

# Good Practices : Economic Integration for People with disability. Funding mechanisms: Access to finance mechanisms

## 1. Introduction

In June 2005, Handicap International started the study 'Good Practices for the economic integration of land mine victims and people with disabilities. Self-employment activities, access to finance and micro credit'.

The study was divided in three phases:

### **Phase 1: Identification. June – November '05**

Literature review and collection of information on economic integration and IGA projects that have involved disabled and/ or vulnerable people.

*During this phase a survey was sent to organisations of/for people with disabilities, international NGO's involved in micro finance and specialised MFI's to get a good overview of experiences with IGA and in particular micro credit and inclusion in mainstream MFI-programmes.*

### **Phase 2: Exchange. January – April '06**

Field visits and implementation of workshops to create discussions between the various implicated actors.

*After analysis of the questionnaire 7 countries (India, Bangladesh, Afghanistan, Ethiopia, Uganda, Kenya and Nicaragua) were selected for the field visits according to the number and variety of successful experiences. Regional workshops were held in Bangladesh and Kenya*

### **Phase 3: Analysis. April – June '06**

Drafting of guidelines on the basis of the collected information and the outcome of the field visits and workshops.

On the basis of all information collected during the study a first draft has been written of guidelines on 'Good practices for economic integration of persons with disabilities' that will be discussed by an expert panel in the current workshop in Geneva (10 -11 May '06).

Based on the outcome of these discussions the final document will be drafted:

*A framework document highlighting good practices, strategies, tools, and operational methods that guarantee the efficiency and sustainability of self employment activities for people with disabilities and the appropriate use of micro credit to finance them.*

To facilitate the discussion 10 main issues have been identified that need to be taken into account when thinking about the document on good practices for economic integration in relation to financing mechanisms.

The 10 issues might not be comprehensive. You are invited to identify others which you consider also of primary importance.

## 2. The 10 main issues

### Issue 1 : Integrated approach or isolated approach ?

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Economic integration of people with disability requires an **integrated approach**. Such an approach is common practice in economic integration programmes for people with disability , but needs to be emphasized also when we focus the discussion on the issue of financing tools for IGA programmes, for example by inclusion of people with disability in mainstream micro finance programmes. If not the importance of this principle risks to be overlooked, with detrimental effects for the beneficiaries of such programmes (failure and indebtedness) or for the financing agency (failure to recover the loans).

**Certain conditions** have to be fulfilled to ensure successful economic integration of people with disability . First proper physical rehabilitation and provision of assistive devices should be assured; self-confidence and self-esteem, vocational and business skills have to be developed; social acceptance of disabled people with disability within their communities has to be worked on as well as assistance of the government administration to create proper conditions for businesses for people with disability (business premises etc.).

Thus, in a partnership programme between an MFI and an economic integration programme for people with disability **the roles and tasks of each of the partners** have to be well defined.

Mostly, the programmes for people with disability will be assigned **the tasks that ensure the minimum conditions** for the successful economic integration of the people with disability will be fulfilled, while the MFI **limits itself to its core-business** i.e. provision of financial services and management of the (saving and) loan programme.

### **Integration in a Community Based Rehabilitation approach ?**

It might make a difference whether the economic integration programmes for the people with disability are part of a **CBR** (community based rehabilitation) **approach** or have individual beneficiaries as their target groups. The CBR-programmes have a more inclusive approach, seeking solutions for all people with disability people with disability in a community, and include family and other community members. In the individual approach appropriate solutions are searched only for the targeted individuals and will often have less community involvement.

### Issue 2 : Public target / eligibility ?

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In the discussion of economic integration programmes for people with disability people with disability little attention is paid to the **differences between the people with disability** , as if it is a homogeneous group.

Meanwhile differences in vulnerability among the people with disability are of primary importance. A **vulnerability analysis** of the target groups is required before one can discuss which programme approach is appropriate for each of them. It may be difficult to include both the poorest and better-off within the same programme. It is important to be conscious of these issues and design programmes that make sense in their contexts.

Futhermore, it is important to consider persons who are potential entrepreneurs and who are in a dynamic of an economic integration. They should have an idea for an economic project

or, if accompanied, be able to define their own project, and be ready to sort out from the charity circle.

In the course of the study, the initial **focus on land mine victims** has been left out. . Some organisations focus exclusively on land mine victims because of their mandate. What can be concluded is:

- Land mine victims generally are **less vulnerable** since often they have an advantage in comparison with persons born with a disability or who got disabled at a young age in terms of educational level and previous employment and social skills. Also, often they face less social discrimination. Socio-economic integration of these less vulnerable groups is most often less problematic.
- Physical rehabilitation, provision of appropriate assistive devices, trauma counselling and training in new occupational skills suitable to their physical disability, are pre-conditions for their economic integration.
- In order to avoid stigmatisation for mine victims, a comprehensive and global approach with people with disabilities should be promoted,

### **Issue 3 : Limited social outreach for MFI**

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People with disability **have limited access to micro finance programme** not just because of stigmatisation or prejudice regarding their income earning and repayment capacities, but probably more so because they belong to the poorest sections of the population. Limited access is related to their **poverty**.

Within the community of micro finance institutions there is much discussion about the **social outreach of MFI's** - do they reach the poorest sections of the population?- on which there is no consensus.

### **Which answers ? Approach and services**

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### **Issue 4 : Disability Awareness for the implementers services providers**

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MFI's which do not have **a special pro-poor approach** do not offer an appropriate alternative for the inclusion of more vulnerable groups. Other approaches are needed to help them to start-up economic activities or to further develop them before they can be referred to MFI's. Referral programmes or 'disability awareness programmes', as practised in some countries to overcome the effects of social prejudice against people with disability within the MFI's, can be effective but only to ensure inclusion of the least vulnerable groups among the people with disability .

### **Issue 5 : Preparation stage for the Persons with Disabilities**

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A main challenge for economic integration programmes for disabled is how to avoid **exclusion of most vulnerable groups** among the people with disability :

- As mentioned before an integrated approach (business and skills training, social awareness training in the communities, etc.) is necessary to prepare these groups and to create the necessary conditions in their communities, to be able to compete in the markets and to be accepted.
- The self-help groups, or encouraging them to start their own traditional saving and lending groups (ROSCA's, 'merry-go-rounds'), can be effective to prepare them for inclusion (linkage) in mainstream micro-finance programmes.

## **Issue 6: Designing financial services : use of loan or grants ?**

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Many programmes also provide **grants** for the most vulnerable groups but often on a minor scale targeting only the most vulnerable groups. Many programmes were cautious with grants because they had experienced in the past that free 'hand-outs' often had no long term impact. The grants were not properly used or even misused (lack of commitment of the beneficiaries).

Yet grants have to be considered for the most vulnerable groups to enable them to start-up economic activities or else they risk to be excluded. But a lesson learnt from the past is that also grant programmes should be well managed: proper selection of beneficiaries to ensure they have the capacities to develop income generation activities and are committed to develop their activities, proper training, monitoring of the use of the grants etc.

### **Loan products ?**

High **interest rates**, inflexible or too short **repayment schedules**, high **obligatory savings** are among the constraints mentioned by most programmes for economic integration for people with disability that impede their access to financial services.

Although people with disability are capable to develop economic activities the general feeling is that many of them because of their physical impairments, or their shortcomings in education or skills, have lower income earning capacities especially in the start-up phase of their activities (many of them are starters).

Therefore most programmes endorse special loan and saving conditions for people with disability .

- In the workshop in Nairobi it was concluded that even for the self-help groups , the obligatory savings required to join the groups exclude some of the most vulnerable among them.
- Many **MFI-programmes** do not reach the most vulnerable segments of the population. Secondly, their outreach in rural areas is weak. MFI's practicing the group approach, accepting guarantees of co-group members as loan guarantee instead of collateral requirements of each individual loan client, have a larger social outreach. But still the high interest rates and caution to **accept 'starters' businesses**, exclude most of the more vulnerable among the people with disability from their programmes.

## **Issue 7 : Group or individual approach**

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Inclusion in mainstream micro finance programme, **inclusive approach**, was not the favourite approach of all programmes for people with disability .

- Especially in a *social environment* where people with disability tend to be stigmatised and socially isolated, inclusion in mainstream groups (saving and lending groups of micro finance groups) should be well prepared. If the groups do not offer a welcoming and safe environment, the beneficiaries might feel excluded and marginalised instead of being encouraged by the other group members. It was said many beneficiaries felt more 'comfortable' in their own groups.
- Also it should be assured, if integrated in 'mainstream' groups that the people with disability get all additional assistance necessary to succeed in their economic activities.

- Peer groups of disabled have the advantage that the beneficiaries better understand each other sharing a same background and experiences. Other successful group members can more easily function as positive role models since they have this common background and experiences.
- Self organisation of groups composed exclusively of people with disability has the advantage that the group organisation can be used not only for the economic programme component but also to mobilise the members for other activities especially advocacy.

Others believe separate organisation of people with disability tends to keep them apart and hinder their integration.

Their **dispersed settlement** was sometimes an impediment to organise the people with disability in separate groups. Solutions found were:

- Creation of very small groups (3 -4 persons) or division of larger groups in small sub groups. The smaller groups can come together regularly, while the larger groups unite less frequently.
- Rotation of meeting places; each time another group member receives the others at his/ her house.

Many programmes also have mixed groups of family members (and friends) of people with disability and people with disability. The family members represent disabled individuals who can not function independently (children, mentally disabled, other forms of severe disability). In this case the economic programmes serve the people with disability indirectly by strengthening the financial resource base of their families.

Where mixed groups were created of disabled and non-disabled, who did not have family or special custodian relations, a minimum number of people with disability and/or representation of people with disability in the leadership functions in the group were sometimes required.

Other programmes have an individual approach, not organising the beneficiaries in groups but providing direct assistance to individual beneficiaries.

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## **Implementation, roles and functions : MFIs / Independent / Self Help Group ?**

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### **Issue 8 : Roles of the MFIs ?**

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In discussions with all of the **MFI's** it was stressed they **can not provide special loan conditions** (low interest rates etc.) for people with disability. Financial sustainability of their programmes requires their costs are fully covered. They can not rely, in the long term, on external subsidies. For the same reason they have to **limit themselves to their 'core' business** i.e. financial services and can not support additional training programmes for business/ skills training etc.

- Partnership arrangements with NGO's/DPO's make it possible that these additional services are provided by the last, that can rely on outside subsidies
- In a partnership arrangement, some programmes for people with disability subsidised interest rates, savings etc. for their beneficiaries
- To reduce the risks for the MFI's of inclusion of people with disability, considered as higher risk groups, also some programmes of disabled ? people with disability provided special credit funds (credit lines) to serve their beneficiaries, or provided guarantee funds to the MFI's to be used in case of non-repayment by their clients.
- Some argued however against subsidising of interest rates since it is not sustainable as soon as the programme for people with disability withdraws its support. Some argue also against the use of special credit lines and guarantee funds. These carry

the risk that the MFI is less committed to a proper follow-up of the beneficiaries since they risk no financial losses in case of failure/non-repayment by the beneficiaries.

### **Issue 9 : Independent implementation, special credit programme ?**

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Most programmes agreed a **sustainable solution** assuring access to financial services for people with disability can only be provided through access to banks, MFI's, or well established and sustainable micro finance programmes of development NGO's.

Yet, there are good reasons for programmes for people with disability to **provide financial services themselves**, either in the form of grants or against subsidised rates (i.e. non-sustainable)

- To prepare the beneficiaries for future inclusion in mainstream micro finance programmes.
- In the absence of micro finance programmes in the intervention area of the DPO/DSO that accept or can assure access (inappropriate approach) for the beneficiaries.
- As a supplementary programme targeting the most vulnerable while the least vulnerable are referred to other existing programmes.
- MFI's have little experience with inclusion of people with disability and often have to overcome reluctance. The required change of attitude takes time. One of the main constraints in Afghanistan (post-conflict situation) was that the MFI's were only recently established, concentrated their time and efforts on building up their own programmes and were not inclined in this phase to work on partnerships/approaches for special groups. To have quicker results an organisation (ICRC) might choose to implement the programme by itself. Also for smaller organisations with less leverage and staff, it might be a difficult and time-consuming process to persuade an MFI to accept their beneficiaries.

On the other side if a programme for people with disability decides to provide the financial services by itself, it should consider:

- Proper management of a loan but also a grant programme requires specific expertise, efforts and time. In the past many (revolving fund) programmes failed precisely because this was lacking.
- Time and efforts spent for the management of the 'financial services' programme go at the cost of time and attention available for other programme components.

### **Issue 10 : Roles of the Self Help Group ?**

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The **self-help group approach**, whereby the beneficiaries start with (often minimal) savings and disburse loans from their internally mobilised funds, is one of the alternatives. Because the funds are managed by the beneficiaries themselves administrative costs (and interests) can be kept to a minimum. Also, the system is very flexible, well adjusted to the minimum saving capacity and loan requirements of many of the poorest. Financial services to these groups, with their minimum savings and loan amounts, are too costly for MFI's. Finally, the system focuses on *saving services*, which for many of the poorest are of the same or of greater importance compared to loan services, to strengthen their livelihoods.

DPO's in India and Bangladesh have adopted the self-help group approach, but also in Afghanistan and in East-Africa many programmes had adopted a similar approach. Especially in India it was very successful since the government has encouraged **banks to link up with self-help groups**, thus far with great success. The self-help groups prepare their members to save, manage loans and to start-up economic activities what prepares them well to become future clients of banks.

The self-help group approach seems a very good approach to prepare more vulnerable groups for inclusion into mainstream MFI's or banks.