn until the loan is fully repaid. Other programmes encourage voluntary savings which can be withdrawn by the clients at any moment for any purpose.

Obligatory savings are often required for several months before individuals or groups can apply for loans. They have the advantage of giving the microfinance institution an opportunity to become acquainted with their clients and their financial management capacity. If a person is able to save regularly for a prolonged period of time, he/she is probably also capable of complying with the repayment terms of a loan. However, this system may not be convenient for those who need access to loans in the short term, without waiting several months for a decision.



Savings are as essential as lending services. Regular savings are an important strategy to protect livelihoods and to reduce vulnerability.

3.5 Why do some microfinance institutions charge 'high' interest rates?

Most microfinance institutions are socially-oriented and aim to provide financial services to the poor and those who traditionally have been excluded. However, to be financially sustainable in the long run, most institutions need to

Microfinance institutions aim to be independent from donors to provide financial services for a large number of poor clients in the long term - not only for as long as donors are committed. In this sense, financial sustainability is a tool to reach more poor clients.

charge interest rates that allow them to cover their costs, without depending on grants or subsidised loans from donors.^[30] This means that all costs should be covered by the institution's revenues, consisting almost exclusively of payments of interest on the loans.



Microfinance institutions cannot depend on external subsidies in the long term. Donations are difficult to get and often not sufficiently reliable to ensure sustainability, which is necessary for reaching more poor people and providing services for them in the long run.

Serving the poor involves disbursing small loans and receiving small savings. This requires high investments in staff time to ensure close personal contact and intensive monitoring of the loans and businesses of their clients. For these reasons, their interest rates are often higher^[31] in comparison to commercial banks.^[32]

Cost recovery is often not an end in itself, but rather a tool to reach a scale and impact beyond the levels that donors can fund. Achieving sustainability means lowering transaction costs, offering services that are more useful to the clients, and finding new ways to reach more of the poor.^[33]

It is important to note that even when these interest rates may be considered ‘high’ in comparison with those of some banks, they are not higher than the rates charged by local moneylenders and pawnshops, which are often the only source of financial services for the poor. For instance, moneylenders have been known to charge up to 100 per cent interest rate for a two-month loan in Cambodian provinces. In comparison, the 40 per cent yearly figure charged by some local microfinance providers in the region does not seem that high.

3.6 Does microfinance actually reach the poor?

Two main goals of microfinance are *outreach* (serving those who have consistently been underserved by financial institutions) and *sustainability* (generating enough revenue to cover the costs of financial services). There may be trade-offs regarding these objectives and how to reach them, but not necessarily. Some microfinance institutions have focused on a more profitable market than the very poor, but others have managed to develop innovative methodologies to reach the poor in a cost-effective way.

The poor may face various obstacles to accessing financial services: self-exclusion, exclusion by staff, exclusion by other members or inadequate financial products. People with disabilities share these factors and may also suffer from prejudice, stigmatisation and often lack of experience and formal education.

It is difficult to measure if a microfinance institution reaches the poor or not. Measures include the average loan size and the loan size as a percentage of the GDP per capita; although these have to be analysed in a specific context and are difficult to compare.

Still, comprehensive studies cited by the United Nations Capital Development Fund demonstrate that:^[34]

- ✓ microfinance helps poor households to meet basic needs and protect against risks
- ✓ the use of financial services by low-income households is associated with improvements in enterprise stability or growth, and household economic welfare.

Table 3. Some indicators of microfinance performance

Breadth of outreach	How many people does microfinance reach?
Depth of outreach	How poor are the people served by microfinance?
Length of outreach (sustainability)	How can the availability of services be guaranteed in the long term?
Impact	How much of a change does microfinance make?

While most microfinance institutions target all of these indicators, they may do so with different degrees of importance. Many tend to target the poor, but not the poorest. Reasons why some of the poor, often including people with disabilities, may be excluded from the services of microfinance institutions include:

1. **self-exclusion** – economic and financial conditions of the very poor are characterised by great insecurity, which often leads to risk-avoiding behaviour and lack of self-confidence
2. **exclusion by the staff** – they may be considered too risky because of their disabilities, and be excluded by prejudices that deliberately or unconsciously exclude them
3. **exclusion by other members** – group-lending may lead to the exclusion of those whom others in the community consider ‘too risky’, based only on prejudice (even when some of them may be successful)
4. **exclusion by design** – some microfinance institutions do not provide financial products that suit potential clients’ characteristics; also, microfinance providers may not reach rural areas (this is often the case in Africa).

(→ Actions to avert these are discussed in Chapter 6.) ^[35]

3.7 Self-help groups

Self-help groups allow a number of people to put their savings together, create a fund and disburse loans from this fund to its members. The savings amounts are decided by the group members and can range from a few cents to several dollars. The group size ranges from 3–4 to 20–30 members.

Self-help groups are managed autonomously and are usually described as *informal or community-based savings and lending groups*. Throughout the world, they are known as *tontines, merry-go-rounds, tandas*, and many other local names. Indeed, self-groups have existed for a very long time in all corners of the world. ^[36]

One of the main advantages of self-help groups is that they may be created and/or managed by people themselves, without the need of external intervention. Self-help groups usually do not need to be legally registered, so administrative costs and transactions are minimal. Some international institutions provide grants to self-help groups that have demonstrated a high savings-mobilisation capacity in order to reinforce their capital.

Table 4. Self-help group advantages and disadvantages

Advantages	Disadvantages
Well-adapted to the financial capacity and needs of the poor ^[37]	It may take a long time before there is sufficient capital to make loan disbursements
Loans may be used for a variety of purposes (emergencies, education, medicines, etc)	Sustainability is uncertain
Operating costs are minimal	Transparency may be an issue
Leads to empowerment of the members	

3.8 Non-financial services

Most microfinance institutions today focus on providing only financial services – this is known as a *minimalist approach*. Additional services, such as social intermediation, business development services and social services are offered by some microfinance providers, particularly by NGOs, in what is known as an *integrated approach*. Although these complementary services may be offered by microfinance providers, these are NOT financial services.

Business development services include: ^[38]

- ✓ business skills training (accounting, marketing, management)
- ✓ production training
- ✓ sub-sector analysis and intervention.

The most common providers are: NGOs running microfinance programmes with integrated approaches, training institutes, networks, universities, private firms, government agencies, chambers of commerce, and some informal networks. ^[39]

Formal microfinance institutions have realised that they are most effective when focusing on their core area of expertise, instead of covering other domains as well. Deciding whether an institution should provide non-financial services depends on its overall objectives and capacities, but having access to these services is essential for most entrepreneurs. They may obtain these services from a single institution or from various ones.



In summary

- ✓ **Funding mechanisms** include grants, subsidised loans and loans.
- ✓ **Microfinance** is the provision of financial services to low income and underserved clients.
- ✓ Most formal microfinance institutions aim at **long-term sustainability**; interest rates may be higher than those of banks, but lower than those of most moneylenders (the only other option available for most poor people).
- ✓ Most people with disabilities face the **same barriers** as the poor to financial services, but they often suffer from prejudice too.
- ✓ **Non-financial services** are essential for a start-up, but need not be provided by a microfinance institution.



Part II:

Guidelines to Facilitate Access to Funding Mechanisms

4

**Funding
mechanisms for
people with disabilities:
what is being done
in the field?**

This section will present the various funding mechanisms used by organisations in different regions of the world to promote the creation and expansion of self-employment for people with disabilities. This information was gathered through the preparatory survey, to which 107 organisations from 41 countries responded (→ see Annex 2 for a summary of findings).

4.1 The use of grants

Nineteen per cent of the organisations for people with disabilities that responded to Handicap International’s survey said they provided grants; 31 per cent provided a combination of grants and loans; and 50 per cent provided loans. Most organisations for people with disabilities visited in the field did not look favourably on the use of grants. Even some of those who used grants mentioned that they would like to provide grants *and* loans, but that most could not do so for lack of financial resources. The arguments for and against the use of grants were as follows:

Table 5. Arguments in favour and against the use of grants

In favour of grants	Against grants
Grants have higher outreach to poor people with disabilities than loans, particularly for start-ups (there are less requirements)	Beneficiaries are often so poor that they use their grant money to cover more pressing needs (food, medicines)
Grants provide vulnerable people with disabilities with the necessary capital to start a business in a highly competitive environment	Grants may reinforce the idea among vulnerable people with disabilities that they need ‘charity’ and cannot be expected to repay a loan, as other people do ^[40]
Grants require a simple programme set-up (compared to loans)	Beneficiaries often do not put the necessary efforts into their projects, because they do not risk their own capital and there is no future expectation from the provider (as opposed to loans, where they may expect to receive another loan in the future)
There are donors available to provide funds for grants	Grants are usually so small that they are not enough to start a sustainable business
	Grants may create dependency on the part of beneficiaries
	Grant programmes are short-lived and serve a limited number of people, since they depend on permanent subsidies from external sources
	In many cases, long-term impact is not significant

Both organisations for people with disabilities and microfinance institutions in the field affirmed that grants are adequate only for the destitute and those with no income or repayment capacity. Reasons for providing grants to people with disabilities included the low educational level of many, and their lack of experience with income-generating activities, which result in a disadvantaged position in competitive markets. Grants are thus perceived as a ‘first push’ towards developing an activity that can grow under adequate circumstances.

Case 2. Grants approach. Trickle Up Programmes

Trickle Up is a US-based agency that provides conditional seed capital, business training and other support services to very low income people, to support their first step out of poverty. Programmes are implemented in partnership with local agencies.

Trickle Up's conditional grants (usually US\$100) are typically distributed in two instalments of US\$50. This grant model allows Trickle Up to reach the poorest people who are credit adverse or who do not qualify for loans because they have no track record in business, or lack savings, collateral or a guarantor.

Trickle Up entrepreneurs receive the first grant instalment after preparing a business plan. After three months, or the first business cycle, they complete a business report showing whether they have established a viable business and met programme requirements. If the requirements have been met, they receive a second grant instalment. Trickle Up encourages entrepreneurs to build their assets through savings; the organisation tries to link its programmes to formal microfinance institutions, where possible and appropriate.

After a series of meetings with Mobility International USA, Trickle Up decided to specifically target people with disabilities by creating incentives for its local partners to reach out to this population (for instance, by renewing grants to those programmes which make specific efforts to reach people with disabilities). Today, 10 per cent of Trickle Up grant receivers have some kind of disability.

4.2 The use of loans

Seventy per cent of those microfinance providers who have provided loans to people with disabilities stated they had done so *under the same conditions as the rest of their clients*. Many of them highlighted the fact that people with disabilities were among their best clients, demonstrating that they may be as reliable businessmen and businesswomen as the rest of the population. Still, the percentage of people with disabilities among the clients of microfinance institutions is very low. The survey results showed that the **percentage of people with disabilities in microfinance institutions ranges from 0 per cent to 0.5 per cent** (although in some this rises six per cent). This number should be treated with caution, since some institutions said that it was impossible for them to know how many people with disabilities they have served, as this is not a variable they control for. Nevertheless, many microfinance institutions admitted that they did not include people with disabilities among their clients since this is not their 'target population'.

Table 6. Arguments in favour and against the use of loans

In favour of loans	Against loans
Most loan providers, particularly formal institutions, aim at sustainability and can offer financial services in the long term. Loans are a 'recyclable' resource: a loan is borrowed, invested, and repaid, after which it can be used by others for their businesses	It is difficult for vulnerable people with disabilities to have their applications for loans accepted, particularly for a start-up loan, because of their lack of collateral and business experience – and also because of prejudice
The need to repay the loan (and the existence of incentives to do so) will raise the borrower's commitment to his/her business activity	The low income-earning capacity of many people with disabilities, especially during the start-up phase, may not allow them to manage a loan, especially if it is a short-term, high interest rate loan
People with disabilities who receive loans are recognised to be as capable as the rest of society of performing in equal conditions	Providing loans to the most vulnerable people with disabilities will only indebt them; and if they fail to repay, this will raise their vulnerability and reinforce negative self-perceptions and social prejudices
Even when interest rates are often considered high, many poor entrepreneurs have shown a willingness and an ability to pay such rates for financial services that fit their needs ^[41]	
In those cases where a grant may be necessary in the beginning, entrepreneurs should be capable of managing market-price loans to finance their expansion in the short/medium term	

Some people with disabilities interviewed for this study said their goal was to achieve inclusion in mainstream microfinance institutions instead of demanding 'special conditions' or creating alternative structures exclusive to people with disabilities.^[43] Such special arrangements might reinforce the idea that people with disabilities cannot manage a business in the same way as rest of the population.

In contrast, 83 per cent of the organisations of people with disabilities who answered the survey stated that they have created their own structures to provide funding mechanisms, targeting exclusively people with disabilities. All of them had some sort of special loan conditions. Furthermore, most of them believed it would remain difficult for people with disabilities to join formal microfinance institutions, even in the long run.

Figure 6.

Examples of adjustments to requirements.

Source: Handicap International Survey^[42]





The main reasons cited for adjusting loan conditions were that: most microfinance institutions required borrowers to have an economic activity prior to receiving a loan, whereas many people with disabilities require the loan for start-up; and microfinance institution loan conditions did not suit the requirements of vulnerable people with disabilities (i.e. interest rates were too high and terms too short). It was also mentioned that programmes specifically for people with disabilities were required because of the prejudice and stigma that prevents them from receiving loans through existing programmes, even when they comply with microfinance provider requirements.

In some cases, programmes managed by organisations off/for people with disabilities were successful in terms of outreach – reaching over 700 people in the case of ADRN Nicaragua, and over 4,600 in the case of ICRC in Afghanistan. But in all cases, they remain dependent on donor contributions because programme characteristics do not allow them to achieve operational and financial sustainability. Furthermore, some programmes have had a very limited existence because of a lack of adequate human and financial resources.

It is also important to note that once subsidies of any kind have been put in place, it can be difficult to remove them – or to integrate those borrowers into mainstream microfinance institutions – since borrowers will be used to those conditions and may not afford to manage their enterprise without them.

4.3 Combining grants and loans

To account for the different needs and repayment capacities of people with disabilities, 34 per cent of the respondent organisations have developed a ‘mixed package’, where a single organisation provides grants and loans under some of the following schemes:

Table 7. Combination of grants and loans

Combination of grants and loans – possible schemes		
	In a sequence	Simultaneously
<i>Definition</i>	Borrowers use different funding mechanisms as their businesses evolve	Borrowers receive capital for start-up, through a combination of grants and loans
<i>Methodology</i>	Grants or subsidised loans are provided to start up an economic activity, anticipating that the beneficiaries and borrowers will further expand their business through loans at market rates	Fixed assets are provided as a grant; working capital is provided as a loan
<i>Examples</i>	A grant is provided to start a candy-selling business, the receiver then applies for a loan to diversify his business and sell lottery tickets as well Someone starts a small food business in the local market with a subsidised loan, and then refers to a microfinance institution to ask for a commercial loan to buy a stall	A cook receives a stove (fixed asset) as a grant and a loan to buy the necessary food (working capital) for her food stall A tailor receives a sewing machine (fixed asset) as a grant and a loan to buy cloth (working capital)

In both cases, savings are encouraged (or even obligatory) so that beneficiaries can further develop the activities through their own investments. A link may be foreseen with a credit programme to which the beneficiaries apply after the start-up phase.

Some microfinance experts express reservations about this approach, believing that once someone has received a grant or subsidised loan, it is difficult to make the transition towards formal microfinance institutions which charge commercial rates, even when they offer sustainable and more varied financial services.

However, grants and subsidised loans are sometimes a necessity for vulnerable populations. Keys conditions for success when offering these services include: providers making their selection criteria clear; combining funding mechanisms with training and preparation for inclusion in mainstream financial services; and making it clear to programme participants that the provision of grants and subsidised loans is only temporary.

In summary

- ✓ **Grants** are most appropriate when **trying to reach vulnerable populations** who cannot access loans because they cannot comply with the pre-requisites (particularly due to a lack of collateral or an existing business). Grants must be professionally managed, with a good follow-up, and based on clear criteria. If possible, savings and links to microfinance providers should be anticipated.
- ✓ **Loans** are most appropriate for those who **have some formal education, business skills or business experience**; particularly if they already have an existing business.
- ✓ Promoting **inclusion** in mainstream microfinance institutions, while **providing supporting services and funding mechanisms** for those who have no other option, may be the best approach – both paths may be useful and compatible.

A smiling man in a white shirt is sitting on the floor in a rustic setting, possibly a workshop or a small business. He is looking towards the camera with a friendly expression. The background shows some wooden structures and a doorway.

Part II:

Guidelines to Facilitate Access to Funding Mechanisms

5

**Practical
recommendations
for the provision of
grants and loans:
factors to consider**

This section will provide an overview of the factors that must be analysed in order to select both an adequate funding mechanism for a specific person and the most appropriate provider. It is important to note that all economic inclusion programmes for landmine victims and people with disabilities should try to be **market-driven and sustainable**. Too often, development projects offer a job only for as long the NGO is present in the community; or provide vocational skills for which there is no sufficient demand.

People with disabilities are a heterogeneous group in terms of their rehabilitation stage, education, work experience, business skills, business development stage and self-confidence. All these characteristics need to be taken into account when selecting a funding mechanism. The implementing institution's programme goal, operating environment, institutional capacity and programme funding/funding horizon should also be considered.^[44]

5.1 Using grants: lessons learned

Grants are usually provided by development organisations and NGOs. They can be an appropriate tool to facilitate start-ups and to prepare people with disabilities for access to microfinance providers. Grants should be offered only for very vulnerable populations who cannot have access to loans, and in accordance with specific, well established criteria. Grant programmes should be professionally managed to avoid having little, no, or even negative impact on beneficiaries or the community's credit culture.

Grants are most appropriate when:

- ✓ beneficiaries are extremely vulnerable and cannot have access to a loan
- ✓ the beneficiary needs the grant for a start-up (those who want to expand a business may have access to loans)
- ✓ grants are accompanied by training and other support, as required.

Toolbox 1. *Practical recommendations for the provision of grants*

1. Careful selection

Grant beneficiaries should be selected according to specific and strict criteria. Select the beneficiaries according to their poverty and vulnerability levels; but also by identifying their skills, capacities and training requirements, and by analysing the market constraints or opportunities. These criteria should be clear so that other potential beneficiaries understand why they may or may not be eligible. The following will help identify potential successful entrepreneurs, and they should be conducted by the beneficiary, facilitated by the grant provider:

- *market research and feasibility study* – the process of gathering, analysing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the present and potential customers
- *basic business plan* – detailing what service or product will be provided, who are the potential customers and how will they be reached, and where will the financial resources to manage the business come from. This will demonstrate if the project is profitable and sustainable, and therefore if it should receive a grant.

2. No free hand-outs

Generate a real commitment on the part of the recipient. Disburse grants only after presentation of a business plan, otherwise the grant is likely to be considered a free hand-out that does not require any real efforts on the part of the beneficiary. A business will also prevent the creation of a dependency culture, as people with disabilities will develop sustainable businesses in the short term.

Grants should be understood as a one-off 'push' for investment. Do not provide more than one grant to the same person. This will prevent the creation of dependency.

Do not disburse the complete amount of the grant at once. This will encourage beneficiaries to do their best and comply with requirements to receive the second part of the grant.

3. Require a contribution from the beneficiary

As far as possible, require the beneficiary to provide a contribution in cash or in kind of at least five per cent of the grant. This will reinforce the commitment of the beneficiary to his/her project, as his/her contribution is also at risk.

4. Adequate training

Provide training prior to disbursement of grants according to the needs of the grant beneficiary. Training is essential, especially for those who have no prior business experience. It may cover topics such as basic accounting, marketing and client service, but also vocational training on more specific skills. If training is offered, the domain in which the persons will be trained should be selected according to market-demand and/or be innovative.

5. Constant monitoring

Identify problems before they become irreparable. Follow up the beneficiaries' economic activities to 'coach' them as the businesses develop and prevent or correct any problems or challenges. Lack of follow-up contributes to the failure of many projects. If the economic activity is not as successful as planned, or even fails, the role of the grant provider is to support the client to recover or switch activities. Planning for this step is vital to ensure the necessary changes and adjustments are made in time. Monitoring also helps ensure that the person spends the grant as intended.

6. Savings component

Encouraging savings is a way to train beneficiaries to plan for the future and to manage their assets. Some grant programmes require or encourage their beneficiaries to start saving as soon as they have received the grant. These savings may assist future investments, or build up reserves for emergencies or occasional expenses, thus reducing a beneficiary's vulnerability.

7. Links to microfinance institutions

Try to facilitate the creation of links between those who receive grants and those who provide microcredit. The grant beneficiaries will then aspire to having access to credit to continue expanding their business.

5.2 Using loans: lessons learned

Loans are offered by different kinds of providers, including banks, formal microfinance institutions, informal actors (such as ROSCAs and self-help groups), and NGOs. Loans are most appropriate when borrowers are in a position to repay the loans according to their business development stage and their personal situation.

The provision of loans requires the following conditions:

- ✓ the target population can access markets and has the capacity to repay
- ✓ in the case of a **start-up**:
 - the potential borrower has appropriate skills, training, education and/or experience, or this will be provided prior to disbursement of the loan
 - he/she can provide minimal equity (membership fee, savings); or some sort of collateral (even if it does not cover the whole value of the loan, for instance a radio, chairs, etc); or a guarantor (who takes responsibility for paying the loan if the beneficiary defaults)
- ✓ in the case of a **business expansion**:
 - an assessment shows that the client has debt capacity (higher cash inflows than outflows) and thus that there is a high probability that he/she will be able to repay the loan
 - he/she has a business that has existed for at least a few months, showing it is sustainable.

Most formal microfinance institutions require an existing business prior to disbursement of a loan. However, loans may also be given for start-ups, particularly when the entrepreneurs are able to provide some kind of equity. This equity may have little economic significance, but by complementing the start-up loan with his/her own funds, the borrower usually feels more compelled to strive for success. When borrowers are very poor, equity may take the form of compulsory savings or a membership fee.

Generally, borrower requirements include: ^[45]

- ✓ **loan terms** compatible with microenterprise business and income patterns
- ✓ **sustainable access to loans**, since repeat lending allows credit to support financial management as a process, rather than as an isolated event ^[46]
- ✓ **relatively unrestricted use of the loan**: while the main goal must be to expand an enterprise, it is important to recognise that clients may also need some of these funds for other expenditures (e.g. school fees or medicine) ^[47]
- ✓ **customer-friendly approach**: simple loan application process and limited time between application and disbursement of the loan.



Toolbox 2. Practical recommendations for the provision of loans

1. Provide/design loans that respond to the demands of potential borrowers

One financial product does not fit all. Even when the goal of an organisation is to reduce poverty, borrowers should be seen as *clients*, in the sense that they are receiving a service and paying for it (in the form of interest fees or membership fees). They should not be thought of as 'beneficiaries' who receive whatever loan product is available, but as 'clients' who are looking for a loan that responds to their specific needs with different expectations.

2. Charge interest rates – the less subsidised, the better

Loans are a financial product and most providers charge a commercial interest rate for their service. Even when the goal of an organisation may be to reach people with disabilities, and not to achieve financial sustainability, a loan provider should charge interest rates – both to support its operations and also to help the borrowers understand that loans must be repaid and that there is a price for the service.

3. Adequate assessment of potential borrowers

Loans should be disbursed according to the potential borrower debt capacity, not only to his/her needs. The decision to provide a loan should take into account not just the potential borrower's needs, but also the amount he/she will be able to earn and reimburse. Otherwise, the borrower may default and this will increase his/her vulnerability.

4. Motivate borrowers to repay, and manage late repayments and defaults strictly

Motivation should be focused on the positive outcomes of repaying, but negative consequences for failing to repay should also be applied. Positive incentives include joint liability groups and access to subsequent loans and higher loan amounts for on-time repayment. Negative consequences include collecting collateral; while some organisations use 'moral' pressure, such as publishing a list of those who are late with their repayments. These criteria should be clearly established, and understood by every borrower. Defaulting on repayments is often a result of poorly designed loan products that do not correspond to borrowers' needs or of poor management by loan officers.^[48]

5. Follow up and monitor the loans constantly

Identifying problems in their early stages is essential. If the borrower is facing problems managing his/her loan, corrective measures can be taken before debt accumulates. A proper loan monitoring system provides the programme staff with an overview of the repayment figures, allowing for rapid corrective actions.

6. Evaluate the pros and cons of different kinds of microfinance providers

There is no single 'best solution'. While some people with disabilities may be better served by special services provided by organisations of/for people with disabilities, others are able to join mainstream microfinance institutions or self-help groups (→ See Chapter 7).

Case 3. Loan delinquency management. ANNV, Nicaragua

Asociación Nacional de No Videntes (ANNV) – the Nicaraguan National Association for Visually Impaired – provides subsidised loans to people with visual impairments. After a first period of trial and adjustments, the ANNV decided to implement strict measures against delinquency (not paying back loans on time) and also to enhance positive incentives for repayment. Indeed, in the first stage of the programme, some people did not pay back, arguing that they had experienced economic difficulties – and ANNV did not take any measures against them. As a result, other borrowers decided not to repay since this brought no negative consequences.

Today, subsequent loans of higher amounts are available for those who pay on time, such as a blind couple of artisans who sell hammocks in the local market. Those who do not repay their loans will see their collateral removed, as signalled by the contract that is signed by and explained to every borrower prior to disbursement of the loan. “Still, this is mostly a symbolic gesture” states ANNV’s director, “because we only take chairs, mixers and tables as collateral: nothing of that significantly affects living standards. Therefore, those who will see their collateral removed will not suffer a lot of hardship, but we will make our point clear: rules are to be followed so that more people will have access to our loans”.

5.3 The role of institutional goals and organisational capacity

Institutional goals and organisational capacity should be analysed prior to selecting a strategy for funding mechanisms. Decisions about implementing such a programme, and the products that will be provided, can have positive or negative consequences for the overall structure of the organisation and the community's credit culture. The following table analyses the institutional characteristics that should be taken into account to decide which funding mechanism is most appropriate.

Table 8. Implementing institutions’ characteristics and choice of grants or loans ^[49]

Institutional characteristics	Grants	Loans
Main goal	Enterprise development for special populations who cannot manage microcredit loans effectively	Enterprise development for entrepreneurs who lack access to capital and can manage microcredit loans effectively
Operating environment	Unstable (for instance, high inflation) and the target population does not operate businesses	Stable (good security, low inflation) and target population operates businesses, can access markets and has the capacity to repay
Capacity and focus	Community and microenterprise development experience but no desire or capacity to conduct longer-term, more sophisticated microfinance programmes	Moderate to strong capacity and a focus on financial services or microenterprise development programmes
Programme and funding horizon	Short-term (one year or less)	Long-term (minimum of three years)

The following factors should also be analysed:

1. Programme sustainability: ensuring clients' future access to capital

Grant programmes are not sustainable in the long term, since it is almost impossible to ensure permanent access to external funding. The sustainability of self-help groups and revolving funds depends on professional management, adequate repayment rates and strong commitment of the participants in these services (→ see Chapter 7 for further information).

An organisation off/for people with disabilities that decides to provide grants and loans should consider whether this programme aims to reach sustainability. This is often difficult since these organisations tend to subsidise loans and not cover their operating or financial expenses. Furthermore, if they target only people with disabilities, it is very difficult to reach enough persons – a critical mass – to allow the programme to be sustainable.

The best option for securing sustainable access to financial services for people with disabilities is certainly guaranteeing access to sustainable, reliable microfinance institutions that have the necessary expertise and financial means.

2. Programme mission

Organisations off/for people with disabilities should first consider whether providing financial services falls within their mission, or whether this will move them away from their core competencies (for instance, advocating for the rights of people with disabilities).

Those organisations that attach great importance to the rights-based approach, aimed at guaranteeing inclusion in mainstream institutions, usually make a strong effort to ensure equal access to the services of microfinance institutions for people with disabilities (instead of creating special programmes themselves). Successful experiences indicate that this is possible when people with disabilities have adequate capacities and attitudes, and when accessibility barriers, prejudices and product design barriers are reduced within the microfinance institutions.

Case 4. Diminishing attitudinal barriers: the case of a Peruvian cooperative

The Peruvian cooperative Maquita Cushunquic works mainly in rural areas and has already provided loans to poor people with disabilities. “In the beginning, we were somewhat reticent because we thought people with disabilities spent a lot of money on medicines, were often sick and could not manage a business on their own” said the cooperative’s manager. “However, we have now worked with a few persons with physical impairments and a blind lady, and I can tell you they are among our best clients! They did not ask for any special conditions, only access to the same services that the rest of the people in their communities have. We now realise they are productive members of the community as everyone else.”

After these experiences, the staff at Maquita Cushunquic realised that people with disabilities can be successful entrepreneurs. “We encourage our staff to do objective assessments of potential borrowers, instead of neglecting people with disabilities based on prejudices”.



3. Presence of microfinance institutions with good social outreach

In recent years, many countries have witnessed an enormous growth in the number and size of microfinance providers. Yet their geographical coverage is still uneven, both between countries and between different regions within countries. In most countries of South and South East Asia, microfinance institutions have a good outreach both in urban and rural areas. In contrast, many African countries lack microfinance institutions in rural areas, and in some cases even in semi-urban and urban areas. This is particularly true in countries recently affected by civil wars, where microfinance is still in its early development phase.

Microfinance providers also differ with regard to their outreach among vulnerable groups, depending on their methodology and product design, and also on the 'culture' of the organisation. The missions of microfinance institutions vary. While some aim to reach the very poor and provide them with financial and non-financial services, others aim to reach those who already have a business and offer them just financial services. Reaching the poor or most vulnerable requires special efforts, innovation and new methodologies.

If there are no microfinance institutions within the intervention region of a programme, or if they do not target the very poor, it may be justifiable to look for other options. These might include supporting the organisation of self-help groups or, if adequate resources and expertise are available, providing funding mechanisms directly (either grants, or loans through a revolving fund, or supporting self-help groups. → See Chapter 7).

4. Programme resources

A decision to implement a funding mechanism programme should be based on a cost-benefit analysis that takes into account available human and financial resources.

Managing a funding mechanism programme, particularly loans, is complex. At the minimum, it requires:^[50]

- ✓ specialised staff with a strong financial background, whose role within the organisation is designing, managing, implementing and monitoring the programme
- ✓ adequate management information systems that allow for a personalised follow-up of all borrowers
- ✓ a strong business plan that identifies and ensures enough sources of funding for the expected duration of the programme (if its main goal is outreach to vulnerable populations, not transformation into a sustainable microfinance institution. → See Case Study 13 on ICRC in Afghanistan for an interesting example).

An important component for managing a programme's resources is to put in place adequate incentives for repayment, so that most borrowers repay their loans in time. As a reference, most successful microfinance providers have a 'portfolio at risk'^[51] rate of less than three per cent. In contrast, the programmes managed by organisations off/for people with disabilities that participated in the survey have 'portfolio at risk' rates ranging from seven per cent to over 30 per cent.

Implementing a funding mechanism programme requires specialised staff, adequate management information systems and a strong business plan.

Good practices in microfinance have clearly demonstrated that organisations perform better when they focus on their core competencies – i.e. financial services in the case of microfinance institutions; advocacy and/or services for people with disabilities in the case of organisations off/for people with disabilities. The decision to venture into the provision of funding mechanisms should be carefully considered by organisations off/for people with disabilities, according to their institutional and organisational capacities and resources.

Case 5. Opting for inclusion into mainstream microfinance: the case of LCI^[52]

Leonard Cheshire International (LCI) is a British organisation that works globally with people with disabilities. In 1997, LCI set up a credit facility to provide capital for microentrepreneurs willing to start or expand their businesses. After two years, the programme demonstrated that most people with disabilities who had received credit had improved their income.

However, LCI had been able to reach only a small number of people, and the administrative costs were disproportionately high in relation to the outcomes achieved; there was a risk of diverting resources from other priority areas of work. LCI concluded that extending its work into credit provision would detract from its core work and divert its already limited resources.

In line with the approach of working for the inclusion of disability as a mainstream development issue, LCI redefined its policy and moved from being a credit provider to a promoter of access to credit for people with disabilities. LCI now focuses on developing partnerships with mainstream microfinance providers that have resources and proven expertise.

In summary

- ✓ Choosing a **funding mechanism and a strategy for providing that mechanism** – be it inclusion in mainstream microfinance institutions or direct provision by organisations for people with disabilities – requires a thorough analysis of existing resources, mission, intended outreach and sustainability.
- ✓ **Access to mainstream microfinance institutions** fosters recognition of people with disabilities as equal subjects of credit, and ensures long-term sustainability and access to financial services.
- ✓ Implementation of **funding mechanism programmes by organisations for people with disabilities** may be a necessity in cases where there are no microfinance providers or where inclusion into them is a long-term strategy. However, necessary expertise and resources should be available prior to implementing the programme.

The background of the page is a photograph of two women working at a sewing machine. The woman in the foreground is focused on her work, with her hands near the needle. The woman behind her is also looking down. The entire image is overlaid with a semi-transparent orange filter. The text is positioned in the upper right and center of the page.

Part II:

Guidelines to Facilitate Access to Funding Mechanisms

6

Facilitating the inclusion of people with disabilities in mainstream microfinance institutions

This section discusses the role that microfinance institutions can play in becoming more inclusive of people with disabilities. It also includes examples of good practice on how organisations for people with disabilities have established partnerships or supported people with disabilities to access formal microfinance services.

6.1 Complementary partnerships between microfinance institutions and organisations of/for people with disabilities

Through this approach, each organisation focuses on providing its core services to people with disabilities: microfinance institutions provide financial services (including loan disbursement, reimbursement and monitoring) while organisations for people with disabilities provide self-confidence building or social work. Other required services that may be provided by any other organisations include the promotion of savings behaviour, formation of saving and lending groups, and training on saving and loan principles and understanding loan disbursement and repayment.

Figure 7.

Complementary partnerships between microfinance providers and organisations of/for people with disabilities.



Such an approach is in line with the inclusive strategy promoted by many organisations of/for people with disabilities, since it fosters inclusion in mainstream services (complemented by the social work of organisations of/for people with disabilities), instead of setting up parallel structures exclusively for people with disabilities.

Case 6. Partnership arrangements in Ethiopia, Kenya and India

Gasha, a microfinance institution in Ethiopia, has a history of establishing partnerships with several development programmes. Its partners ensure the organisation, training and advice of those interested in borrowing. Once they are prepared to manage a loan, they apply for services with Gasha.

In Kenya, the development programme of a local diocese provides technical assistance and organisational support to local farmers. Later, they can have access to loans from the microfinance institution Mbeu ('seed' in Kiembu language).

In India, certain banks have issued group loans to self-help groups initiated and supported by organisations for people with disabilities. Self-help groups themselves arrange for the internal loan disbursements and reimbursements. In some cases, self-help groups conduct monitoring of the loans themselves, with the technical support of the organisation for people with disabilities; in other cases, this is done directly by the banks.

In all these cases, both types of institution provide their core services and focus on their area of expertise. Although various arrangements are possible, one of the keys to success is to clearly establish the tasks, roles and responsibilities of each partner. Wrong expectations can cause misunderstandings and conflict.



6.2 How to promote information exchange among microfinance institutions and organisations of/for people with disabilities

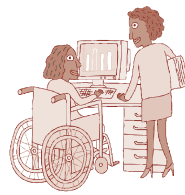
Lack of information on each other's activities can impede cooperation between microfinance institutions and organisations of/for people with disabilities.^[53]

Indeed, some microfinance institutions believe people with disabilities are not capable of managing a business, while some organisations of/for people with disabilities believe microfinance institutions cannot respond to the needs of people with disabilities.

Donors and microfinance networks can play an important role in: raising awareness on disability issues and appropriate strategies to address the poverty and exclusion of people with disabilities; creating openness among their partners/members to act jointly and bring both parties together. This strategy will result in a better understanding of both parties' needs and constraints.

Examples include the Microfinance Investment Support Facility for Afghanistan (MISFA),^[54] and the ILO-initiated 'round tables', where microfinance institutions and programmes for people with disabilities can meet.

Case 7. *Information exchange between microfinance institutions and organisations of people with disabilities. AMFIU/NUDIPU, Uganda*



In 2005, the Association of Micro Finance Institutions of Uganda (AMFIU) and the National Union of Disabled Persons in Uganda (NUDIPU) launched a pilot project – ‘The Microfinance and Disability Project’ – with support from the Norwegian Association of Disabled (NAD). The project goals are:

- ✓ *to raise awareness among microfinance institutions about the largely unexploited market for financial services among people with disabilities*
- ✓ *to raise awareness among organisations for people with disabilities, and eliminate fear and misconceptions regarding microfinance institutions.*

To achieve this goal, activities included:

- ✓ *organising a two-day workshop for organisations offor people with disabilities and microfinance institutions in the Tororo district. The workshop created a positive attitude among participants and showcased successful examples of entrepreneurs with disabilities. Two more workshops are planned in other districts*
- ✓ *creating an award for the most ‘disability-friendly’ microfinance institution*
- ✓ *implementing a survey among AMFIU members to find out the proportion of people with disabilities among their clients and to analyse their knowledge and experience on equalisation of opportunities for people with disabilities.*

Both organisations have employed a special project officer to manage this project: the AMFIU disability officer raises awareness among microfinance institutions on disability issues; the NUDIPU microfinance officer meets people with disabilities, advises them, trains them in business skills, and tries to raise confidence in their business capacities.

6.3 Targeting microfinance providers

People with disabilities have the right to approach microfinance providers; all such providers may be potential partners to organisations of/for people with disabilities.

Microfinance providers, whose mission specifically includes reducing poverty levels, usually make extra efforts to reach the poor and vulnerable. People with disabilities tend to represent a higher percentage of clients within those microfinance institutions that specifically aim to reach the poorest. Therefore, it seems easier for an organisation of/for people with disabilities to establish a partnership with microfinance institutions that explicitly aim to reach vulnerable populations.

Establishing partnerships with microfinance institutions that use an integrated approach is also a good strategic choice, since these institutions provide training and other services useful to vulnerable people with disabilities.

Case 8. Microfinance institutions with a poverty-alleviation component

Microfinance providers that have a higher outreach to people with disabilities are usually those for which poverty-alleviation is a main objective. The following are examples of organisations that include, within their missions, the goal of improving the livelihoods of the poor by combining the provision of financial and non-financial services.

In Bangladesh, Bandu Kallyan Foundation (BKF) offers a variety of services to vulnerable populations, including loans to solidarity groups. In 2002, the Foundation started providing interest-free loans to people with disabilities through solidarity groups. This programme has been evolving to adapt to the circumstances; today, most people with disabilities receive individual loans, the introduction of a subsidised interest rate is being considered, and individual coaching and monitoring is reinforced.

Oportunidad Latinoamerica Colombia (OLC) has reached over 450 people with disabilities, both with grants and microcredit. They make a special effort to reach this population, and complement provision of funding mechanisms with training and advice. OLC decided to specifically target people with disabilities when it realised they were over-represented among the poorest in Colombia. Today, six per cent of their beneficiaries and borrowers have some kind of disability – some of them landmine victims. OLC recently received a grant from Consultative Group to Assist the Poor (CGAP) for its excellent work.

ProMujer Nicaragua has included people with disabilities within its village banks, and also supports a village bank created by a women-with-disabilities organisation to produce traditional piñatas.^[55] Women with disabilities reached out to ProMujer to apply for loans directly – without special conditions. Other than providing financial services – charging market rates that these women with disabilities pay with no trouble – they also provide business training and health care services.

Microfinance institutions that serve those who have small and medium enterprises – the ‘less poor’ – should not be neglected as potential partners, as persons with disabilities who already have a business may find those services more adapted to their needs (a wider variety of financial services, loans of higher amounts, or payment services, for instance). Other considerations include choosing a partner with wide presence in a country or region, or with wide presence in rural areas and experience of working with other vulnerable populations.

6.4 Integrating people with disabilities into mainstream microfinance institutions

First, it should be noted that some people with disabilities refer themselves directly to microfinance institutions and succeed in earning access to financial services independently. A microfinance expert remarked in an interview for this report, that when she worked in Afghanistan, many of the microfinance institution's clients were landmine victims who had lost limbs; however, she did not realise this until she saw them without their prostheses in a coffee shop. It should not be assumed that all people with disabilities will require or demand special arrangements.^[56]

People with disabilities constitute an important market segment for microfinance institutions, since they represent around 10 per cent of the total population in most countries. Still, the percentage of people with disabilities among the clients of microfinance institutions is very low – 0–0.5 per cent (some rising to six per cent), according to Handicap International's survey.^[57]

According to the specific difficulties encountered, linking people with disabilities and microfinance institutions may require some or a combination of the following actions:



Toolbox 3. *Actions to link people with disabilities to microfinance institutions*

1. To limit self-exclusion:

- Explain to people with disabilities the principles of microfinance, the general requirements for applying for services, and the benefits of formal microfinance institutions (in particular, explain that microfinance is a service that has a cost; and paying that cost will guarantee access to sustainable and varied financial services). This will reduce misconceptions, and may be achieved through individual coaching or through workshops and seminars.
- Increase the self-confidence of people with disabilities and discuss with them their rights to access mainstream services, since many of them are wary of getting in touch with microfinance institutions. Building social skills is as important as building business or vocational skills.
- Support people with disabilities to fill in their applications for financial services and to create their business plans – this will reduce the possibility of rejection and will identify any possible shortfalls prior to a possible failure.
- Build ‘peers support’ – invite those who have been successful to talk and share their experiences with potential entrepreneurs.
- Meet with people with disabilities often; understand their needs and why they cannot access financial services. Identify those who have been successful and learn from their experience.

2. To reduce exclusion by the microfinance institution staff:

- Organise seminars within microfinance institutions to raise awareness on disability issues and on the rights of people with disabilities.
- Train loan officers on how to make an objective risk analysis that does not discriminate against people with disabilities.
- Discuss stigmatisation and prejudice with loan officers, managers, owners, etc. If top-level managers have a commitment towards this issue, they will spread the information within their institution.
- Publicise ‘success stories’ to raise awareness of the potential of entrepreneurs with disabilities within microfinance institutions – and the society as a whole.

3. To decrease exclusion by other members (in solidarity groups and village banking):

- Advocate for social acceptance and inclusion through local communication campaigns.
- Make sure that ‘success stories’ are well known throughout the community.
- Build partnerships with local media – local radio and newspapers may be willing to dedicate a few minutes or lines free of charge – to spread a ‘success story’.
- Integrate the debate on microfinance into CBR.

4. To eliminate exclusion by financial service design:

- Conduct market research of the target market to identify their specific needs and capacities, making sure that available financial services respond to those needs or that they can be adapted easily.
- Be open to proposing alternatives and being innovative; meet microfinance and banking specialists who may be willing to meet to share their ideas. Some adaptations in financial services may not be too costly and make a big difference. This may include accepting that a relative represents the person with disability in group meetings, or building a small ramp so that people with physical disabilities can access the microfinance institution building independently.^[58]

5. To limit exclusion through inadequate accessibility:

- Ensure that the location of the microfinance organisation premises is in an accessible location; for instance, that there are ramps and low counters for people in wheelchairs, or that group meetings take place in accessible places.

6.5 Arrangements for people with disabilities: are they appropriate?

Most microfinance institutions share two basic goals: to provide financial services to poor people, and to do this in a sustainable way. These goals are not necessarily contradictory, although microfinance providers may give them different emphasis.^[59] Often, sustainability is not seen as a goal in itself, but as a means of reaching a higher number of poor people in the long run; although some microfinance providers also see the sector as a profitable line of business.

Within the context of disability, it has been discussed that the most vulnerable may require some specific arrangements, often just for the start-up phase of a new economic activity. However, although most microfinance institutions that participated in this study affirmed they would be willing to facilitate accessibility to people with disabilities (for instance, Braille material, ramps into their buildings), they also indicated they could not afford to offer special loan conditions to a specific sector of the population. This would put at risk their long-term financial sustainability (their ability to cover their cost of operations and cost of funds through their own revenues).

Nevertheless, some said they would be willing to make specific accommodations to reach people with disabilities, if the extra costs involved (for instance, transport costs to reach people with disabilities in rural areas) or the missed income (from lower interest rates) were subsidised by organisations of/for people with disabilities or other donors.

Table 9. Arguments in favour and against organisations of/for people with disabilities covering extra costs to subsidise interest rates and other fees

In favour of subsidies	Against subsidies
People with disabilities will integrate into microfinance institutions easily and get acquainted with the methodology and with managing loans	Few microfinance providers – particularly formal ones – are willing to modify their methodologies and their loan requirements/conditions
Subsidising loans is a first step out of poverty; eventually, borrowers are expected to apply for loans like the rest of the borrowers	If organisations of/for people with disabilities put aside specific funds to cover the cost of subsidies, they will divert their resources from other programmes which may be core activities (e.g. advocacy, social work, peer support, etc)
	Borrowers of subsidised loans will find it difficult to 'graduate' to using loans with market rates of interest – this scheme has worked only in very few cases
	Subsidies may reinforce the idea that people with disabilities do require special conditions and cannot manage a loan as the rest of the clients
	The programme will last only for as long as donors are available to cover the cost of subsidies

Case 9. Arrangements for people with disabilities. ILO-EFPD project 'Developing Entrepreneurship among Women with Disabilities', Ethiopia

The Ethiopian Federation for Persons with Disabilities (EFPD)^[60] established an agreement with a microfinance institution, with the main objective of developing entrepreneurship among women with disabilities by providing business skills and vocational training, and microfinance and business development services.

The methodology used was as follows: EFPD subsidised half of the interest rate to facilitate access for people with disabilities to financial services. It also covered half of the obligatory savings, which had been found to be an obstacle for people with disabilities wishing to apply for loans. This programme was initiated with the financial and technical support of the ILO.^[61]

If an organisation of/for people with disabilities and a microfinance institution decide to implement a subsidised loan programme, then there needs to be very careful selection of those who will have access to such a programme. Otherwise, it may have negative consequences, such as actually *disempowering* people with disabilities to access mainstream microfinance institutions – with no special conditions – when they might otherwise have been able to do so. If people who may be able to access commercial loans get used to not doing so, this may also damage the community's credit culture and other microfinance providers in the region.



Case 10. Careful selection of subsidised loan users

A certain organisation provides subsidised loans for people with disabilities. The only requisites are to provide collateral – although this may be smaller than the size of the loan – and a business plan designed during training sessions organised by the loan provider. These loans have supported some people with disabilities to start sustainable businesses, for instance vegetable stalls in the local market.

However, loans have also been provided to people with disabilities who already had viable businesses. Such is the case of the owner of a small stationary shop. She has received subsidised loans that she has used to diversify her products and buy in bulk, reducing her costs. She has a strong clientele and her business is expanding.

Now she would like to buy a shop of her own, to stop spending money on rent. However, the organisation cannot provide her with the US\$10,000 she needs – the maximum size of the loan is set at US\$500. But she will not approach a microfinance institution either (even when she has a successful business and her mother – who owns a house – could act as a guarantor). This is because she is afraid she will not be able to pay non-subsidised interest fees and she thinks she would be discriminated against because of her impairment.

This stationary shop owner could have applied for a loan with a microfinance institution in the first place, since she already had a viable business and a guarantor. Supporting her through the application process would have been a good way to help her through the first steps and understand the role of the microfinance institutions. Even if she had required a subsidised loan as the very first step, it still would have been better to explain to her that this was a one-off (since she had other possibilities), and to provide her with adequate training to join a mainstream microfinance institution.

6.6 Minimising the financial risk that microfinance institutions may perceive in serving people with disabilities

Two main instruments can be used to share the risk of a microfinance institution when it provides financial services to people with disabilities: financing credit lines and setting up guarantee funds.

Financing credit lines

This instrument aims to provide financial reserves for a microfinance institution to provide loans to people with disabilities. The microfinance institution is in charge of managing this credit line: it decides who is suitable to receive a loan and is in charge of disbursing, following up and recovering the loan.

The main advantage of financing credit lines is that it allows organisations of/for people with disabilities to focus on their core services. Instead of trying to provide the loans itself, they are provided and administered by a professional microfinance provider.

Case 11. Financing credit line. FURWUS-Espino Blanco, Nicaragua

Fundación para la Rehabilitación Walking Unidos (FURWUS) provides physical rehabilitation, orthoses and prostheses, and employment opportunities for people with disabilities. One-and-a-half years ago, FURWUS started a microcredit programme through a partnership with the local microfinance institution, Espino Blanco, which specialised in working with vulnerable populations. FURWUS received a grant from the Inter-American Foundation and got the socially-minded Espino Blanco to manage it.

The loan terms were decided by FURWUS with some adjusted requirements: the interest rate is lower than market rates and there is a two-month grace period. After a period of low on-time repayments, a strong follow-up system was put in place and financial indicators are improving. For the moment, only 30 persons have used these services; FURWUS' goal is to reach 200 users. There is currently a campaign under way to let people with disabilities in nearby communities know about this fund.

Guarantee funds

A guarantee fund provides a loan or credit guarantee, enabling a borrower to approach a bank for a loan. Guarantees are particularly useful for borrowers who do not have sufficient collateral, such as land or other assets. Small borrowers almost always lack sufficient collateral, so the purpose of goal guarantee schemes is to share the credit risk with a bank.^[62]

This model aims to provide a guarantee fund to microfinance institutions to incite them to provide services for people with disabilities. The guarantee fund serves to cover any losses that microfinance institutions may incur if a person with disability fails to pay back his/her loan. To ensure that the microfinance provider feels equally compelled to make the same efforts as other borrowers, the guarantee fund provided by the organisation off/for people with disabilities may cover *only a percentage* of the losses. Thus the microfinance provider also must do its best to provide excellent services and collect repayments, to prevent losses for itself.

The guarantee fund is to be used in case a loan is not paid back in time.^[63] This fund can be deposited in an account with the same microfinance provider or with a bank. Usually, this fund earns interest that can be a source of revenue for the organisation that deposited the money, or that can serve to raise the guarantee fund amount.

Table 10. Arguments in favour and against credit lines and guarantee funds

In favour	Against
They allow organisations to focus on their core activities, and people with disabilities can obtain financial services from an expert institution	Setting up a guarantee fund or financing a credit line may reinforce the idea that people with disabilities present higher risks for microfinance institutions
Microfinance providers feel confident in lending to people with disabilities because of the guarantee fund, but also because they know that the organisation of/for people with disabilities supports the borrower with training and follow-up	The microfinance provider may feel less committed (in terms of follow-up) to the accounts of people with disabilities, since they are 'backed up' by a guarantee fund or credit line. Therefore, if the loans are not paid back, the provider will not carry 100% of the financial losses for it. Losses will be covered – at least in part – by the guarantee fund or credit line
Borrowers get acquainted with the loan conditions and methodology of the microfinance providers, and are expected to borrow directly from them in future	Borrowers may view guarantee funds as a mechanism that will protect their entrepreneurial activities in all situations, thus affecting their financial discipline

Toolbox 4. *Recommendations for financing credit lines or setting up guarantee funds*

1. Conduct a thorough analysis to **identify the main obstacle** for a specific segment of people with disabilities to access mainstream financial services. If the reason is lack of business skills, a guarantee fund or credit line is not the way to overcome the obstacle.
2. Assess whether the organisation of/for people with disabilities has the **organisational capacity, know-how and funds** to manage complex instruments such as setting up a guarantee fund or financing a credit line.
3. Analyse if a guarantee fund/credit line is the best way to ensure access to financial services **in the long run**.
4. If possible, identify a microfinance provider that has **already successfully worked** with this instruments with other organisations.
5. Ensure **transparency of the roles** and responsibilities of every actor.
6. Guarantee that **rules are explicit and precise**.
7. Look for **advice from legal/financial experts** prior to signing the formal agreement.
8. **Share the risks:** the microfinance provider should be the major contributor (over 50 per cent) to the guarantee fund or the credit line.
9. Credit lines and guarantee funds should be considered **an instrument of transition**.

Case 12. Guarantee funds: Handicap International in Senegal and Central Africa

Within a larger programme of socio-economic inclusion of people with disabilities and landmine victims in the region of Casamance, Senegal, Handicap International was interested in facilitating access to financial services for this population.

It therefore established a partnership with the microfinance institution Asacase and the organisation of people with disabilities, Fédération des Associations des Personnes Handicapées. With the financial support of the United States Agency for International Development (USAID), it created a guarantee fund with the goal of covering up to 100 per cent the capital losses of the loans provided to the members of the Fédération. Asacase provides the loans with its own funds and uses the guarantee fund to cover the losses, if any.

The partner organisations created a committee, with members from each organisation, to select the people who can apply for loans. The requirements are: to live in the region, to be a member of one of the partner associations and to have a feasible business plan.

In the Central African Republic, Handicap International developed a guarantee fund in partnership with the Crédit Mutuel de Centrafrique. The guarantee fund was put in place with participation from Handicap International and the Crédit Mutuel, so that both partners shared the risk and both were equally committed to the success of the project.

Loans are provided to those potential entrepreneurs who have demonstrated their abilities and trustworthiness. Those who have their applications approved can then manage their own economic projects: tailoring workshops and small shops, for instance. People with disabilities who participate in this programme continue receiving support and business training. So far, 238 persons have participated in the scheme and received loans.

In summary

- ✓ **Information exchange** is essential to facilitate the inclusion of people with disabilities in mainstream microfinance institutions, so that the disability sector and the microfinance sector understand each other's needs and constraints.
- ✓ **Complementary partnerships** can be established between organisations of/for people with disabilities and microfinance institutions, particularly those whose mission includes alleviating poverty.
- ✓ **Arrangements** for people with disabilities may be relevant in very specific cases; but they should be well adapted, well targeted, temporary, and create links to other services.



Part II:

Guidelines to Facilitate Access to Funding Mechanisms

7

**Providing funding
mechanisms:
experiences from
organisations of/for people
with disabilities**

This section provides information on experiences and good practices from organisations of/for people with disabilities that have decided to provide funding mechanisms themselves by creating revolving funds or supporting self-help groups.

7.1 The role of organisations of/for people with disabilities

Most organisations of people with disabilities recognise their mission is to advocate and defend the rights of their members. Some also provide services (such as education) or implement programmes (on economic inclusion, for instance) when these are lacking in a specific community.

Organisations for people with disabilities (or disability service providers), in contrast, are usually branches of international NGOs or government agencies whose primary task is to provide services for people with disabilities. These activities may cover domains such as physical rehabilitation, provision of assistive devices, functional training for specific groups of people with disabilities (intellectually, physically, visually or hearing impaired), education, economic inclusion programmes, and support for capacity building of local organisations of people with disabilities.

Most of these organisations prefer to advocate for the inclusion of people with disabilities in mainstream services (be they government agencies, specialist development organisations, or the private sector) instead of setting up parallel structures. In the case of microcredit, the main reasons are presented in Table 11.

Table 11. Arguments in favour of inclusion in mainstream services

Inclusion in mainstream services	Provision of services by an organisation of/for people with disabilities
Supports the rights-based approach which aims to make all services accessible to people with disabilities	May foster exclusion and separation of people with disabilities from the rest of the society
Lets organisations concentrate on their core activities and concentrate their efforts on the specific activities where they have more expertise	Makes organisations divert limited resources to a wide range of domains where they may not have expertise
Allows people with disabilities to use services offered by experts	Incites people with disabilities to use specialised services, even when they may have the possibility and capacity to join mainstream services

With regards to access to microcredit, ideally, organisations of/for people with disabilities play a complementary role providing their specialised services to their members, while microfinance providers offer their specialised services.



7.2. Organisations of/for people with disabilities and strategies to facilitate access to funding mechanisms

Improving their livelihoods is essential for people with disabilities, since socio-economic inclusion greatly enhances living standards and self-esteem and reduces stigmatisation.

Depending on their expertise, organisations of/for people with disabilities may:

- ✓ accompany people with disabilities to apply for services in formal microfinance institutions, for instance by providing adequate training and support to prepare them for inclusion in formal microfinance institutions (as discussed in Chapter 6)
- ✓ provide funding mechanisms (grants and/or loans) themselves (as discussed in Chapter 5)
- ✓ create and manage a revolving fund and/or support the creation of traditional credit and savings associations or self-help groups. This approach will be discussed in the following sections of this chapter.

7.3 Managing revolving funds

According to Handicap International’s survey, the majority of organisations of/for people with disabilities provide funding mechanisms themselves; those that provide subsidised loans do so through revolving funds.

Table 12. Arguments in favour and against the use of revolving funds

In favour of revolving funds	Against revolving funds
Members of the fund usually trust the fund’s managers, who are often elected. They feel compelled to pay back their loans since they know that is vital for its sustainability	Revolving funds usually have ‘portfolios at risk’ higher than those of formal financial institutions, endangering their sustainability
People gain access to the fund easily; the fund responds to the challenge of reaching those who are left out of formal financial institutions	Screening of potential borrowers and applying measures against late repayment is less formal, since the managers of the fund try to ‘help’ people with disabilities
Members feel the obligation to pay back their loans since they know this is the only way in which the fund will serve to other members	Almost without exception, revolving funds for people with disabilities charge low – or no – interest rates. These programmes cannot be sustainable unless they can rely on permanent access to external subsidies, or unless they succeed in providing financial services in a very cost-efficient way allowing for low interest rates.
Members of the fund trust the managers and their peers so they do not feel afraid of participating in the programme.	

Running a revolving fund requires time, efforts and resources from programme staff and management. To prevent a revolving fund existing at the expense of other ‘core’ activities of the organisation, specialist staff should be employed and/or staff presently employed should be trained. (→ See Case Study 5 on LCI, which shifted its strategy to build partnerships with microfinance institutions instead of providing financial services itself.)

Yet, it may not be impossible to set up a successful and sustainable loan programme. The best evidence is that many microfinance institutions have grown out of former development programmes that transformed their revolving fund programme components into professional microfinance institutions. Other than applying the good practices for the general provision of loans, the following rules can be also followed for revolving funds:

Toolbox 5. Practical recommendations for the management of revolving funds

1. Interest rate policies

Many organisations of/for people with disabilities use a revolving fund. Not all programmes aim at long-term sustainability; but those that do require strict application of microfinance principles.

To achieve sustainability, all costs related to the revolving fund should be covered by its own revenues, mainly consisting of interest fees. Charging low interest or no interest at all will probably lead to failure when the programme will not be able to cover its own costs. But it can be an adequate strategy if the objective of the revolving fund is to have a limited duration and to then direct borrowers to other microfinance providers.

There is no 'adequate' interest rate that can be suggested. Each programme has to fix it according to its costs and the local regulations. The interest rate practices of other local organisations should also be taken into account.

2. Repayment discipline

If the loans are properly repaid, a revolving fund can continue providing new loans as a rotating capital. This requires strict observance of the repayment discipline. If some clients do not repay and no corrective action is taken by the programme, it will easily grow into non-repayment by larger numbers, and finally lead to breakdown of the revolving fund.

Positive incentives for repayment and corrective actions are thus essential. Positive incentives include having access to more loans or higher loan amounts. Corrective actions include collection of collateral or denying access to other services.

Some argue that if a person cannot repay for reasons like health problems, measures such as extension of the repayment period can be considered; but only in exceptional cases. Others argue that no such measures should exist: they may encourage others to default and may push people experiencing difficulties to actively find a way out their problems. An adequate approach should be decided by the revolving fund managers and the criteria should be clear for all borrowers.

Although there is no standard, 'portfolios at risk' rates should be compared to those of formal microfinance institutions, who often consider three per cent to be a maximum (although this depends on the region, on institutional trends, on its business stage, etc).

3. Financial administration

Many revolving funds managed by people with disabilities have found themselves in trouble because the fund's management and money were not adequately separated from those of other areas of work. The fund, but also its staff, transport, expenses and revenues and administration should be administered separately from other programme components.

Special management information systems exist for microfinance providers; they provide direct information on the quality of the loan portfolio and indicators for operational and financial sustainability.^[64]

4. Strict application of the rules of the revolving fund

The rules for the management of the revolving fund should be clear for all its members prior to disbursement of the loan; the rules should then be applied and followed strictly. Many revolving funds have failed because of a lack of discipline, or because the managers of the fund feel they are damaging people with disabilities if they have to collect the loan repayments or collateral in case of default. However, people with disabilities have the same rights and obligations as everyone else, and if they committed themselves to the revolving fund, they must also be held accountable in case of default. These rules should therefore be clear to prevent misunderstandings.^[65]

Case 13. Revolving funds: ICRC, Afghanistan and ADRN, Nicaragua**International Committee of the Red Cross (ICRC), Afghanistan**

ICRC has managed a loan scheme through a revolving fund since 1997. Its mission is to support poor people with disabilities in their economic inclusion, without focusing on achieving financial sustainability. Loans are interest-free.

Each loan application is closely scrutinised before it is accepted. The loan process starts with the preparation of a business plan. The microcredit officer interviews the applicant at length to make sure he is really motivated, visits him at home and/or his business premises to see if his plans are viable, and assesses his family's character and needs.

Once a project has been accepted, the ICRC does not hand over the money directly to the person; instead, it purchases the equipment or working capital and hands it to the borrower. This methodology ensures that the person does use the loan for productive purposes, and it also respects Islamic banking principles.^[66] Loans are issued individually and requirements include collateral or a personal guarantor. The repayment period is 6–18 months, with equal instalments, starting after the first month. A person can receive up to five successive loans, starting from US\$200 to a maximum of US\$500.

The revolving fund has been quickly evolving. In the first years, ICRC's revolving fund faced repayment problems. However, thanks to the increasingly professional set-up, training of personnel and a strict application of the rules, 'portfolio at risk' is now at 10 per cent and is constantly improving. So far, 4,640 people have benefited from the loan scheme. The programme is working well, but it must be remembered that providing interest-free loans endangers its sustainability – even if 'portfolio at risk' was 0 per cent, devaluation and the costs of managing the programme cannot be covered.

Asociación de Discapacitados de la Resistencia Nicaragüense (ADRN), Nicaragua

ADRN decided to provide credit to its members since people with disabilities are not covered by any financial institution in Nicaragua, since most of them have very few economic resources. ADRN's goal is to inject the capital that is needed to expand or create a business.

The rotating fund started with the fees of the members (US\$7 per year). After a few years, the programme was so successful that it received a grant from the Danish Association of People with Disabilities and Oxfam Québec to expand its operations and receive technical assistance. The programme was quickly replicated in other regions of the country. ADRN aims to achieve self-sustainability – so it charges interest and application fees – and even though 'portfolio at risk' is still high (seven per cent) it has been decreasing, particular after the technical assistance received. According to Eduardo Díaz from ADRN, the keys to success have been: conducting a strict evaluation of the business plans before disbursement of the loans; making sure borrowers understand the fund's rules; enforcing those rules as required; and providing training and follow-up for the users.

Ciriaco González received a loan a year ago and used it to diversify the candy he sells on the streets. He was also able to venture into the lottery business. His family now has a higher income. "Right now, I buy the lottery from an intermediary. With the next loan, I will be able to buy the lottery directly from the main office, so that I will be able to make more profits. In addition, if I sell a winning ticket, the commission will be for me, not for the intermediary!" says Ciriaco.

7.4 Supporting the creation of self-help groups

Supporting self-help groups was found to be an excellent and cost-effective way for organisations off/for people with disabilities to support access to loans and savings for people with disabilities. This requires capacity building in organisational strategies and financial management, but is less costly and time-consuming than managing a revolving fund. Organisations off/for people with disabilities have an important role to play in supporting the setting up, monitoring and guidance of these groups; although the introduction of a self-help saving and lending group model still requires proper preparation, expertise and time. ^[67]

Many people say that the poor have a limited savings capacity. This might be true for some, especially for those who have not yet established an economic activity. But obligatory savings can be set at a very low level to avoid most vulnerable groups from being excluded. Sometimes family or friends support them with the initial savings. If the beneficiaries really cannot save, they could first be assisted with a grant to start up an economic activity, on the condition they start saving.

Table 13. Arguments in favour and against self-help groups

In favour of self-help groups	Against self-help groups
They are well adjusted to the capacities and the needs of vulnerable groups since initial savings amounts, decided by the groups themselves, can be kept small	Internal loans are often small, due the small savings capacity of its members; larger loans cannot be accessed through this mechanism
Interest rates can be kept low since no overhead costs have to be charged. The costs of managing the groups are minimal, since they are managed by the members on a voluntary basis	Sustainability of self-help groups is uncertain, and depends very much on the quality of the leadership in the groups, their integrity, and the commitment of the group members
Since self-help groups decide on the amounts to be saved and lent and on their rules, these respond to their needs. Indeed, the lending system is flexible: disbursements of loans can be quickly decided in the regular group meetings. Also, the loans can be used for various purposes (including medical costs or school fees)	The success of self-help groups depends on the cohesion of the members; this requires that members are more or less homogeneous and live in a small geographical area. This is often not the case for people with disabilities.
Self-help groups may prepare members to join other microfinance providers; either independently or through formal linkages to microfinance providers or banks	
People with disabilities who participate in self-help groups will receive savings and loans; but other positive outcomes are possible, such as reinforcing self-confidence	
Self-help groups may serve as a base for other activities; they may provide a support to start other community-based activities or advocacy	
Since self-help groups are managed and organised by members themselves, this creates members' ownership and a strong involvement, which facilitates sustainability	
Self-help groups are particularly useful in rural areas and where there are no microfinance providers.	

Several programmes visited during this research, particularly in Afghanistan and East Africa, use a self-help group approach that starts with internal saving and lending; then later, if the fund is managed appropriately, they receive seed-money to expand their revolving funds.

Toolbox 6. *Practical recommendations for the support of self-help groups*

1. *Raising awareness*

The self-help group approach, and the advantages the participants will gain in the longer term, have to be discussed and understood by all potential participants. Raising awareness among the participants will build their confidence that they can and should rely on their own organisational efforts, and that they can accumulate capital through mobilisation of their own savings. When people are not used to saving, it might be difficult to convince them to start, instead of benefiting right away from external funding. However, savings models exist in many countries (such as traditional saving and lending systems known as *tandas*, merry-go-rounds, *tontines*, etc) and are well known. Examples exist of groups that started a ROSCA by themselves before even being introduced to a self-help group programme.

2. *Training*

When sufficient people have demonstrated their interest and have been brought together in provisional self-help groups, they should be trained in the following: group formation and group dynamics, leadership, the set-up of the saving and credit programme, saving and lending procedures, record keeping, procedures for saving and loan meetings, etc. Internal regulations and a group constitution should be developed: the first to create internal transparency and the second to get any official recognition necessary, for example, to apply for a loan from a bank or microfinance institution.

3. *Monitoring*

Savings can be started after the initial training, and internal loans after sufficient funds to do so have been raised. Initially the group activities and group functioning should be monitored; first intensively and then according to the necessities and development of each group. Further training and monitoring may be required if links are foreseen with microfinance institutions or banks.

Self-help groups may have just a disabled membership, or they may be mixed groups. Mixed groups may be a preferred strategy, since they promote inclusion and will help reduce/eliminate prejudice against people with disabilities. However, research teams observed during field visits that most people with disabilities organised themselves in separate groups. Some said they would prefer to be included in self-help groups with other people, but most said they felt more at ease in groups of people with disabilities only. The reasons were:

- ✓ people with disabilities face a set of problems that is often not understood by others. They may not be supportive when a person with disability cannot attend a meeting for lack of transport or when he/she requires sign language translation, for instance
- ✓ some people with disabilities have been socially isolated and lack self-esteem and self-confidence; being within a supportive group of people is important for the most vulnerable people with disabilities
- ✓ self-help groups organised by people with disabilities reinforce their empowerment and their advocacy.

Nevertheless, this should not be the only option available. Those who are willing to join mixed groups should be able and supported to do so.

Self-help groups link to microfinance institutions or banks

Linking self-help groups with banks has proven to be very successful in India and Bangladesh. The model works as follows: organisations of/for people with disabilities play an important role in initiating self-help groups that provide savings and credit services. After a while, the self-help group members are prepared to become the clients of sustainable microfinance institutions. At the same time, the microfinance

institutions or banks benefit from working with borrowers of whom they already have experience and who have been trained by trusted organisations off/for people with disabilities. It is highly profitable for the banks, due to the high repayment rates and the low transaction costs for the banks, which rely on the groups as an intermediary between the bank and the individual group members.

Case 14. Self-help group linked to a microfinance institution. FINCA and World Relief, Afghanistan

FINCA built a partnership with the international NGO Relief International. In the first stage, Relief International provided services and assisted war widows in group formation and training. Those who performed well were subsequently entitled to apply for loans with FINCA, who knew these women were already acquainted with savings and credit methodologies.

This model has reached 1.4 million self-help groups and up to 21 million members from the lowest strata of the rural population (90 per cent of members are women). Some 36,000 bank branches and primary cooperatives provide deposit services and credit to the self-help groups.^[68]

Case 15. Self-help groups linked to banks, South Asia

In India, the government has actively promoted the self-help group movement and their linkage to banks, to promote the economic empowerment of more vulnerable groups.

In Bangladesh, self-help groups were also found to be the basic organisational structure for people with disabilities. The Bangladeshi government encourages linkages between government banks and self-help groups of people with disabilities, so that they can have access to bank loans too.^[69]

In Afghanistan, the international organisation CARE has adopted a model of supporting the creation of self-help groups which get access to a microcredit fund after a period of six months, if the members save regularly and the groups have shown their capacity to administer the funds.

Organisations off/for people with disabilities can gain the support or partnership of microfinance providers, if they can show their professionalism – if banks and microfinance institutions trust them because of past behaviour and success. A good example is that of the The Leprosy Mission Trust in India (TLM), which reported that bank staff trusted borrowers referred by TLM since it knew that TLM would continue monitoring, coaching and providing technical advice to them.

Case 16. Self-help groups with linkages to banks within CBR. TLM, India

TLM carries out CBR in 11 states in India. The goal of these programmes is to establish partnerships with health, education, social and government services as well as private sector institutions, to facilitate access to mainstream services for people affected by leprosy and other disabilities.

Members of TLM organised themselves into self-help groups that, with the support of volunteers, have developed a successful microfinance system providing savings and loans to its members. The average group size is 15 to 20 members; both male and female participants are accepted. Members themselves decide on the size of the savings, which are deposited in a bank to create an internal capital fund.

Loans from the internal capital fund can be lent to members, and the group decides its own lending terms (most charge two per cent monthly). Loans may be used for investment, but also for current spending such as medicines or school costs. Once a group has been saving for six months, it may apply for external loans from TLM or banks. However, some members do not apply for loans from banks as their needs are covered by the self-help group loans.



In summary

- ✓ **Self-help groups** are an appropriate response for accessing financial services, particularly in rural areas and in places where no microfinance provider is present.
- ✓ Organisations of/for people with disabilities can **support** the creation of self-help groups by providing organisational capacities as well as follow-up.



Part II:

Guidelines to Facilitate Access to Funding Mechanisms

8

**Implementing
programmes to
facilitate access to
funding mechanisms**

This section discusses practical considerations that should be taken into account, throughout the stages of a programme that aims to facilitate access to funding mechanisms for people with disabilities.

8.1 Identifying the needs and context of the target population

The first step is to identify the needs of the target population – in this case, people with disabilities – or a specific problem it faces. This includes analysing the local context, in particular the economic opportunities and constraints, as well as an assessment of the needs, strengths and weaknesses of the target group.

These activities are more successful when carried out in a *participatory manner*. Potential stakeholders – individuals or organisations who, directly or indirectly, may gain or lose from the programme – are identified and participate in discussions that try to respond to the following question: What problem does the target group face? What is the best solution to address this? The knowledge of local leaders, businessmen, farmers, other relevant actors and community organisations should be taken into account when looking for answers to these questions. Gender, age, ethnicity and religion-linked differences between stakeholders and within the target population should be a primary consideration.^[70]

Participation of people with disabilities in this process is essential. Personal choice, ambition, concerns and assessment of capacities are crucial for the success of an economic activity. Their active involvement will also result in real commitment to the programme. Many programmes are ‘donor-led’ – responding to the donors’ requirements but failing to match the actual beneficiaries’ real interests, capacities and commitment – and this is not ideal.

The following information is needed to help define the best strategy to use:

- ✓ the target group: their numbers, needs, and capacities
- ✓ their potential for different economic activities: livelihood activities of the target group, markets, identification of activities with a comparative advantage for the target group
- ✓ presence of governmental organisations or NGOs that can provide essential services to the target group relevant for their economic inclusion.

Assessing the needs of people with disabilities should also include a study of their entourage: many economic inclusion programmes for people with disabilities also assist the parents of children with disabilities or other family members. Persons with disabilities are likely to gain more in terms of social inclusion or empowerment if they participate directly in the economic activities. Even if it might be difficult for them to run an economic activity independently, due consideration should always be given to how people with disabilities can participate.

Case 17. Economic activities by people with disabilities and their families.
Maricela Toledo Nacional, Nicaragua

Maricela Toledo Nicaragua is an association of blind persons that has a grant programme as part of its activities to support the development of its members. Last year, a couple of visually-impaired persons applied for a grant with the idea of making tamales, a local speciality consisting of corn dough, meat and sauce wrapped in corn or banana leaf. The cooking part was not easy for this visually-impaired couple, since they needed to produce a significant number of tamales per day to cover their costs.

They solved this problem by partnering with an unemployed aunt who had long experience cooking tamales for her large family. While their aunt carries out most of the cooking, the blind couple buys the ingredients, cleans the corn or banana leaves, wraps the tamales in those leaves, and sells them in the street.

They are no longer dependent on their families for a living; indeed they have provided their aunt with employment, and in one month their business made profits of over US\$700 – seven times the initial grant they received. The most important impact for them? “Before, we used to eat two times a day. Now, we manage to eat three times a day and provide for the rest of the family too!”



Toolbox 7. Practical recommendations for programme identification

1. Identifying the target group

Get to know people with disabilities and their characteristics in the target community. This includes analysing their economic needs and current economic activities, as well as their number, their types of disabilities, their rehabilitation needs, etc.

'Based-area' programmes aim to assist people with disabilities within a region. House-to-house visits are the most complete way to identify people with disabilities in a community. An alternative method is to ask community leaders, other organisations or members of the community to identify people with disabilities.

2. Needs assessment

This process should be participatory and can be conducted through PRA methods.^[71] This will help people with disabilities to be actors in their own development and to be committed to the project, by:

- ✓ identifying and expressing their problems and obstacles themselves
- ✓ describing current ways of solving their economic problems (and specifically, their lack of access to capital, through family loans, for instance)
- ✓ proposing solutions that use existing networks or traditional methods that will help guarantee effectiveness, ownership and sustainability.

The organisation that will implement the economic programme has an advisory role; but good advice starts with good listening.

3. Vulnerability analysis

A vulnerability analysis will allow the organisation to establish selection criteria, and to define personal packages that may include training, self-confidence building and/or personal coaching and also to define what funding mechanism is most appropriate.

Vulnerability analyses can include community leaders, representatives of the target groups, and staff of other organisations or government agencies. These assessments should include qualitative and quantitative factors; a community itself can identify vulnerable persons/families and explain what criteria they used.

4. Market research

Entrepreneurs have to compete in highly competitive markets. People with disabilities may be in a disadvantaged position because of non-efficient production, stigmatisation, a disabling environment that causes them to be less mobile, etc.

Prior to funding an economic activity, it is vital to identify what market niches exist and what activities will or will not be profitable. The financing of activities for which there is no demand or an oversupply, or where beneficiaries cannot compete with the low prices or high quality offered by others, should be avoided as this will not lead to sustainable businesses. Quality and exclusivity of the products, the location of the market premises, and the quality of service are all important elements in the competition. Market studies require special expertise. Assistance of specialised outside agencies should be sought if necessary.

Most people with disabilities live in rural areas. A proper analysis should be made of the main livelihood activities and the economic opportunities in a specific region; rural activities may include agricultural activities but also cattle production, trade and other non-farming activities.

5. Identification of other service providers

Possible partners should be identified at two levels:

- ✓ for the actual funding mechanisms and self-employment programme, by identifying trade associations, training centres, microfinance providers, local government agencies that may be relevant
- ✓ for other services that may be required by a person with disabilities to be a successful entrepreneur, by partnering with rehabilitation programmes, health and education services, etc.

Case 18. Vulnerability analysis. Handicap International, Cambodia and AKAY/LCI Philippines

Handicap International, Cambodia

In 2001, Handicap International implemented a 'Social Credit Project' in Cambodia. The aim of the project was to improve the living and social conditions of the local population through income-generating activities and an adapted microcredit scheme. It targeted the vulnerable population in general, including people with disabilities but also other vulnerable groups.

To define 'vulnerability', different stakeholders working on poverty alleviation issues in the region participated in discussions. These discussions helped establish the criteria that would help the project screen and select the most vulnerable persons.

The vulnerability criteria included:

- ✓ social criteria – including poor housing and living conditions, no access to school or health care, children and orphans in charge, and old age*
- ✓ economic criteria – including lack of stable income, land for housing/farming, means of transportation (bike, cart), poultry, pigs, etc*
- ✓ relationship endowments – looking at the position of a person in the community network and economic safety net. Vulnerable people include those who did not receive any money from relatives or allowances, or did not have any social activity/responsibility.*

A total of 457 persons were pre-identified to participate in the project. Home visits were made by the social credit field officers to collect more information and to discuss with the potential recipients about their expectations of the project. Based on the project's vulnerability criteria, beneficiaries referred by social partners or local authorities were screened by a decision body, to decide whether or not they matched the criteria. A short project proposal was also written for each recipient, containing all information concerning the market situation and opportunities as well as information related to their family situation. After this process, it was decided that 150 were eligible for the programme and received credit; 62 were people with disabilities.

AKAY/LCI, Philippines

Alalaysa Kabuhayan (AKAY), a Philippine institution, in collaboration with LCI, provides loans for people with disabilities, their kin and housewives. AKAY targets particularly vulnerable persons through poverty criteria established in cooperation with the National Economic Development Authority (NEDA).

It is a requirement that borrowers have a business prior to receiving a loan. Potential borrowers should also comply with parameters comparable to the following:

- ✓ a family of six with a monthly income of no more than US\$450*
- ✓ the total value of a family's home appliances should not exceed US\$1,250*
- ✓ a family should undergo a means test which includes assessing amenities owned by the household.*

Only those who do not exceed these parameters are allowed to apply for loans from AKAY. This ensures that only the most vulnerable receive the loans.

8.2 Formulating programmes to facilitate access to funding mechanisms

The second step is to develop the initial ideas into more detailed proposals that describe how the programme activities will be operationalised. A widely used tool in programme planning and management is the *logical framework*. A logical framework allows an organisation to identify the programme's specific structure, to set verifiable indicators and means of verification, and to recognise the underlying assumptions that lead the programme's activities to outputs that reach a specific purpose and goal.

Once the need to improve access to funding mechanisms for self-employment is identified, the organisation that wants to implement such a programme should identify:

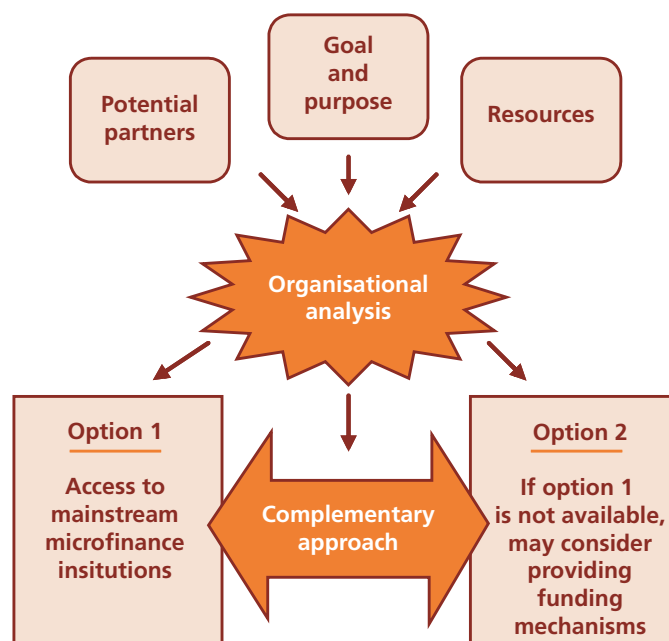
- ✓ its main goal: does it want to improve long-term access to financial services or start a project with a limited duration?
- ✓ its potential partners: what financial service providers work in the region? Are their approaches and methodologies appropriate for the target group?
- ✓ its resources: What human and financial resources are available to start this programme? Are there donors interested in supporting this initiative and under what conditions?

Based on these main questions, a decision should be made to follow one of the following options (refer to Figure 8):

1. to facilitate access to funding mechanisms for people with disabilities through existing microfinance providers or grant-delivering agencies
2. if specific circumstances exist which do not allow people with disabilities to access funding mechanisms through mainstream microfinance institutions in the short term, to consider whether the organisation itself should provide funding mechanisms (although this is a 'second-best' option and is best considered a temporary first step)
3. to complement both approaches with a strategy for advocating inclusion in mainstream microfinance institutions, while providing specific services to empower people with disabilities and prepare them for inclusion.

Figure 8.

Decision-making process



If an organisation off/for people with disabilities decides to establish a partnership with a microfinance provider, there should be adequate coordination and contractual arrangements regarding each others' role, tasks, mutual expectations, and consultation mechanisms.

If an organisation off/for people with disabilities decides to provide funding mechanisms itself, it is essential that the staff has the necessary expertise for managing economic inclusion programmes and microfinance. Staff should understand that there is a need for a business-like attitude that sees funding mechanisms, especially loans, as a service provided to an entrepreneur, not as charity.

Being 'compassionate' might be counterproductive in these cases, when the goal of self-employment is empowering people with disabilities to be actors in their own development instead of receivers of charity. This might require an attitude change among programme staff, but also among entrepreneurs with disabilities, who may be used to receiving assistance for free. This requires a change of paradigm: from receiving assistance to being independent, getting prepared to compete on an equal footing in a competitive market, and applying for loans, that need to be reimbursed with interest, to create a business.

Handicap International's survey found that many organisations off/for people with disabilities felt that their main lesson learned was that economic inclusion programmes in general require a business-like attitude.

Promoting inclusion to mainstream financial institutions is the most cost-effective and sustainable way of guaranteeing access to financial services for people with disabilities. This also allows them to access professional, expert services. Implementing a funding mechanisms programme should be approached as a second-best solution, where no other option is possible in the short run. A complementary approach may be successful if the circumstances allow and require it.

Toolbox 8. *Recommendations for organisations off/for people with disabilities that decide to provide funding mechanisms: where to start?*

1. Hire staff with experience of microfinance and train current staff on microfinance methodologies. Clearly define each one's roles and tasks within the new structure.
2. Set up an adequate management structure for the programme, and define its role with regard to the other activities of the organisation.
3. Put in place proper administrative, accounting, information management and monitoring and evaluation systems.
4. Clearly separate the budget and activities of this component from the other activities of the organisation.
5. Establish a reporting structure and consultation mechanisms.

8.3 Implementing the programmes: general recommendations

The specifics of each programme will depend on its goals and resources; good practices from the field have been discussed throughout this report. Still, it is important to emphasise the following practices that have been decisive for the success of many programmes:

Raising awareness among people with disabilities

Prior to starting the programme, some people with disabilities may require self-confidence training so that they realise their potential to be economically active members of the community. Successful people with disabilities may share with them their experiences and act as positive role models.

Case 19. *Building confidence among people with disabilities. Oportunidad Latinoamérica Colombia (OLC)*

OLC specifically targets people with disabilities among their programmes for vulnerable populations. Other than displaced populations and poor women, they have now reached 450 persons with disabilities, some of whom are landmine victims, who represent six per cent of OLC's clients.

Some of the borrowers in OLC are paraplegic and tetraplegic, and are among the best clients. A paraplegic lady, for instance, was able to start a simple craft business with a loan from OLC. Now she supports her family of five children by herself and pays school fees for them all, even university fees for the older ones. Previously her children had worked to support her. Building her self-confidence was essential for her to venture into business, and now she is an example for her peers.

Discussing the social exclusion of people with disabilities

Social acceptance of people with disabilities is crucial if they are to succeed in their businesses. Customers should be prepared to become clients of people with disabilities. Moral support of parents, family and other community members can be vital for those who lack self-confidence and self-esteem.

Selecting persons to participate in the programme

Participants in the programme have to be selected according to their vulnerability, their capacity to develop a sustainable economic activity, and their commitment to their own project. Funding mechanisms should not be used as a simple resource transfer to the poor. Issuing a loan to a person who does not have the adequate capacities, or who has an inadequate business plan, will only lead to his/her indebtedness. Grant beneficiaries may be more vulnerable, but this does not mean they do not need to have a good basic business plan and the capacity to carry it out – otherwise grants will not have any long-term impact.

Skills training

Skills training is required if the beneficiaries lack skills for which there is demand, or if their current skills should be upgraded. Organisations of/for people with disabilities will often establish partnerships with external institutes for this, unless the organisation has its own vocational training centre. Some programmes use on-the-job training through an apprentice system. This can be a superior form of skills training because it is inherently more practical. Remuneration of the instructor should be considered. Formulation of a basic curriculum, with clearly defined learning objectives and a programme schedule is fundamental, as is regular monitoring of the apprentices against agreed indicators.

Throughout this study's field visits, people commented on inappropriate skills training programmes that either lack a practical orientation or train in skills for which there is no market. If people with disabilities are trained to become self-employed, the new skills they develop must be market-oriented, decided upon with the participation of people with disabilities, and in response to a business opportunity.

Training on savings and loan principles

When loans are provided, the borrowers should be aware of their commitments: the repayment schedule, repayment amounts, interest payments, and sanctions in case of non-repayments. The loan obligations should be properly discussed, so that borrowers can make the right decision, weighing the opportunities and risks. Some might be unnecessarily fearful about taking a loan, others too optimistic or unaware of the risks involved.

Most African participants in this study commented on the lack of a savings culture among people with disabilities. This implies a need for awareness building on the value of savings and how they can help reduce vulnerability; as well as discussions on how they may be able to save, even if it is in small amounts.

Business training

Many programmes that responded to Handicap International's survey offered basic business training, consisting of simple book-keeping and knowledge of basic marketing techniques. Some provided more extensive business training courses, including formulation of a business plan, requiring analysis of the market, sales forecasts, basic investment plans and cost-benefit analysis.

The actual skills required will depend on the business and size of the investment. Petty trade and agricultural activities may not require extensive business training, but it is useful if the beneficiaries learn to calculate their income and expenses, to give them an idea of the real net revenue of their business activities. Doing a business plan is equally important, since this means the entrepreneur plans for the future. This can help them in making rational business decisions. Also an understanding of some basic marketing principles, such as the importance of product differentiation and behaviour towards customers, can be helpful.



Case 20. *Business skills. The story of Rosa María Pérez Castilla, FURWUS, Nicaragua*

Rosa María Pérez is an accountant. When she received a loan from FURWUS to start a small business she thought she may not need further training, but she attended anyway, since it was a requirement for all borrowers.

Now she realises the training is a great asset for her. “I learnt about marketing and client service; but the training also helped me select the best products for me to sell according to demand, offer and to my personal skills and constraints. I decided on selling basic grains, because they are not perishable, and because there are not too many people selling grains in this market. Combining my new skills with my accounting training really help me build a successful and sustainable business”.

“The loan opened a new life of opportunities for me and my children” she affirms. In spite of her degree in Accounting, she had never been able to find employment. “When people realised I had trouble walking, they would not hire me. I thought I had gone to school for nothing”. Thanks to the loan this is no longer true. Rosa María used her loan to start her small shop, which has been a success.

“Before I received the loan, my life was sad. My husband passed away a few years ago and I could not find any job, so my 14-year-old son had to beg and sell candies on the street to provide for both of us and for my smaller son”, she says. “Now that I have my shop, I can take care of the three of us myself; both my children go to school; and I will make sure they go all the way to university!” Rosa María spends three hours daily on public transport travelling to and from the market.

Extended business coaching

Many programmes that promote start-ups provide business coaching during an extended period of time, mostly in combination with project monitoring visits. Basic information on income and net revenue is collected, but the agent uses the occasion to give advice to the client. The regular visits are often valued by the entrepreneurs for the advice they receive and also because these visits and the personal attention stimulates them.

Coaching can also be provided by other group members. They play an important role in stimulating each other, through regular exchanges in group meetings, exposure to others' success, discussion about common problems, and mutual advice and encouragement.

Technical advice

Certain activities require particular technical advice, particularly agricultural programmes and cattle programmes that can upgrade cost-efficiency, quality and production through innovative, low-cost techniques.

8.4 Monitoring and evaluating progress

Monitoring involves the measurement of some pre-identified indicators that express how far certain goals have been achieved. Indicators should be compared to baseline data and to expected results. It is done at regular intervals. If the monitoring results indicate that the programme is lagging in achieving its goals, corrective actions can be taken.

Economic inclusion programmes should monitor the results and impact of the project on individual beneficiaries. The grant/credit officer needs quantitative information on the financial results of an economic activity to be able to coach and advise the beneficiary appropriately.

Throughout the survey and the field visits, some programmes reported that grants were too often misused. Therefore, it is very important to monitor the use of the tools/equipment/animals/seeds received or purchased with a grant, and the economic impact of the projects. Are the tools used at all? How frequently? What income is earned with the economic activity? Regular consultations, staff meetings, monthly/quarterly reports, field visits of staff or management, meetings with beneficiaries, all offer opportunities to monitor.

Evaluation has a broader perspective; it focuses on progress towards realising a project's purpose and overall goal. An evaluation can be conducted during project implementation, and at the end of the implementation, or several years after the implementation of a project.

The aim of a final evaluation goes beyond the direct programme interests, and looks into what lessons can be learned that are of interest for similar programmes. Mid-term evaluations are meant to draw out lessons learned and make recommendations to improve the programme.



In summary

- ✓ The **identification process, the needs assessment and the design of the project** should be participatory. This will commit the participants and work towards achieving sustainability.
- ✓ The implementation phase may require **business skills, business training, training on savings and credit principles.**
- ✓ Economic programmes with a self-employment component should follow a strict programme cycle that allows for constant **monitoring and evaluation.**



Main recommendations

This section indicates the most important recommendations for organisations of/for people with disabilities and for microfinance institutions.

Recommendations for organisations of/for people with disabilities

1. Take sufficient time to prepare a programme that aims to facilitate access to funding mechanisms for people with disabilities. Identify their needs, capacities and limitations, accounting for the **heterogeneity** of the group. Distinct individuals have different requirements; funding mechanisms and approaches will differ according to the individual's characteristics.
2. Identify microfinance providers and other agencies that may offer relevant **financial and non-financial services** for potential entrepreneurs with disabilities. Partner agencies may include government service providers and ministries, local and foreign NGOs, universities, vocational training centres, etc. Consult them and try to get them interested in establishing partnerships. The most cost-efficient and sustainable way of making financial services for people with disabilities is facilitating their access into mainstream financial providers.
3. Only when inclusion is not possible in the short or medium term should an organisation that is not specialist (i.e. an organisation of/for people with disabilities) consider implementing a programme itself. To do so, it must ensure it has adequate human and financial resources. However, this is a complicated strategy because it may divert the organisation from its core activities. **Inclusion is the main goal**, even in the medium to long term, and efforts to achieve this should not be left aside.
4. Examine the advantages and disadvantages of different approaches and decide on the best approach. **Build on traditional systems** existing in the local context. Ensure funding mechanisms **respond to the needs** of the intended borrowers or clients.

5. Remember, **professionalism is essential** for success. Specialised staff should participate in programmes with financial components. Partnerships and recognition can be established and maintained only through proven professionalism; this will be a more powerful key to finding partners, instead of asking them to do so on a charitable basis. Rules should be defined from the beginning, understood and agreed upon by the staff and members.
6. **Market research and feasibility studies**, business training and coaching, and vocational training are important components for entrepreneurs; particularly for start-ups – these should all be available (even when not provided by a single organisation).
7. **Careful selection** is another fundamental element for success. Funding mechanisms should be provided on the basis of vulnerability, capacities, strengths and weaknesses, and market opportunities (not only on need). Loans and grants should serve to support the creation/expansion of sustainable business, not be a simple transfer of funds.
8. Identify **microfinance institutions that specifically aim at reaching vulnerable groups**; many have developed integrated approaches or innovative methodologies that allow vulnerable populations to develop their potential.
9. Work through a **participatory process**: the most successful programmes usually foster the participation of people with disabilities throughout different phases of the programme. In this way, they are actors of their own development, the programme responds to their real needs, and 'ownership' of the programme motivates them to invest themselves and make it successful.
10. **Be patient**, particularly with the most vulnerable people with disabilities who did not have access to education or who lived in social isolation: they may need some time to realise they can be independent, earn a living, cooperate to support their families and be active members of their community.
11. **Think small**: programmes need not target hundreds of persons to be effective. Life changes have been significant even in programmes that have reached only a few dozen persons. Social change starts with a few cases and builds up little by little.
12. Share and **publicise successful stories**. This will encourage other people with disabilities to work towards their goals, will reduce stigmatisation among the general population, and will demonstrate to microfinance providers that people with disabilities can be credit-worthy and successful entrepreneurs.

Recommendations for microfinance providers

1. Be willing to **listen to people with disabilities** and organisations that represent them. **Sharing your experience**, information on your constraints and the services you provide is important for them to understand the criteria you use to select clients. In this way, they can identify the gaps – if any – and work towards reducing them. Sharing information will also reduce fear among them on approaching microfinance providers. It will also be useful for microfinance staff to meet people with disabilities and realise they are as capable of managing financial services as other clients.
2. If one of the main goals of a microfinance institution is serving the poor or the very poor, **people with disabilities will implicitly be part of the target market**. Microfinance initiatives that target poor people throughout the world have demonstrated that reaching people with disabilities often means reaching the poor or the poorest within a community. If paired with adequate non-financial services, providing them with financial services will help them become successful entrepreneurs.
3. Organise **disability-awareness meetings among the staff**, at all levels of the institution. Organisations of/for people with disabilities are often willing to conduct workshops or conferences to reduce or eliminate prejudices. In particular, it is important that loan/credit officers are able to conduct objective risk-assessments without prejudice to a person's disability: experience shows that the less vulnerable among people with disabilities – particularly those with formal education and prior experience – cannot be differentiated from other entrepreneurs.
4. **Be innovative** in seeking solutions for the more vulnerable among people with disabilities. Some microfinance providers have found that making some adjustments does not put in peril sustainability, particularly when sharing the risks.
5. Facilitate **physical accessibility** – building ramps for wheelchairs and low counters, for instance – which will make people with disabilities feel welcome in microfinance institutions; this does not imply high costs.

6. Be willing to **make small steps**: opening up to a few people with disabilities as a first step will already make a big change in their lives.
7. Be open to **hiring qualified people with disabilities** among your staff. This will make people with disabilities feel welcome and accepted, but also provide the microfinance institution with a resource person who understands the strengths and weaknesses of people with disabilities.
8. Remember that reaching out to people with disabilities will put the microfinance institution in a better position to apply and receive grants or loans from **socially-minded donors**.



Concluding remarks

It is clear from this research that people with disabilities around the world, including landmine victims, do require access to funding mechanisms and financial services for self-employment, and that many of them have the capacity to repay a loan. While this is not the case for all people with disabilities, some of them do have the adequate requirements to start or expand a micro or small business through loans. Microfinance is not the only or best solution for all; but it is a powerful tool for some of the poor and vulnerable self-employed.

There exists no single 'best solution' to facilitate access to funding mechanisms for self-employment. The decision on the use of grants or loans depends on the individual's strengths and weakness, level of formal education, prior experience, and repayment capacity; but also on the potential sustainability of the enterprise and the market conditions. Grants and loans should not be understood as simple resource transfers.

The access of people with disabilities to mainstream microfinance institutions remains sporadic. Inclusion in mainstream microfinance institutions should remain the main strategy and a goal for organisations of/for people with disabilities, even if this is for the medium to long run. It has been seen that people with disabilities, particularly the less vulnerable, are as credit-worthy as any other person. The human rights approach to disability aims at guaranteeing the same rights and opportunities for people with disabilities; in the context of self-employment, this means that people with disabilities should have the possibility of accessing financial services from mainstream providers.

This means that organisations of/for people with disabilities are in a better position for providing people with disabilities with supporting or complementary services, such as social work or building self-esteem. It has been demonstrated that organisations that focus on their area of expertise perform better and provide better services. This is why financial services are better provided by expert organisations than by parallel financial structures.

Still, many organisations of/for people with disabilities manage their own grant or credit programmes. Some of these have been successful in terms of breadth and depth of outreach with people with disabilities, but many of them are not self-sustainable and offer only loans and savings of low amounts. Self-help groups and ROSCAs may be promising approaches; they are low-cost, they respond to the needs of their members and they promote self-organisation and empowerment. Self-help groups also require savings, another livelihood strategy that reduces vulnerability, and self-help group linkage to microfinance institutions and banks makes this approach even more interesting.

Two main good practices should be highlighted:

- ✓ *Information exchange between the disability sector and the microfinance sector.* Institutions that organised seminars and conferences demonstrated that exchanging information leads to a better understanding of each other's methodologies, expectations and constraints.
- ✓ *Changing practices to create a more inclusive society.* Once the microfinance and the disability actors understand and trust each other, they will be more open to working together towards facilitating access to truly inclusive, affordable and sustainable financial services. This may include changes in attitudes, physical accessibility, and flexibility of methodologies that do not challenge sustainability.

Most of the lessons learned towards creating an inclusive society will benefit not only people with disabilities, but also other vulnerable populations. The research team hopes that this report is a step towards reducing the obstacles faced by those who most need to access the funding mechanisms needed to become actors of their own development.

Glossary

Disability-related terms

- **Disability:** is considered a disturbance in a person's life habits (his or her full social participation in social life) as a result of the person's abilities and environment.
- **Community-based rehabilitation:** A strategy within general community development aimed at fostering rehabilitation, equalisation of opportunities and social inclusion of all people with disabilities. It promotes collaboration among community leaders, people with disabilities, their families and other concerned citizens to provide equal opportunities for people with disabilities in the community.
- **Organisation of people with disabilities:** An organisation whose members are people with disabilities.
- **Organisation for people with disabilities:** An organisation whose members are not necessarily people with disabilities; its goal is to provide different kinds of services for people with disabilities

Microfinance-related terms

- **Collateral:** Property acceptable as security for a loan or other obligation. It is usually understood as land, machinery and other fixed assets; innovative forms of collateral include savings and solidarity group guarantees.
- **Credit:** Borrowed funds with specified terms for repayment. ^[72]
- **Financial sustainability:** Meeting operating and financial costs with its own revenue; eliminating dependence on external donors or concessional loans.
- **Formal microfinance institutions:** financial institutions that are subject not only to general laws and regulations but also to specific banking regulation and supervision.
- **Grant:** Funds provided by an agency to a beneficiary, who is not required to reimburse them.
- **Integrated approach:** Microfinance institutions offering financial intermediation as well as enterprise development, social or other services. ^[73]
- **Loan:** An arrangement in which a lender provides money to a borrower and the borrower agrees to repay the money, along with interest fees (the cost of borrowing), at some future point.
- **Microfinance:** The provision of financial products and services, such as savings, credit, insurance, credit cards, and payment systems to the poor and underserved.
- **Microfinance provider:** All organisations or institutions that provide financial services.
- **Minimalist microfinance institutions:** Microfinance institutions that provide exclusively financial services.

Annex 1. Methodology

This section will provide an overview of the methodology used throughout this research.

Research design

This research was conducted through three main phases:

Phase one consisted of a literature review and the collection of information on economic inclusion projects that have involved/involve people with disabilities and/or other vulnerable populations through desk studies and research.

We identified a number of sources to examine the major issues on microfinance sustainability and outreach to vulnerable populations. These included: reports by organisations off/for people with disabilities, local and international NGOs, consultants, United Nations and development agencies; and books and handbooks on good practices for microfinance published by mainstream microfinance institutions, United Nations Capital Development Fund (UNCDF) and the CGAP. We analysed available information on microfinance for people with disabilities, although literature on this topic is scarce.

This phase also included a survey sent to local and international microfinance providers and organisations off/for people with disabilities around the world. A total of 463 organisations were contacted for this study; 107 responded – 57 were organisations off/for people with disabilities and 50 were specialised microfinance providers (these include local NGOs, international NGOs, and formal microfinance institutions). A first short questionnaire was sent to each of them; those who responded to say that they had experience of providing funding mechanisms for people with disabilities received a second survey that included details on methodologies, institutional features, credit policies, challenges and achievements. Interviews were also conducted by telephone when necessary, particularly with Latin American participants. The main goal and outcome of this phase was to identify current practices to access funding mechanisms – what is being done in the field and how.

Handicap International's offices in the field greatly contributed to the study by sharing their local contacts and identifying potential participants. Various organisations were also identified at the *Project South* meeting in preparation for the discussions of the Convention of the Rights of People with Disabilities in New York in January 2006.

Phase one also included a series of interviews with organisations such as the ILO, the CGAP, UNCDF, the World Bank and the Organisation of American States; as well as microfinance institutions such as FINCA, ProMujer, ACCION, Women's World Banking, and microfinance networks including MAIN in Africa, FOROLAC in Latin America, and Eastern European Microfinance Center for Europe.

Various internet forums were also used: websites such as www.microfinancegateway.org, www.lamicrofinance.org and www.themixmarket.org were consulted in order to identify potential participants in the study; emails were also sent to French-speaking forums (Espace Finance, 700 members) and English-speaking forums (Microfinance Practice, 1,300 members).

Additionally, a mailing was sent to members of networks specialised in disability or victims assistance, including the International Disability and Development Consortium (IDDC), the Global Partnership for Disability and Development (GPDD), the International Campaign to Ban Landmines (ICBL), and regional networks such as the Latin American Forum on Disability and Human rights (discapacidadyderechoshumanos@yahoo.com). Other organisations that

participated by sharing with us their contacts with local organisations include: SHIA, CBM, LCI, Trickle Up, Mobility International USA and Mercy Corps. As a result, the contact details of 750 potential participants were gathered in a database and the information was transmitted to over 3,000 persons.

Phase one led to the identification of interesting programmes in a variety of regions which were particularly remarkable because of their success. Criteria for choosing locations for field visits included: utilisation of innovative approaches, stability of the programmes and implementing organisations, number of members/beneficiaries/borrowers/clients, and number of programmes in a single country/region.

The goal of **Phase two** was to compare field practices and deepen the analysis of certain organisations. To do so, the research team conducted field trips to India, Bangladesh, Afghanistan, Kenya, Ethiopia and Nicaragua to meet with people with disabilities, organisations of/for people with disabilities and microfinance providers that succeeded in providing funding mechanisms for people with disabilities. The countries and organisations were selected through the analysis of the information from the first phase.

This phase also consisted of the organisation of two regional workshops, in Dhaka and Nairobi, where the consultant met with 17 organisations to exchange their experiences and good practices.

Phase three consisted of the drafting of the good practices and recommendations for this report on the basis of the collected information and the outcome of the field visits and workshops. A first draft was reviewed by experts of microfinance, grants and organisations of/for people with disabilities in a two-day workshop organised in Geneva. The last stage consisted of drafting the final version and preparing it for publication.

Challenges and possible biases

A first challenge with the literature review is that very little research has been done on funding mechanisms for people with disabilities. The research team tried to refer to programmes for vulnerable populations in general and also to focus on one of the main debates in microfinance today that is particularly relevant for our topic: whether financial sustainability and outreach to the poor are compatible; and the roles of the different stakeholders.

Another challenge was reaching enough organisations with the surveys, since we received fewer responses than expected. This may be indicative of the lack of experience with providing funding mechanisms for people with disabilities, but also a lack of interest in the topic. Indeed, some mainstream microfinance institutions and development agencies sincerely answered that people with disabilities were not their target population. Some microfinance institutions informed us that it was difficult to know to what extent they served people with disabilities since this was not a variable that they recorded; therefore, some of these experiences were based on anecdotes.

The research team would like to emphasise that this is not an exhaustive overview of the initiatives that exist. Rather, this report aims to highlight some of the most successful and accessible ones, hoping that other practitioners from the field may be inspired by these ideas, approaches and methodologies and may consider them with the necessary adaptations for their specific local context.

Finally, the research team would like to remind the reader that this report is based on our observations from what existing organisations are currently applying in the field, while also trying to follow international microfinance good practices. Specific recommendations should be based on an organisation's context, legal framework, mission, objectives and human and financial resources.

Participants in the study

A. Survey

List of respondent organisations

(i) Organisations of/for people with disabilities

1	SERVE	Afghanistan
2	Victims of Mines and Weapons (VMA)	Albania
3	Fundacion PAR	Argentina
4	Karbala Gram Unnayan Kendro (KGUK)	Bangladesh
5	Sangjong	Bangladesh
6	Soc. Assist.&Rehab.for the phys.vulnerable (SARPV)	Bangladesh

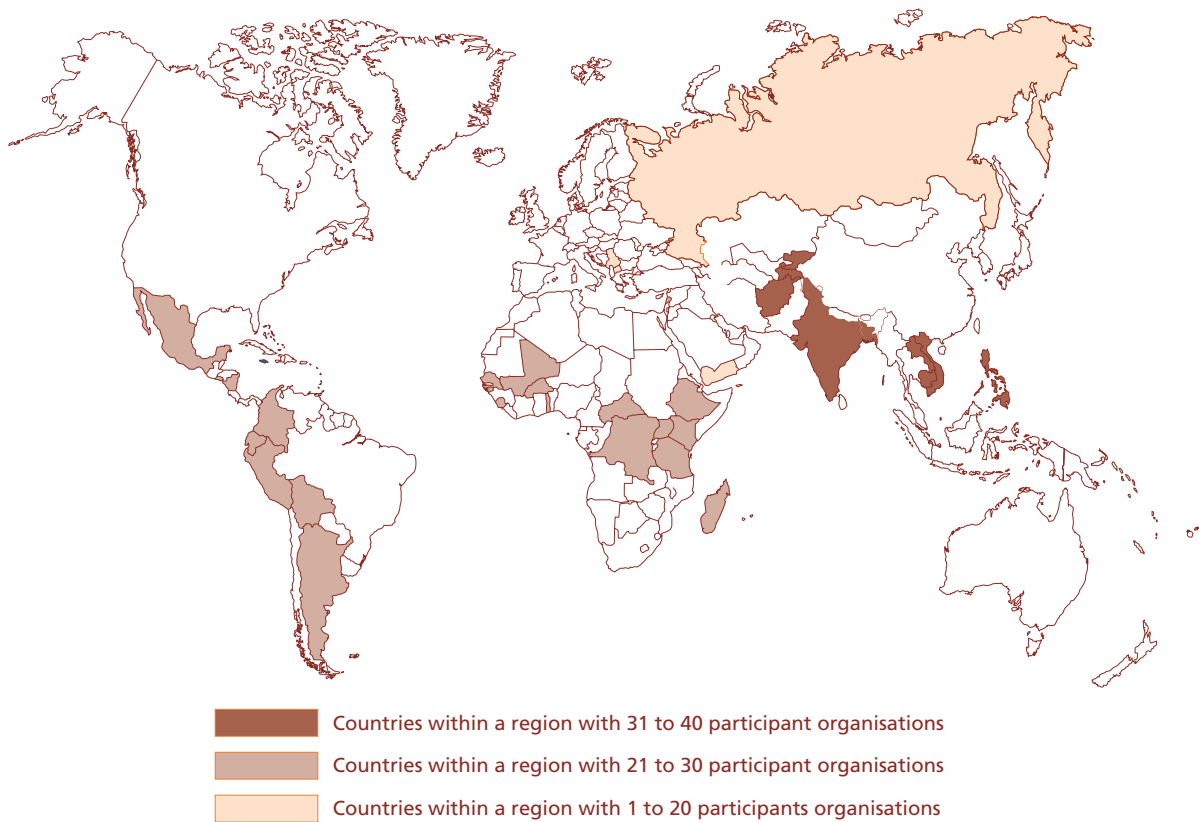
7	Save the Planet and Disability (SPD)	Bangladesh
8	Action in Development (AID)	Bangladesh
9	NARIZ	Bangladesh
10	Bangladesh Protibandhi Kaliyan Somity (BPKS)	Bangladesh
11	Ass. for Women Empowerment and Child Rights (AWAC)	Bangladesh
12	Village Initiative for Empowerment of Women(VIEW)	Bangladesh
13	Bangladesh Poor Women Development Ass. (BPWDA)	Bangladesh
14	Adopt a Minefield (AAM)	Bosnia-Herzegovina
15	Landmine Survivors Network (LSN)	Bosnia-Herzegovina
16	Etre comme les autres (ECLA)	Burkina Faso
17	World Vision (WV)	Cambodia
18	Disability Development Services Pursat (DDSP)	Cambodia
19	Vietnam Veterans America Foundation (VAAF)	Cambodia
20	Handicap International (HI)	Central Africa
21	Landmine Survivors Network (LSN)	El Salvador
22	Relief Organisation for Handicapped (ROH)	India
23	Family of Disabled (FoD)	India
24	Leprosy Mission Trust - CBR South India (LMT-south)	India
25	Leprosy Mission Trust - IDC-CBR (LMT-IDC)	India
26	Gramin Jan Kalyan Samiti (GJKS)	India
27	Tiljala Shed (T.SHED)	India
28	Association for the Physically Disabled Kenya (APDK)	Kenya (Mombassa)
29	Association for the Physically Disabled Kenya (APDK)	Kenya (Embu)
30	Association for the Physically Disabled Kenya (APDK)	Kenya (Kisii-branch)
31	World Concern (WC)	Laos
32	Lebanese Welfare Association (LWA)	Lebanon
33	Norwegian People's Aid (NPA)	Lebanon
34	Akanin'ny Maray 1 (AM) - paper production unit	Madagascar
35	Akanin'ny Maray 2 (AM) - individual projects	Madagascar
36	Handicap International (HI)	Mali
37	Union Malienne des Aveugles (UMAV) 1	Mali
38	Union Malienne des Aveugles (UMAV) 2	Mali
39	Handicap International (HI)	Nicaragua
40	FURWUS Polus Centre	Nicaragua
41	ADRN Nacional	Nicaragua - Managua
42	ADRN Juigalpa Chontales	Nicaragua - Juigalpa
43	Maricela Toledo Nacional	Nicaragua
44	Fundacion Solidez	Nicaragua
45	Asociacion Nacional de No Videntes ANNV	Nicaragua
46	Handicap International (HI)	Senegal
47	World Rehabilitation Fund (WRF)	Sierra Leone
48	Leonard Cheshire International (LCI)	Tanzania
49	Tanzania Association of the Disabled (TAD)	Tanzania
50	Vocational Training Project for PWD's (YOMBO)	Tanzania
51	AVSI	Uganda
52	National Union of Women with Disabilities (NUWODU)	Uganda
53	COMBRA	Uganda
54	Canadian Physicians for Aid and Relief (CPAR)	Uganda
55	Association for Aid and Relief (AAR)	Vietnam
56	Medical Committee Netherlands - Vietnam. (MCNV)	Vietnam
57	Quang Tri Charity Association (QTCA)	Vietnam
58	ADRA	Yemen

(ii) Specialised microfinance providers

1	Care-Afghanistan	Afghanistan
2	Azerbaijan Credit Union Association	Azerbaijan
3	Pro Credit Bank (PCB)	Albania
4	Shaki Foundation for disadvantaged women	Bangladesh
5	Bandhu Kaliyan Foundation	Bangladesh
6	Srizoni	Bangladesh
7	PROSHIPS	Bangladesh
8	Crecer – credito con educacion rural	Bolivia
9	BancoSol	Bolivia
10	Oportunidad Latinoamérica	Colombia
11	EKI	Bosnia-Herzegovina.
12	MCO Mikrofin	Bosnia-Herzegovina
13	Mercy Corps	Bosnia-Herzegovina
14	BOSPO	Bosnia-Herzegovina
15	CRS	Burkina Faso
16	MUFEDE	Burkina Faso
17	Women's World Banking - Cali	Colombia
18	Oportunidad Latinoamérica	Colombia
19	CAPES	Congo (DRC)
20	Paidek	Congo (DRC)
21	FAEF	Congo (DRC)
22	COAC Maquita Cushunquic	Ecuador
23	COAC Accion Rural	Ecuador
24	ALFAES	El Salvador
25	CAM-FINCA	El Salvador
26	Micredito	El Salvador
27	ESHET Microfinance institution	Ethiopia
28	PRAYAS	India
29	FOCUS	India
30	SAATH	India
31	Mercy Corps	Kyrgyzstan
32	Credit Epargne Formation (CEFOR)	Madagascar
33	Entreprendre à Madagascar	Madagascar
34	Handicaisse	Mali
35	Compartamos	Mexico
36	FINCA	Mexico
37	ProMujer	Mexico
38	ACODEP	Nicaragua
39	FAMA-ACCION	Nicaragua
40	ProMujer	Nicaragua
41	FUDEMI	Nicaragua
42	Arab Centre for Agricultural Development	Palestine
43	Caja Nor	Peru
44	NORFIL	Philippines
45	CJSC Finca	Russia
46	Micro Development Fund (MDF)	Serbia and Montenegro
47	ORA International	Tajikistan
48	Microfund	Togo
49	SUFFICE programme	Uganda
50	COFAC	Uruguay

Figure 9.

Countries that participated in the study



B. Field visits

Afghanistan: MISFA (Microfinance Investment Support Facility for Afghanistan). Donor consortium. CCD and CRF. Local NGOs. Kabul. IOM (International Organisation for Migration). ADU (Afghan Disabled Union). DPO. FINCA. MFI. UNDP/NPAD. International organisation. SERVE. INGO. Saving and lending groups. CARE. INGO. Saving and lending groups. ICRC (International Committee of the Red Cross).

Bangladesh: SPD (Save the Planet & Disability). DPO. Jessore region. BKF (Bandu Kallyan Foundation). MFI. Jessore region. BPKS (Bangladesh Protibandhi Kallyan Somity). Dhaka. SARPV (Social Assist. & Rehab. for the Physically Vulnerable). DPO. ADD (Action on Disability & Development). DPO. BRAC. MFI.

Ethiopia: EFPD (Ethiopian Federation for Persons with Disabilities). DPO. Addis Ababa. Gasha. MFI. CBM (Christoffel Blindenmission). DSO. MAIN (Microfinance African Institutions Network). Association of MFIs. LSN. (Land Mine Survivors Network). DSO. Handicap National.

India:	TLM – India (The Leprosy Mission). DPO. Various programmes Dayapuram and Vadathorasalu districts, Tamil Nadu
Kenya:	APDK (Association for Physically Disabled of Kenya). DSO Programmes visited in the districts Kisii and Embu MBEU. Microfinance programme of Diocese of Embu. MFI K-Rep. (Kenya Rural Enterprise Programme. MFI
Nicaragua:	ADRN Nacional (Asociación Nacional de Discapitados de la Resistencia Nicaragüense) DPO. Fundación Solidez. DPO Maricela Toledo Nacional. DPO ADRN Juigalpa. DPO FURWUS (Fundación para la Rehabilitación Walking Unidos). DPO ANNV(Asociación Nacional de No Videntes). DPO FAMA-ACCION. MFI ACODEP. MFI ProMujer, MFI
Uganda:	AMFIU (Association of Micro Finance Institutions of Uganda). NUDIPU (National Union of Disabled Persons of Uganda). DPO ProMujer. MFI

C. Workshop participants

Dhaka

Participants came from:

ADD, BKF (MFI), BPKS, BRAC (MFI), CDD (Centre for Disability and Development, resource and training centre), HI- Dhaka (Handicap International), SPD, SARPV, and TLM-India

Nairobi

Participants came from:

APDK - Kenya, CBM - Ethiopia, EFDP - Ethiopia, Handicap International - Nairobi/Lyon, K- Rep (MFI)-Kenya, LCI - Tanzania (Leonard Cheshire International), NUDIPU - Uganda, and UPDK - Kenya (Union for Persons with Disabilities).

Geneva

Participants came from:

BPKS - Bangladesh, CBM - Kenya, Handicap International - France, Leonard Cheshire International - UK /Tanzania, MAIN – Ethiopia (MFI), NAD (Norwegian Association of Disabled), SIDI - France (Solidarité Internationale pour le Développement et l'Investissement), Trickle Up – USA.

Annex 2. Summary of findings

This section covers the results of the first phase of this study. It discusses the results of the surveys and questionnaires that organisations throughout the world answered in response to Handicap International's call. A more detailed document may be downloaded at Handicap International's website.

1. Coverage

A total of 463 organisations were contacted for this study; 107 returned their answers to the survey: 57 organisations off/for people with disabilities and 50 specialised microfinance providers (these include local NGOs, international NGOs, and formal microfinance institutions). Of the 50 microfinance providers that responded to the survey, only 27 had significant experience with people with disabilities; only these microfinance providers will be analysed in detail in this section.

A complete list of the respondent organisations can be found in Annex 1.

2. Main characteristics of the programmes

Scope: Most organisations off/for people with disabilities' programmes are relatively small, ranging from 30 to 800 borrowers, although 14 per cent (eight) reported over 1,500 members and 3.5 per cent (two) over 10,000 members. Revolving funds are from US\$1,500 to US\$40,000. Specialised microfinance providers reach a much wider population, with some reaching over 30,000 members.

Organisational features: A majority of the programmes managed by organisations off/for people with disabilities implement the income generation/microcredit programmes on their own (45, 79 per cent). Only 12 (20 per cent) of these programmes established a partnership with a specialised microfinance provider for the implementation of a microcredit scheme. These organisations were Handicap International in Central Africa, Mali, and Senegal, LCI in Tanzania, FURWUS Polus Centre in Nicaragua, four NGOs in India, one NGO in Bangladesh, one in Burkina Faso and one in Mali. Eighteen of the organisations off/for people with disabilities (19 per cent) reported having tried to establish a partnership with a specialised microfinance provider without success.

Services offered: Among the organisations off/for people with disabilities 19 per cent (11) use grants to finance income generation activities. Most of them, however, prefer using loans or subsidised loans (29, 50 per cent); while 31 per cent use a combination of grants and loans. Microfinance providers offer a wider variety of services; all provide loans and savings, some also provide insurance, fund transfers, payments, innovative loan products such as educational loans and seasonal loans, and also other non-financial services such as business development services.

Table A1. Respondent organisations

Region	Country/territory	Organisations of/for people with disabilities	Microfinance providers		Total	
			Preliminary questionnaire only	Preliminary and main questionnaire		
South East Asia	Cambodia	3			3	
	Laos	1			1	
	Philippines			1	1	
	Vietnam	3			3	
	<i>Total</i>		7		1	8
South Asia	Afghanistan	1		1	2	
	Bangladesh	10	1	3	14	
	India	6	3		9	
	<i>Total</i>		17	4	4	25
Central Asia	Azerbaijan		1		1	
	Kyrgyzstan			1	1	
	Tajikistan		1		1	
	<i>Total</i>			2	1	3
Middle East	Lebanon	2			2	
	Palestine		1		1	
	Yemen	1			1	
	<i>Total</i>		3	1	0	4
Eastern Europe	Albania	1		1	2	
	Bosnia-Herzegovina	2	1	3	6	
	Serbia			1	1	
	Russia		1		1	
	<i>Total</i>		3	2	5	10
East Africa	Kenya	3			3	
	Ethiopia			1	1	
	Madagascar	2		2	4	
	Tanzania	3			3	
	Uganda	4	1		5	
	<i>Total</i>		12	1	3	16
Western and Central Africa	Burkina Faso	1	1	1	3	
	Central Africa	1			1	
	Congo DRC			3	3	
	Mali	3		1	4	
	Senegal	1			1	
	Sierra Leone	1			1	
	Togo		1		1	
	<i>Total</i>		7	2	5	14
	Central America	El Salvador	1	1	2	4
Mexico			3		3	
Nicaragua		7	1	3	11	
<i>Total</i>			8	5	5	18
South America	Peru			1	1	
	Uruguay		1		1	
	Argentina	1			1	
	Bolivia		2		2	
	Colombia		2		2	
	Ecuador		1	1	2	
	<i>Total</i>		1	6	2	9
TOTAL		58	23	26	107	

Target group: 25 (44 per cent) programmes managed by organisations of/for people with disabilities target exclusively people with disabilities; 20 (34 per cent) also target the relatives of people with disabilities (in the case of children with disabilities or persons with severe disabilities). Thirteen (22 per cent) of them are open to other vulnerable populations. All specialised microfinance providers affirmed they do not discriminate against people with disabilities; most of them also stated that the exact percentage of people with disabilities within their institutions is not known because this is not a variable they control for. Still, many microfinance institutions, including major ones, responded that people with disabilities are not their target population.

For those organisations that kept track or could identify those clients with disabilities from loan officers' experiences, the percentage was low; in most cases 0–2 per cent. The higher reported percentage of people with disabilities in a microfinance institution was six per cent, in the case of OLC (450 clients). Among the organisations that disburse grants, Trickle Up is the one that reaches more people with disabilities, about nine per cent of the total population they serve.

Urban – rural coverage: Organisations of/for people with disabilities' programmes are mainly rural based (41 per cent) or operate in both rural and urban areas (36 per cent); only 21 per cent are exclusively urban-based. In contrast, a majority of microfinance providers operate both in urban and rural areas (54 per cent) while 23 per cent works only in urban areas and an equal 23 per cent works only in rural areas. Microfinance providers have a better coverage; still, it was found throughout the study that many people with disabilities in rural areas are not well served, since there are many rural regions with few or no formal microfinance providers present.

Gender: Half (54 per cent) of the programmes for people with disabilities target both men and women, while 46 per cent (16) prioritise working with women (although men are not excluded). Interestingly, the same percentages were obtained for microfinance institutions – 46 per cent responded that they prioritised women, with female members representing 63–95 per cent.

3. Barriers for people with disabilities

Barriers: Most of the organisations of/for people with disabilities (95 per cent) affirmed that people with disabilities face specific barriers accessing microfinance services. Lack of education (60 per cent), low income (55 per cent), stigmatisation (45 per cent), lack of access to information (40 per cent) are seen as the most serious barriers. Among the microfinance institutions, 47 per cent think people with disabilities face specific barriers, including lack of self-esteem (53 per cent), lack of guarantees/collateral (50 per cent) and lack of access to information (33 per cent).

Specific problems: The majority (70 per cent) of the microfinance institutions stated that people with disabilities do not face special problems when running a business; but only 21 per cent of organisations of/for people with disabilities are of the same opinion. These organisations identify the main problems as being: marketing of their products (58 per cent) and repayment problems and keeping accounts (42 per cent). The microfinance institutions think repayments (43 per cent), attending meetings (36 per cent) and marketing products (29 per cent) are the most serious problems.

4. Credit policy

Interest rate policy: In addition to 19 per cent of the organisations of/for people with disabilities that provide grants, 16 per cent of those which provide loans do not charge any interest rate. The rest of the organisations charge between 10 and 24 per cent per year. Only one programme reported charging market interest rates: LCI-Tanzania. In contrast, microfinance institutions charge interest rates of 20–58 per cent per year. Thirty per cent of organisations of/for people with disabilities charge a fee, while 39 per cent of microfinance institutions do.

Use of special conditions: Organisations of/for people with disabilities reported using one or a combination of the following adjustments (as compared to local microfinance providers): lower-than-market interest rates (79 per cent); longer repayment terms (28 per cent); grace periods or longer grace periods (14 per cent).

Twenty-three per cent of the microfinance providers that have served people with disabilities (six) reported they used some kind of special arrangement; including lowering market rates (five institutions, 20 per cent) and longer repayment terms (two institutions, 3.5 per cent). Some institutions also reported having made physical accessibility arrangements.

Other conditions: These include having a business prior to receiving a loan, which is a main obstacle for people with disabilities since many require funding for start-ups. While 45 per cent of organisations off/for people with disabilities require the existence of a business prior to disbursement of a loan, this is usually flexible in cases where a person has previous experience, vocational training or formal education. In contrast, 77 per cent of microfinance providers do not finance start-ups at all.

Guarantee policy: Seventy-eight per cent of organisations off/for people with disabilities require a guarantee prior to disbursement of a loan. The required guarantees include physical collateral (32 per cent), obligatory savings (11 per cent), community leaders' guarantee (five per cent) and solidarity groups (30 per cent) – or a combination of some of these. Microfinance providers' requirements include physical collateral (46 per cent), savings (23 per cent), solidarity groups (50 per cent) or a combination of some of these.

5. Organisational features

Training and business development services: Ninety-nine per cent of organisations off/for people with disabilities offer training and business development services; 52 per cent of them offer extended business coaching; 80 per cent credit management training and 60 per cent vocational training.

Seventy-seven per cent of microfinance institutions offer some kind of training, including credit management (71 per cent); business management (46 per cent); vocational training (46 per cent), and other kinds of training (35 per cent: basic literacy, health, nutrition, etc).

Organisational self-assessment: The organisations off/for people with disabilities that participated in the survey were asked to discuss their own performance. While most of them affirmed they are sustainable (65 per cent), they also commented that one of their challenges in economic efficiency, which certainly would put in danger their sustainability. Portfolio at risk was 1–10 per cent for 30 per cent of them; 11–20 per cent for 26 per cent of them; and 21–35 per cent for seven per cent of them. The rest did not respond to this question.

Although portfolio at risk cannot be evaluated independently and is calculated on different bases, it is important to keep in mind that most formal microfinance institutions have portfolios at risk of less than five per cent; a higher number may endanger sustainability.

Annex 3. Case studies

Case 1: Loan scheme

Country: Afghanistan

Organisation: International Committee of the Red Cross (ICRC)

Brief presentation of the organisation and the programme

ICRC has six physical rehabilitation centres in Afghanistan: in the cities of Kabul, Jalalabad, Mazar-i-Sharif, Herat, Gulbahar and Faizabad. Persons with traffic or war-related injuries, many landmine victims and in general people with disabilities are provided with artificial limbs and physiotherapy. ICRC realised people with disabilities' main goal was to earn an income; to support people with disabilities' initiatives ICRC created a loan scheme, launched in 1997.

Description of the programme

Once in an ICRC centre, the physical rehabilitation needs of a new patient are assessed as well as his/her economic future. For people younger than 30 years, ICRC has a vocational training and an education programme. Persons over 30 can apply for a loan.

Each loan application is closely scrutinised before it is accepted. The loan process starts with the preparation of a business plan. The loan officer interviews the applicant at length to make sure he is really motivated, visits him at home and/or his business premises to see if the plans are viable, and also assesses the family's character and wealth. Once a project has been accepted, the ICRC does not hand over the money directly but does the purchasing itself according to the agreed budget.

Loans are issued to individual persons; collateral or a personal guarantor is required. The loans are interest-free; the repayment period is from six to 18 months, with equal instalments, starting after the first month. Repayment is applied with certain flexibility in case the client faces real difficulties. A person can receive up to five successive loans, starting from US\$200 to US\$500. The loan officers ensure regular monitoring of the client and give business advice. Each officer has 100–120 clients.

Because loans are interest-free, the programme is not sustainable on its own. However, sustainability is not the goal of ICRC, but rather reaching the most vulnerable people with disabilities and mine victims. So far 4,640 people had benefited from the loan scheme.

Lessons learned and good practices

- ✓ It is not enough to provide physical rehabilitation and artificial limbs to fulfil the needs of people with disabilities. Economic inclusion is a priority.
- ✓ The economic activities of the clients are sustainable. Each loan application is closely scrutinised. The loan process starts with the preparation of a business plan and an assessment by the microcredit officer of the applicant's motivation, the viability of his business plans and the wealth of his family.
- ✓ The programme concept has to be business-like. In the first years there had been repayment problems, but due to the increasingly professional set-up, training of personnel and their professional attitude, and a strict application of the rules, on-time repayment increased to 90 per cent, and it is still improving.
- ✓ Receiving successive loans is important to further develop a business. This possibility also incites the client to repay on time.
- ✓ Regular monitoring of the client and provision of business advice are essential.

Case 2: Partnership: organisation of/for people with disabilities and MFI

Country: Ethiopia

Organisation: International Labour Organisation (ILO), Ethiopian Federation of People with Disabilities (EFPD), Microfinance institution Gasha

Brief presentation of the organisations and the programme

EFPD is an umbrella organisation of the five national disability associations, namely the Associations of the Blind, of the Deaf, of the Physically Handicapped, of the ex-Leprosy Patients, and of the Mentally Retarded Children and Youth. ILO initiated the idea of facilitating access to credit and the EFPD welcomed it.

Description of the programme

A project management committee was set up, composed of two women representatives from each of EFPD's five member associations and of the EFPD management committee. The project provided a special credit line of US\$15,000 to a partner microfinance institution for it to provide loans to people with disabilities. In total, 119 women entrepreneurs with disabilities received a loan, 247 women received business training, and 38 women followed a vocational training course. The main objectives of the project were to develop entrepreneurship among women with disabilities by providing business and vocational skill training, loans and business development services and to provide them with market access support.

Specific activities included:

Business training: Two-hundred identified women who aspired to start a new business were grouped in groups of 20 and were given a six-day *Basic Business Skills* training; trainees who completed the course were given two options: to start their new business, or first to take vocational skill training. Forty-seven of the 100 microentrepreneur women with disabilities, who already had businesses, received *Improve Your Business* training.

Access to loans: EFPD made a special contractual arrangement with the microfinance institution, Gasha, which enabled the women that took the different trainings to easily access credit. The project deposited a credit line of US\$15,000 at Gasha. To minimise the burden of the interest rate (13 per cent plus three per cent service charge), EFPD pays eight per cent, while the women only pay the remaining eight per cent. EFPD also pays 50–75 per cent of the initial compulsory savings for each women. The credit officers of Gasha did the loan monitoring through regular visits, which they combined with business advice. Credit officers received half-day training in disability awareness. So far, 119 women have accessed credit to start or improve their business.

Business Development Services (BDS): Six months of BDS support was also provided to 61 microentrepreneur women with disabilities who completed their business skill training and started a new, or improved their existing, business by taking a loan.

Access to market: A market survey was conducted by an ILO market access consultant in Addis Ababa to identify alternative potential products and services that women with disabilities could engage in. In addition, 30 roadside mini-shops were constructed and given to 30 women who started their new businesses but could not get good market premises.

Lessons learned and good practices

- ✓ Find an adequate partner. It was difficult for EFPD to find the right microfinance institutions because most did not have enough coverage. Moreover, the microfinance partner, Gasha, had experience with partnership contracts.
- ✓ Do not consider people with disabilities as a particular risk for the microfinance institution. Although their repayment figures were slightly lower (84 per cent versus 95 per cent for the regular clients) Gasha was convinced repayment might be somewhat slower but full recovery would be achieved.
- ✓ Bringing the staff of the microfinance provider and the organisation of people with disabilities together for a common evaluation of the project is very useful. The feeling was that it should have been done more regularly.
- ✓ The business training for the clients was too demanding, not sufficiently adjusted to the capacities and low education level of the clients. Adequate training has to be designed to achieve better results.
- ✓ The BDS (coaching) was highly appreciated by the clients.
- ✓ Emphasise business training and preparation of business plans.
- ✓ Distinguish between new and existing entrepreneurs in business training.

- ✓ Make a clear division of roles between the organisation off/for people with disabilities and the microfinance provider, with the microfinance provider being fully responsible for the loan programme, except for the selection of clients that was done jointly, and the organisation of people with disabilities being responsible for mobilisation and provision of accompanying services.
- ✓ The market access component is essential: market study, marketing training and provision of market premises.

Case 3: Microfinance provider with strong emphasis on poverty reduction

Country: Colombia

Organisation: Oportunidad Latinoamérica

Brief description of the organisation

Oportunidad Latinoamérica (OLC) is a microfinance provider that started its operations in the 1970s. It is affiliated to the Opportunity International network, based in the USA. Their objective is to provide microcredit to vulnerable populations; Oportunidad works particularly with single mothers and displaced populations.

Description of the programme

A few years ago, OLC realised there was a high incidence of people with disabilities among the vulnerable populations they worked with and decided to target this group as a specific market segment. To achieve this objective, they designed a flexible methodology that would make it easier for people with disabilities to have access to Oportunidad's loans. For instance, they accepted smaller solidarity groups if they included people with disabilities (5–10 persons instead of the usual 15 persons), gave smaller loans than their usual ones for people with disabilities, and accepted to provide loans for start-ups, which they do not do for the rest of their clients.

Oportunidad uses solidarity groups and individual methodologies according to the needs of the client; usually individual loans are only given to those clients who have more experience in their business and have received various previous loans. The average loan is US\$190 with a monthly interest rate of 1.89 per cent. The programme covers rural as well as urban areas and is focused on women, who are particularly vulnerable in the zones where Oportunidad works. The institution provides business training, courses on personal issues such as self-esteem, and parents' school.

They have now reached 450 persons with disabilities, representing six per cent of Oportunidad's clients. Some of their users are paraplegic and quadriplegic, and are among the best clients. A female quadriplegic client, for instance, was able to start a small handicraft business with a loan from Oportunidad. Now, she supports her family of five children by herself and is able to pay school fees for all her children; even university fees for her elder children.

Among the positive outcomes that loans have had for people with disabilities, Oportunidad highlights healthier nutrition, higher self-esteem, and in general better living standards. For this organisation, the main obstacle for people with disabilities to access microfinance institutions is psychological, not physical; the biggest challenge for Oportunidad is to work with people with disabilities and build their self-esteem, change the idea that they should receive grants instead of loans because of their disability, and in general help them realise they have the capacity to manage a successful business.

Lessons learned and good practices

- ✓ It is important to make some adjustments for people with disabilities when they are very vulnerable; the adjustments need not put in peril the sustainability of the organisation. For instance, reducing the number of persons in a solidarity group is not a big change but it is easier for people with disabilities to manage their group that way.
- ✓ If the aim is to really reach vulnerable populations, working in rural areas and with women is fundamental; these populations are often overlooked. People with disabilities are also represented in these sectors and should not be overlooked.
- ✓ Even the most vulnerable populations can manage loans if there is continued support and training; Oportunidad's clients include quadriplegic displaced women.

Case 4: A Structured and Multi-sector approach programme

Country: Bangladesh

Organisation: Bangladesh Protibandhiih Kallyan Somity (BPKS)

Brief description of the organisation

BPKS was established in 1985. In 1998 it started the PSID (Persons with Disabilities Self-initiatives to Development) programme, a structured programme whose long-term aim is to set up independent self-help organisations of disabled persons, called DPODs (Disabled Peoples' Organisations to Development) in all districts of Bangladesh. Until 2005, 12 DPODs had been established. Prior to 1998, 10,000 disabled persons had benefited from the assistance of BPKS, although without a structured approach to organise people with disabilities. With the introduction of the PSID a new phase started, resulting in independent sustainable organisations, capable of taking self-initiatives for the benefit of its members.

Description of the programme

Members of the DPODs develop their own resource base, composed of savings and management of development funds (presently savings is about US\$50,000), utilising these resources for their income-generating activities and DPODs development. A bi-fold developmental approach focuses on people with disabilities and their growth as well as the general community, thus assuring both internal and external strength. As people with disabilities become more self-confident and attain the skills, they gradually ensure full access and equal rights in the general community, which substantially changes the perception and resultant acceptance. Behavioural changes within communities result in greater opportunities for education, employment and leisure activities.

Lessons learned and good practices

- ✓ Self-organisation of disabled persons is fundamental for their empowerment.
- ✓ It is important to structure well a programme and plan for the future.
- ✓ A comprehensive approach towards socio-economic inclusion of persons with disabilities has a higher and longer-term impact.
- ✓ Emphasis on advocacy and lobbying and active networking to assure access of members to services of mainstream institutions is effective.
- ✓ Mobilisation of savings as a primary resource for own funding of activities makes people with disabilities responsible for their own development. Access to external funds ensures larger loans can be provided.

Case 5 : Provision of funding mechanisms

Country: Kenya

Organisation: Association of Physically Disabled in Kenya (APDK)

Brief description of the organisation

APDK was founded in 1958. It receives financial and technical support from Christoffel Blindenmission (CBM). Establishment of production workshops had been for a long time a main strategy to generate income for its members. In 1997, however, an individual grants programme was started in its Mombassa branch, soon replaced by loans in 1998.

Description of the programme

Currently, loan programmes are run in Mombassa, Nairobi, Kisii and Embu. The programmes differ somewhat per branch depending on the initiatives taken by the local staff and programme developments at branch level.

APDK Kisii started working in 2002, first through a disability awareness campaign directed at people with disabilities, their communities and community leaders. Later a mobile clinic, a referral programme for surgery and assistive devices, and a school placement programme for disabled children were started. After a while questions arose concerning economic opportunities. APDK asked people with disabilities and parents of children with disabilities to organise themselves in groups, to start a kind of 'merry-go-round' (the local name for ROSCAs) and to register the groups with APDK.

Each member of the group had to pay 50Ksh per year (around US\$0.7) as a registration fee, for which they received a passbook in which their savings could be registered. They were requested to save 200Ksh per month, setting apart each day a small amount of 4Ksh to make it easier to save. Towards the end of 2003, there were eight community groups of 15–20 persons, subdivided in small groups of 3–5 persons. The small groups have weekly or bi-weekly meetings where savings are collected. The large groups meet once a month. Within the large groups a committee is elected by the members, with a chairperson, secretary and treasurer. APDK has chosen not to use the savings of the members to give out loans, to avoid losing their capital in case of non-repayments. To issue loans the branch received a capital fund of 360,000 Ksh (around US\$5000) from the organisation.

The loan amount a member can apply for is linked to his/her personal savings. He/she can borrow a maximum of three times the amount of his/her savings. Before receiving a loan, the applicant gets training on the management of a loan. The applicant must already have an income generating activity. Also, the other group members are guarantors for the repayment of the loans by its individual members. The repayment period of the loan depends on the loan amount. An interest is charged of one per cent a month on a declining balance method (interest is calculated on the outstanding loan, not on the initial amount).

By early 2006, the programme had served 75 clients, and 25 clients had taken a consecutive loan. Until early 2006, management and supervision of the loan programme was conducted by its regular staff, especially the financial administrator. The overhead costs of the programme cannot be covered out of the interest charges and thus are subsidised. APDK Embu founded an umbrella organisation, Twaweza, meaning 'we are able', with its own constitution for the management of its credit programme.

Lessons learned and good practices

- ✓ Many people with disabilities expected grants instead of loans: it is important to raise awareness on loans and break the 'dependency syndrome' when this exists. APDK had started with individual grants. The recipients of the loans were much more committed to working seriously to develop their businesses compared with the grant clients.
- ✓ The saving component and the organisation of the clients in saving groups created a sense of ownership of the programme among the members.
- ✓ Supervision and guidance of the primary groups, especially regarding good governance, required more time than foreseen; but it is a fundamental step.
- ✓ The procedures and methods of the saving groups are based on the traditionally known 'merry-go-rounds' (ROSCAs), thus are easily understood by its members.
- ✓ Starting with savings, and linking the maximum loan amounts to the saving deposits of an individual member, makes borrowers commit to the programme. Encouraging savings on a daily basis is also a good strategy.

Case 21. Life story: Guto Onkoba, Kenya, Kisii District, Suneka Group

Guto is 40 years old. He is a married man with seven children. He suffers from paraplegia which means he must crawl, due to severe disability in both legs. APDK gave him a tricycle which enables him to move around with less difficulty.

In the early 1980s he started a shoe repair business outside one of the shops situated at Suneka market. Slowly he started to save and to invest in his house, which enabled him to put up rental units in his compound, which gave him an additional income. He also started a small business of selling firewood in Suneka market. However, most of his income comes from the shoe repair, which is enough to feed his family and to pay school fees for his children.

A few years ago Guto came to learn about APDK when he attended one of the trainings. After learning that APDK runs a microcredit scheme, he started saving with APDK, immediately around 500Ksh per month and stopped keeping his money in the house as he used to do. Guto received a loan of 40,000Ksh which he used to increase the stock of firewood and materials for shoe repair. He supplies firewood in bulk within the small market. Guto lives happily with his family and he has the highest savings within APDK. He plans to put up more rental units to utilise the space outside his compound.

Case 6: Inclusive mainstream microfinance provider

Country: Nicaragua

Organisation: ProMujer

Brief description of the organisation

ProMujer Nicaragua was the first replication of the Bolivian ProMujer model. It was established in 1996 with financing from USAID to provide credit and training to women.

Description of the programme

ProMujer provides loans through the village-banking methodology. 'Village banks' are called *communal associations* in Nicaragua. The members of these associations receive training on loan management, business skills and also health and personal development services. Six doctors link clients with medical services and in some cases provide vaccinations for children. Women receive advice and information on sexual and reproductive services. About 76 per cent of women attend group sessions that focus on domestic violence and women's rights.

The experience of ProMujer with women with disabilities has been two-fold. On the one hand, there are some instances in which they have been included in communal associations. On the other hand, there is a communal association of only women with disabilities in Chinandega. This was created by a group of 30 women who were already organised as an association to produce the traditional *piñatas*. This case has been as successful as any other communal association; women with disabilities are even more committed with the programme to overcome discrimination. The methodology is exactly the same as with other groups.

Lessons learned

- ✓ Including people or women with disabilities in mainstream institutions (as ProMujer does) boosts their economic and social inclusion as well as their self-confidence.
- ✓ Many women with disabilities do not require special conditions – they have the same capacity as everyone else to manage a business and credit.
- ✓ Loans are better than donations in most cases, because women and women with disabilities are capable of having *profitable activities* and should be encouraged to do so. If they already have a business and they receive a donation, it is like going one step backwards in their empowerment.
- ✓ Start-ups should also be financed through credit; otherwise it will more easily be spent on current expenses instead of investments. Start-ups should receive more specific training and technical assistance.
- ✓ "*Individual and group methodologies are equally efficient if the rules are applied*". Supervision and follow-up are a fundamental part of this process to identify and address structural weakness as soon as they occur.

When hurricane Mitch hit Nicaragua, ProMujer did *not* condone anyone's debt, even when portfolio at risk reached 40 per cent. By reminding women of their commitment to pay their loans, they were pushed to start working quickly and effectively. This was a success, most loans were repaid and this is why ProMujer survived.

Annex 4. Recommended reading

- Burjorjee, D.M., Deshpande, R. and Weidemann, C.J. *Supporting Women's Livelihoods: Microfinance that works for the majority. A guide to best practices*. United Nations Capital Development Fund, New York. 2002
- Commission Européenne. *Microfinance – orientations méthodologiques*. Commission Européenne. 2000
- DFID. *Disability, Poverty and Development*. Department for International Development, London. 2000
- Dyer, S. 'The Inclusion of Disabled People in Mainstream Micro Finance Programmes'. Leonard Cheshire International, London. Paper presented at the 'Staying Poor: Chronic Poverty and Development Policy Conference', Manchester. 7-9 April 2003. www.chronicpoverty.org/pdfs/conferencepapers/Dyer.pdf [last accessed 31 July 2006]
- Handicap International. 'Lessons Learned Workshop: A review of assistance programs for war wounded and other persons with disabilities living in mine-affected countries.' Paris, 25-28 May 2004
- Hashemi, S. and Rosenberg, R. *Graduating the Poorest into Microfinance: Linking safety nets and financial services*, Consultative Group to Assist the Poor, Washington D.C. 2006 www.cgap.org/docs/FocusNote_34.pdf
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- Mersland, R. 'Microcredit for Self-employed Disabled Persons in Developing Countries'. A study commissioned by Atlas Alliance, Oslo. 2005. www.microfinancegateway.com/content/article/detail/28287 [last accessed 31 July 2006]
- Standing Tall Australia and Mine Action Canada. *101 Great Ideas for the Socio-Economic Reintegration of Mine Survivors*. Standing Tall Australia, Toowong and Mine Action Canada, Ottawa. 2005
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- Thomas, M. 'Feasibility of integrating people with disabilities in savings and credit programmes in Bangladesh'. *Asia Pacific Disability Rehabilitation Journal*, Vol.11 No.1. 2002 www.dinf.ne.jp/doc/english/asia/resource/apdrj/z13jo0500/z13jo0509.html [last accessed 31 July 2006]
- UNCDF. *Building Inclusive Financial Sectors for Development*. United Nations Capital Development Fund, New York. 2006 www.uncdf.org/english/microfinance/bluebook/pub/Building_Inclusive_Financial_Sectors_The_Blue_Book.pdf [last accessed 31 July 2006]
- The Consultative Group to Assist the Poor. www.cgap.org An important resource with documents and focus notes on various microfinance issues.
- The Microfinance Gateway. www.microfinancegateway.org
- The MIX Market. www.mixmarket.org Information on a number of important microfinance providers around the world.

Notes

- [1] "In its pursuit of greater equality for women, DFID has adopted a so-called 'twin-track' approach, combining attempts to take account of women's needs and rights in the mainstream of development co-operation work, as well as supporting specific initiatives aimed at women's empowerment. The analysis set out in this paper suggests that a similar approach may be highly pertinent for work related to disability." DFID. *Disability, Poverty and Development*. Department for International Development, London. February 2000. p11 www.dfid.gov.uk/pubs/files/disability.pdf [last accessed 26 July 2006]
- [2] Handicap International. 'Lessons Learned Workshop: A review of assistance programs for war wounded and other persons with disabilities living in mine-affected countries.' Paris, 25-28 May, 2004
- [3] The World Bank. *Disability: Towards an inclusive development*. April 2006. [retrieved 19 June 2006] <http://web.worldbank.org/wbsite/external/news/news/0,,contentMDK:20264373>
- [4] WHO. 'Disability, Including Prevention, Management and Rehabilitation'. Fifty-eighth World Health Assembly. 2005. www.who.int/nmh/a5817/en/ [Last accessed 2 August 2006]
- [5] Handicap International and Christoffel Blindenmission. *Making PRSP Inclusive*. World Bank, Washington D.C. 2006 www.handicapinternational.de/images/pdfs_multimedia/prsp_eng_komplett.pdf [Last accessed on 2 August 2006]
- [6] DFID. *Disability, Poverty and Development*. Department for International Development, London. 2000. p.4.
- [7] DFID. *Disability, Poverty and Development*. Department for International Development, London. 2000.
- [8] Elwan, A. *Poverty and Disability: A survey of the literature*. World Bank, Washington D.C. December 1999.
- [9] Harris, C. 'El autoempleo de las personas con discapacidad en países en desarrollo'. IDRC Reports, 1997
- [10] *ibid.*
- [11] United Nations. *Standard Rules on the Equalization of Opportunities for Persons with Disabilities*. United Nations General Assembly. 1993. www.un.org/esa/socdev/enable/dissre04.htm [Retrieved 20 June 2006.]
- [12] A ROSCA is a 'rotating saving and lending group'. ROSCAs are associations of participants who make regular contributions to a central 'pot'. The 'pot' is given, in whole or in part, to each contributor in rotation or the recipient is chosen by lottery. The funds are managed by the members themselves. (Helms, B. *Access for All. Inclusive financial sectors*. CGAP, World Bank, 2006)
- [13] Official definitions of disability in various countries can be found at 'Definition of disability in selected national legislation'. United Nations. 2006. www.un.org/esa/socdev/enable/rights/ahc8docs/ahc8bkdoc3.doc [Last accessed: 2 August 2006]
- [14] Albert, Bill. Briefing Note: The social model of disability, human rights and development. Disability KaR Research Project. 2004
- [15] Fougeyrollas, P., Cloutier, R., Bergeron, H., Côté, J. and St Michel, G. 'Quebec Classification: disability creation process. International Network on the Disability Creation Process, Quebec. 1999
- [16] Handicap International. 'Understanding disability: look, then act'. *L'interactif* no. 10. December 2002
- [17] WHO. 'ICF Introduction'. 2006. www3.who.int/icf/intros/ICF-Eng-Intro.pdf [Last accessed: 2 August 2006]
- [18] Such as the Inter-American Convention on the Elimination of all Forms of Discrimination against People with Disabilities. AG/Res 1608. 7 June 1999. www.oas.org/JURIDICO/english/ga-res99/eres1608.htm [Last accessed: 2 August 2006]
- [19] UN Enable. 'Ad Hoc Committee on a Comprehensive and Integral International Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities'. 2006. www.un.org/esa/socdev/enable/rights/adhoccom.htm [Last accessed: 2 August 2006]
- [20] MILES, S. *Strengthening Disability and Development Work*, BOND Discussion Paper, February 1999.
- [21] ILO, UNESCO, WHO. *CBR: A Strategy for Rehabilitation, Equalization of Opportunities, Poverty Reduction and Social Inclusion of People with Disabilities. Joint Position Paper*. World Health Organization, Geneva. 2004
- [22] ICRC. *Caring for Landmine Victims*. 2005
- [23] ICRC. *Caring for Landmine Victims*. International Committee of the Red Cross, Geneva. 2005
- [24] Handicap International. *Assistance aux victimes de mines : leçons apprises*. Conclusions de l'atelier sur l'assistance aux blessés de guerres et autres personnes handicapées vivant dans des zones polluées par des mines. Handicap International, 2004.
- [25] Its article 6.3 states that "Each State in a position to do so shall provide assistance for the care and rehabilitation, and social and economic reintegration, of mine victims..."
- [26] United Nations. First Report, First Review Conference of the States Parties to the Convention on the Prohibition of the Use, Stockpiling, Production and transfer of Anti-Personnel Mines and on Their Destruction. 2004
- [27] CGAP. 'When Is Microcredit NOT an Appropriate Poverty Intervention Tool?' Consultative Group to Assist the Poor, Washington DC and Paris. www.cgap.org [retrieved on 4 July 2006]
- [28] Ledgerwood, J. *The Microfinance Handbook: An institutional and financial perspective (Sustainable banking with the poor)*. The World Bank, 1999.
- [29] An ASCA is similar to a ROSCA, except that not all members save and borrow in the same way and interest is usually charged on loans.
- [30] Sustainability covers three main areas: (i) *Financial sustainability*, ensuring the costs of operation and cost of funds are covered by the institution's income; (ii) *Institutional sustainability*, ensuring the quality of the organization and a favorable regulation and supervision; (iii) *Social sustainability*, ensuring that all stakeholders have an adequate distribution of power and responsibilities and that the institution is integrated into its environment. (Commission Européenne. *Microfinance: Orientations Méthodologiques*. 2000)
- [31] It is important to remember that interest rates can be calculated in different ways. A *flat interest rate* means that for the entire loan term the interest is calculated based on the initial loan amount, irrespective of the fact that the outstanding debt decreases with each repayment. The *declining balance method* for calculating the interest rate is calculated on the basis of the loan amount remaining after each repayment of the loan. The *effective interest rate* refers to the inclusion of all direct financial costs (including interest payments, other fees and obligatory service charges) of a loan in one interest rate. A flat interest rate can differ considerably from the effective rate of interest, i.e. the effective rate is much higher than the nominal flat rate.
- [32] Because the average loan amount per client is much higher, staff costs per capital unit are lower for banks.
- [33] CGAP. 'Key Principles of Microfinance'. Consultative Group to Assist the Poor. Washington D.C. www.cgap.org/portal/site/CGAP/menuitem.64c03ec40a6d295067808010591010a0/ (Last accessed: 1 August 2006)
- [34] UNCDF. 'Basic Facts about Microfinance'. The United Nations Capital Development Fund, New York. www.uncdf.org/english/microfinance/facts.php [retrieved 5 July 2006.]
- [35] See also: Mersland, R. 'Microcredit for Self-employed Disabled Persons in Developing Countries'. A study commissioned by Atlas Alliance, Oslo. 2005; or Simanowitz, A. 'Microfinance for the Poorest: A review of issues and ideas for contribution of Imp-Act'. Thematic Report No.4. Imp-Act. 2001.
- [36] An excellent manual can be found at www.vsla.net: Allen, H. 'Village Savings and Loan Associations (VSLAs) in Africa' Programme Guide 1. VSL Associates. 2006.

- [37] Sometimes the groups are formed by persons with a similar socio-economic background. For instance, women doing small businesses will have different saving capacities and lending needs compared to women involved in subsistence agriculture.
- [38] Ledgerwood, J. *The Microfinance Handbook: An institutional and financial perspective*. The World Bank, 1999.
- [39] *ibid.*
- [40] This was the argument most organisations for people with disabilities used against grants during field visits.
- [41] Ledgerwood, J. *The Microfinance Handbook: An institutional and financial perspective*. The World Bank, 1999.
- [42] The main findings of this survey are found in Appendix 2.
- [43] This includes, for instance, Landmine Survivors Network offices in El Salvador and Washington.
- [44] Tucker, J., Nourse, T., Gailey, R., Park, D. and Bauman, S. 'Recapitalising Liberia: Principles for providing grants and loans for microenterprise development'. *Forced Migration Review* No.20, May 2004.
- [45] MABS. 'Definition of Microfinance'. Microenterprise Access to Banking Services. <http://www2.rbapmabs.org/article/archive/13/> [retrieved 4 July 2006]
- [46] All companies require this, not only micro and small ones.
- [47] This is called *fungibility of funds*: most microcredit institutions intend to provide loans for business and productive purposes, and in an ideal world, microentrepreneurs use these loans to build their business and their income one step at a time. But in the real world, cash is 'fungible', meaning that clients often use at least part of their loan for other reasons – business and/or personal. (The SEEP Network. *Learning from Clients: Assessment tools for microfinance practitioners*. The Small Enterprise Education and Promotion Network, Washington, D.C. 2002)
- [48] There are six essential elements to managing delinquency: the credit service must be valued by the clients; clients must be screened carefully; field staff and clients must understand that late payments are *not* acceptable; microfinance providers need accurate information management systems; delinquency needs effective follow-up procedures; and the consequences of defaulting on loans must be sufficiently unappealing to the clients. (Ledgerwood, J. *The Microfinance Handbook: An institutional and financial perspective*. The World Bank. 1999.)
- [49] Tucker, J., Nourse, T., Gailey, R., Park, D. and Bauman, S. 'Recapitalising Liberia: Principles for providing grants and loans for microenterprise development'. *Forced Migration Review* No.20, May 2004.
- [50] *MicroSave* provides interesting toolkits. See: www.microsave.org
- [51] Portfolio at risk (PAR): the outstanding balance of all loans having an amount overdue. Portfolio at risk includes the amount in arrears plus the remaining outstanding balance of the loan (i.e. the *total amount* that borrowers who are late in their payments owe to the institution)
- [52] Dyer, S. 'The Inclusion of Disabled People in Mainstream Micro Finance Programmes'. Leonard Cheshire International, London. Paper presented at the 'Staying Poor: Chronic Poverty and Development Policy Conference', Manchester. 7-9 April 2003.
- [53] Mersland, R. 'Including Persons with Disabilities as Clients of Microfinance Institutions in Uganda: Recommendations for donor interventions'. Norwegian Association of the Disabled (NAD). February 2005.
- [54] A donor coordinating body initiated by the World Bank.
- [55] The *piñata* is a container made of paper or clay filled with toys and candy; it is suspended from a rope for a succession of blindfolded children to try to break it with a stick. *Piñatas* are used on children's' birthdays and Christmas parties throughout Latin America.
- [56] Interview with Elisabeth Stark, USAID Microenterprise Development Advisor/Columbia University, New York, January 2006.
- [57] A summary of the survey findings can be found in Appendix 2.
- [58] One of the microfinance institutions visited in Nicaragua decided to do so during an interview for this study.
- [59] Rhyne, E. 'The Ying and Yang of Microfinance: Reaching the Poor and Sustainability', *MicroBanking Bulletin*, No. 2. July 1998.
- [60] The EFPD is an umbrella organisation of five national disability associations: the Associations of the Blind, of the Deaf, of the Physically Handicapped, of the ex-Leprosy Patients, and of the Mentally Retarded Children and Youth.
- [61] This case is presented in detail in Appendix 4.
- [62] Bastianen, M. and van Rooj, P. *Guarantee Funds and NGOs: Promise and Pitfalls*. International Labour Office, Geneva. 2004
- [63] *ibid.*
- [64] See for example: Waterfield, C. and Ramsing, N. *Management Information Systems for Microfinance Institutions. A Handbook*. CGAP Technical Tool Series No. 1, February 1998. www.cgap.org/docs/TechnicalTool_01.pdf [last accessed 27 July 2006.]
- [65] The Nicaraguan Association for the Blind stated, on this topic, that some people with disabilities need to learn that they also have obligations to respect their agreements. They said that this process was helpful for people with disabilities to understand that they have the same rights as everyone else but also the same responsibilities to comply with commitments and to make all necessary efforts to do so.
- [66] Islamic banking refers to a system of banking or banking activity which is consistent with Islamic principles. In particular, Islamic law prohibits usury and the collection and payment of interest. Microfinance institutions working in Islamic countries have developed mechanisms to provide services that respect Islamic banking principles; an example is ICRC's model of directly buying the equipment that the borrower needs instead of providing him/her with a loan to do so and charging interest on it.
- [67] An excellent training manual can be found at the "File Downloads" section in www.vsla.net: HUGH, Allen et al. *Village Savings and Loan Associations Programme Guide*, 2006
- [68] Dieter Seibel, H. 'SHG Banking in India: The developing world's largest and fastest-growing micro finance programme. Recent developments'. 2005
- [69] Bangladesh is at the roots of microfinance, and microfinance institutions are widespread. Yet many people with disabilities have not succeeded in getting access to these institutions. Stigmatisation might be an underlying cause. Another impediment is that microfinance institutions usually do not allow their clients to be a member of more than one saving and lending group, to prevent them accumulating debts with several organisations. This implies that a member of an organisation of people with disabilities who applies for a loan with a microfinance institution would have to quit any self-help group they were in. This can explain why linkages with banks, which agree to issue individual loans to members of self-help groups of organisations for people with disabilities, exist in Bangladesh. A solution seems to be that microfinance institutions accept to issue loans to existing self-help groups, instead of requiring the applicants to become a member of an alternative group within the microfinance institution.
- [70] FAO. *Project Cycle Management Technical Guide*. Socio-economic and Gender Analysis Programme, Food and Agriculture Organisation, Rome. 2001.
- [71] According to the World Bank, *participatory rural appraisal* (PRA) is a growing family of participatory approaches and methods that emphasise local knowledge and enable local people to make their own appraisal, analysis, and plans. PRA uses group animation and exercises to facilitate information sharing, analysis, and action among stakeholders. Although originally developed for use in rural areas, PRA has been employed successfully in a variety of settings. The purpose of PRA is to enable development practitioners, government officials, and local people to work together to plan context-appropriate programmes. Common PRA tools are semi-structured interviewing, focus group discussions, preference ranking, mapping and modeling, and seasonal and historical diagram creation. (The World Bank Institute. *The World Bank Participation Sourcebook*. 'Appendix 1: Methods and Tools'. The World Bank, Washington D.C. 1996. www.worldbank.org/wbi/sourcebook/sba1.pdf [last accessed 27 July 2006.]
- [72] Ledgerwood, J. *The Microfinance Handbook: An institutional and financial perspective*. The World Bank, 1999.
- [73] *ibid.*



Headquarters and representations

Germany

Ganghofer Str. 19
D-80339 München
Tel: +49 (0) 89 54 76 06 0
Fax: +49 (0) 89 54 76 06 20
Email: kontakt@handicap-international.de
www.handicap-international.de

Belgium

67, rue de Spa
B-1000 Bruxelles
Tel: +32 (0) 2 280 16 01
Fax: +32 (0) 2 230 60 30
Email: info@handicap.be
www.handicapinternational.be

Canada

448 place Jacques Cartier
Montréal (Québec) H2Y 3B3
Tel: +1 514 908 28 13
Fax: +1 514 288 80 90
Email : info@handicap-international.ca
www.handicap-international.ca

Denmark (representation)

Suntevedsgade 2, 4 TV
DK-1751 Copenhagen V
Tel: +4533 24 88 00
Fax: + 45 33 24 88 69
www.handicap-international.org

USA (representation)

c/o Survey Action Center, Suite 240
6930 Carroll Avenue, Takoma Park, MD
20912
Tel: 1 301 891 21 38
Fax: 1 301 891 91 93
www.handicap-international.org

United Kingdom

Waterman House
101-107 Chertsey Road – Woking
Surrey GU21 5BW UK
Tel: +44 (0) 870 774 3737
Fax: +44 (0) 870 774 3738
Email: hi-uk@hi-uk.org

Luxembourg

140, rue Adolph Fischer
L-1521 Luxembourg
Tel: +352 42 80 60
Fax: +352 26 43 10 60
Email: hilux@pt.lu
www.handicap-international.lu

Switzerland

11, avenue Joli-Mont
CH-1209 Genève
Tel: +41 (0) 22 788 70 33
Fax: +41 (0) 22 788 70 35
Email: contact@handicap-international.ch
www.handicap-international.ch

Good Practices for the Economic Inclusion of People with Disabilities in Developing Countries:

Funding Mechanisms for Self-Employment

The goal of this report is to highlight good practices that guarantee the efficiency and sustainability of funding mechanisms to support the self-employment projects of people with disabilities.

These guidelines are based on the findings of a global survey and interviews with organisations for people with disabilities and microfinance providers, a literature review, field studies in seven countries, and a practitioners' workshop in Geneva.

It is estimated that 10 to 12 per cent of the world's population has some kind of impairment; most of those who work are self-employed. Guaranteeing access to funding mechanisms for self-employment is, therefore, a necessary strategy to support people with disabilities to be actors of their own development.

