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by

Badreddine SERROKH

"Microfinance and street children"

Is microfinance an appropriate tool to address the street children issue?

Supervisor : Pr. Daniel Traça
Assessor : Pr. Marc Labie
Assessor : Pr. Christian Platteau

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INTRODUCTION AND METHODOLOGY

I. Introduction

Floating here and there in the streets of all developing countries, street children are one of the most direct visible impacts of poverty. All of us, having one time travelled in a developing country, remember the picture of some children, working as shoeshiners or begging, in order to get some money for themselves or their families.

We all remember our first feeling, mixed with pity and compassion, and our misunderstanding of such difficult lifestyle: so young, being already so poor. Looking at them, we want to help them; as they are on streets to get money, we think first of giving them some money. But, soon after our hands had reached our pockets, our mind becomes troubled, facing a profound dilemma, and asking ourselves many questions: is giving money the best solution? Will the child buy useful things, or buy drugs and worsens his situation? But, at the same time, can we be passive? So, how can we do to help them?

Our paper is attempting to answer this question, by focusing on one of the most revolutionary tool of last few years: microfinance. Indeed, it has been largely demonstrated how the provision of financial services to the poor brought enormous success to their lives, enhancing their economic capacities and giving them the opportunity to take their future in their own hands, rather than being passive recipients of aid. However, although one of the stated goals of microfinance is to improve the children and youth future through the help provided to the family, very few attempts has been done in order to address them directly, assuming that, first, they do not need and, even if they do, providing them with financial services is not appropriate.

Our discussion will therefore analyse this assumption, in application with a particular segment of the child/youth population: the street children. We will therefore assess, in the following pages, whether microfinance is an appropriate tool to address the street children issue.

However, answering this question requires adopting a comprehensive approach which is at the intersection of an economical, a child development, and a management thematic. In order to do so, we will structure our paper in three chapters.

The first chapter enlightens what is already known about street children, defining the concept and glancing at their general characteristics, such as their family relations, their economic activities, their vulnerability and their capacities. After having drawn this basic profile, we discuss the causes of the street children issue, by pointing out which parameters need to be incorporated in our causal analysis. Then, we highlight the consequences of such phenomenon, both for the child and the society at large. Finally, we discuss some ideological considerations related to street children and child work, by framing which position may be the most adequate in analysing child work and which model of child development will be ours in the following chapters.

Having a better knowledge on street children and a model of child development, we proceed to a zoom on Bangladesh, by analysing the demand of street children for financial services.

Indeed, this step is a first requirement before discussing microfinance: if street children do not need financial services for any imaginable reason, there is no reason for trying to find a way to provide it to them.

We therefore let street children express themselves and underline their main demand drivers for financial services.

After having analysed this demand, our third chapter moves to a supply side perspective and discuss the appropriate way to match the street children demand. In order to achieve this task, we first define the concept of microfinance, by bringing to light its main products and mechanisms, and then move on to our matching process, by taking into account the learning of our two previous chapters, and by building on the existing learning points of three programs already addressing street children with microfinance. We then introduce two evaluation criteria that will follow us through our process: effectiveness and sustainability. This helps us to build **a** comprehensive microfinance plus model, by going through two intermediary stages: a minimalist microfinance framework, and a microfinance plus framework.

This task being achieved, we turn to our case study in order to test the validity of our model by analysing the effectiveness and the sustainability of Padakhep's microfinance program, a Bangladeshi microfinance institution addressing street children with microfinance, and then moving on to some recommendations for Padakhep and a final conclusion bringing up the main lessons learned through the paper, as well as some perspectives for the future.

II. Methodology

In order to build our research in the most relevant way, we proceeded in three steps:

1. Preliminary field visits

Our field visits started in July 2005, in London. A first meeting has been held with Michael Norton, from the Centre for Innovation in Voluntary Action, one of the founder partners of the Children's Development Bank, a new microfinance for street children program settled in some Asian countries. A second meeting has then been undertaken with Swasti Rana, a former worker at the Children's Development Bank in Delhi.
The objective of these two meetings was to get an understanding of the motivations behind the creation of such projects, as well as to have a first understanding of its main functioning.
In October 2005, a visit of the Children's Development Bank branch in Kolkata (India) has been undertaken in order to get a more practical view of a microfinance for street children program and, hence, to frame some important research questions before our field research study in Dhaka[1]

2. Field research

Our field research has been undertaken in Dhaka, capital of Bangladesh, from 15th December 2005 to 31st January 2006 (covering a total of 34 working days)[2] and focused on a specific microfinance for street children program launched by Padakhep, a microfinance institution active in all the country.
The research has been performed in three phases: research methods design, qualitative data collection and quantitative data collection/extraction.

[1] Whenever in Dhaka, we also found interesting to meet the director of SafeSave,M. Nipun Sangma, who made me discover how this very well-known organisation targets the extremely poor people.
[2] Considering a one week national holiday, it represented 6 days work a week.

2.1. Basic data collection and research design (Week 1)

The first step was to understand Padakhep's program. A meeting with Iqbal Ahmmed, Executive Director of Padakhep, and Prity Islam, program manager of the child development section, has helped us in such understanding. Some basic data have then been collected.

The second step was to seek a way to design a comprehensive research.

In order to do, we decided, first, to consult two experienced researchers. A first meeting has therefore been held with Dr. Imran Matin, head of research at BRAC, one of the most famous microfinance institutions in the world. A second meeting has then been organizaed with Mohammed Emrul Hasan, advisor at PLAN International, a famous child organisation, and having achieved a comprehensive paper some months before on the way children in Dhaka manage their money. Those two meetings helped us to frame the key questions and key methods to use.

Following this week, we chose therefore to design our research as a "diversity capture" exercise, where the interest was the capture the diversity in terms of demand for financial services and effectiveness of financial services provision, by building on participatory methods.

2.2. Qualitative data collection (Weeks 2 to 4)

The following three weeks have been essentially dedicated to the collection of qualitative data. This has been achieved by using participatory tools in order to guarantee the reliability of the data collected.

The first requirement was to try to set up a minimum trust relationship between participants. Given the limited time and the impossibility to establish it in the very short-term, we tried at best to consult them before talking to them, by telling them the objective of the interviews, and why this is useful for them. Moreover, knowing the need to create a child-friendly environment, we brought them some snacks which were distributed at the end of each session and which enabled us to discuss with them after the completion of the sessions.

Finally, we must point out that, in order to better understand the working activities of the street children, we did one night a field visit in Kawran Bazar market (with one member of Padakhep'staff), where many street children are working.

2.2.1. Research tools:

Our research tools included:

- **PRA sessions:** these are powerful participatory tools which enable to identify the needs and perceptions of participants. In our context, it was used for making a small introduction to the financial world of street children, by analysing their conceptions of money, savings and credit. As this required particular competencies in order to lead it, we were hopefully supported by three specialized members of Padakhep's research team.
- **Focus-group discussions (FGD)**: Small participatory group discussions, generally composed of 8 to 10 children, aimed at capturing **the demand** for financial services.
- **Individual-in-depth interviews:** street children who were individually interviewed were identified from the FGD and were the ones who had received a loan. This was chosen as a selection criteria in order to analyse the effectiveness of the intervention.
- **Observation and staff discussions**

2.2.2. Sample structure:

The street children interviewed have been divided into 4 categories (following Padakhep's classification), each category being divided – when possible – into three age categories (8 to 12 ; 13 to 16 ; 16 to 18) with an effort to get an equal distribution of girls and boys. Here are the 4 categories of SC targeted by the study (located in 3 different Drop-In-Centres[3]):

1. ***On the street day and night without their family :*** Location - DIC Kawranbazar DIC Mirpur
2. ***On the street during the day and return to their family at night:*** Location - DIC Mirpur
3. ***On the street during the day and return to their relatives :*** Location - DIC Mirpur
4. ***On the street & return to their family :*** Location - DIC Mohammedpur

2.2.3. Challenges and limitations

Our biggest barrier has been the language. As we do not speak Bangali, this created sometimes difficulties in communicating with the children, and the quality of the data were depending a lot on the ability of the translator to lead a good group discussion or to make a child comfortable before individual interview. The second problem was sometimes the difficulty in retaining some children, who had to leave for work.

2.3. Quantitative data extraction (Week 5)

The last week has been allocated for the extraction of some management information system (MIS) data. However, the major difficulty faced her was the lack of proper documentation.

3. Secondary data:

This consists of all our literature review and provides additional sources of inspiration.

[3] A drop-in-centre is a centre which provides various types of activities to street children. See further for a complete discussion.

CHAPTER 1: THE STREET CHILDREN ISSUE
WHAT DO WE KNOW ABOUT STREET CHILDREN?

Key points: defining street children is a difficult task; the "ON/OFF" terminology of UNICEF, based on the relationship the child has with his/her family, is a useful one but some grey areas exist. About their characteristics, the majority of them are boys, still have their families, and work on the informal part of the economy. They are vulnerable, but their capacities in terms of adaptability, peer support and moral principles are high.
The causes of the street children issue are multiple, and we need to analyze it by using a multifactoral model which takes into account all the parameters. Finally, intervening in the street children life needs a subject oriented approach, which takes into account its capacities and which perceive them as capable human beings who know what they want and what they need.

1. DEFINING STREET CHILDREN

"The task of identifying, with any real precision, all the factors which define who is and who is not a street child is difficult, given the relative lack of systematic study of the phenomenon. If the complexities of the cultural variations are considered, the task is probably beyond the limits of current technology as well. What is possible is to select key indicators for each of the dimensions" (Cosgrove, 1990, quoted in UNCHS, 2000: 73)

Street Children are a diverse and heterogeneous population, because of the diversity of their backgrounds and personal history, leading therefore to diverse definitions, and to a plethora of debates.
The term "street children" was first used by Henry Mayhew in 1851 when writing *London Labour and the London Poor*[4], although it came into general use only after the United Nations year of the child in 1979 (Scanlon and al, 1998). In 1983, the Inter-NGO Programme for Street Children and Street Youth was defining street children as[5]:

> "Any girl or boy who has not reached adulthood, for whom the street (in the broadest sense of the word, including unoccupied dwellings, wasteland, etc*)* has become her or his habitual abode or source of livelihood, and who is inadequately protected, supervised or directed by responsible adults" (Hatloy and Huser, 2005; Ennew, 2000).

In the late 80's, witnessing the diversity characterizing street children, other definitions began to emerge, mainly in Latin America, where street children made a huge apparition on the public area. The most common definition which gained credibility among practitioners and academics is the "ON/OF terminology" of UNICEF (1986).[6]
The terminology suggests dividing street children into two main categories: "children of the streets" and "children on the streets, the distinction being mainly based on the degree of "disconnection" to their family.

> **"Children of the streets"** are children (i.e. persons under 18 years old) who *work and live on the streets without family support, the street being therefore a place for living 24/7 (24 hours a day, 7 days a week)*;
>
> **"Children on the streets"** *work on the streets and spend most of the time there, but return back to their families/relatives at night, the street being therefore their major point of reference*

These two definitions are useful as long as their limitations are taken into account (O'Connor, 2003). Indeed, the complexity of the phenomenon means that overlaps and grey areas exist (Hatloy and Huser, 2005).

[4] *« In the 1840's he observed, documented and described the state of working people in London for a series of articles in a newspaper, the Morning Chronicle. The articles go into deep, almost pedantic detail concerning the trades, habits, religion and domestic arrangements of the thousands of people working the streets of the city" (http://en.wikipedia.org/wiki/London_Labour_and_the_London_Poor)*
[5] Inter-NGO Program on Street Children and Street Use (1983), "Document 83/23-SC/35., International Catholic Child Bureau. Geneva", reference quoted in Blackman (2001)
[6] UNICEF (1986), "Children in especially difficult circumstances: Exploitation of working and street children" in New York: United Nations Children Fund, quoted in LeRoux and Smith. (1998)

Those "grey areas" are present in both categories. For example, some "children of the streets" may have cut all contacts with their family, and others may still visit their family once in a while before returning to the street.
On the other hand, some "children on the streets" may alternate between street and home, sometime sleeping at home, sometime in the streets, and some may stay with distant relatives (and not their parents).
Finally, one particular category, found for example in Bangladesh and India, is the children living in the pavement with their families, the street being their "home" and their family being present, creating therefore categorizing problems. So, both categories do contain diversity and "grey areas" exist, leading therefore local organisations to adapt the definition to their local context ***(see Box 1.1)*** and some experts to define "new categories", some speaking for example of 'children for the street', who comprise 'candidates for the street who live in the slums and suffer from family break-up, abuse, and who do not go to school' (Dunford, 1996).[7]

Box 1.1. : Some operational definitions

In Mongolia...

In 1994, the National Children's Committee in Mongolia organized a national conference on street children, involving representatives from Parliament, the Ministry of Science and Education, Juvenile Police Department, Juvenile Prison, the Aimag Centers for Children, as well as the United Nations Children's Fund (UNICEF) and Save the Children, United Kingdom (UK). The conference adopted three categories of street children:

1. Children who work on the streets during the day, but who maintain links with the family and who usually return to their homes in the evening;
2. Children who have some contact with their families, but who spend most of their time on the streets, especially during warm seasons; and
1. Children who have lost contact with their families and live permanently on the street.

In Vietnam...

The work of Tim Bond, in the early 90's influences a tripartite categorization of street children.

1. Category A: children who have left home and family, or have no home or family, and who sleep on the street;
2. Category B: children who sleep on the street with their family or guardian; and
3. Category C: children who have a family or guardian

From West (2003)

However, as pointed by Volpi (2002), "*many agencies argue that these definitions may be inappropriate because it does not reflect the interconnected dimensions of child vulnerability*". Indeed, a "street child" may be part of many "categories" of children-at-risk, having therefore a set of diverse characteristics depending on the category with which the street child is connected: working child, school dropout, or a homeless boy or girl. So, "street children" is a convenient umbrella description, but has the danger of hiding the high diversity that it contains.
Moreover, UNICEF (2006) warns about another danger and points out how this label may be stigmatizing. Sarah Thomas de Benitez[8] claims for example that "the label 'street children' is demeaning in itself as it depersonalizes each child, making him/her a 'problem to be solved'', and nothing else. The greatest problems such children face is therefore their demonization by mainstream society as a threat and a source of criminal behaviour (UNICEF, 2006).

[7] Quoted in Baker R.P. (1999)
[8] Quoted in Kobayashi (2004)

For example, in Bangladesh, street children are either called *Tokai* (child ragpickers), even if they are street vendors, or either Kangali ***(see Box 1.2.)***

Box.1.2.: Being stigmatized…

'They [*mainstream society*] call us *kangali* and they say to us: 'What are you doing on the street? Go back home, find yourself a good job, don't dishonour your family' …. But we are not *kangali*, … we are working for living and we also do many other good things'.

Arif – 15 years old boy
From Conticini (2004)

Considering all these elements, we can point out that a "typical" street child is difficult to define; however, all the previous definitions do indicate that a street child has "a special relationship to the street, among other domains of their lives" (Glauser, 1990; Lucchini, 1996; Connolly and Ennew, 1996). However, Lucchini (1997) and Ennew (2003) warn to be cautious on the way "street" is defined and indicate that it is only one domain among others (such as family homes, schools, welfare programmes, etc) and has a variety of meanings and connotations in different contexts. Indeed, street children's world cannot be distinguished between "home" and "street", and it is necessary to unpack the hidden assumptions in the way we use the words "child", "family", "home" and "street" (Ennew, 2000).

Finally, one consequence of the difficulty in the definition of the term is the inability of governments and aid agencies to quantify their exact numbers. UNICEF (2006: 40) estimates them at tens of millions worldwide and indicates that their number may be growing as the global population, the urbanization and the poverty grow. However, Ennew (2000:37) points out that the few estimates coming here and there in some reports *"have no validity or basis in fact"* (Ennew, 2000: 37).

2. CHARACTERISTICS

2.1. About their family

One 'myth' about street children is that they are "orphans" and "homeless" children. However, research tends to show that this is far to be the case and the findings tend to demonstrate two things.

First, the majority of street children are children "on" the streets, estimated at about 75% of the street children population (Shurink, 1993 quoted in Grundling and al., 2005)[9]. So, "only" an estimated 25% of street children are children "of" the streets, having therefore little or no contact with their families (see e.g. Taçon 1992 quoted in Lalor 1999). For example, they are 27 percent in Nairobi; 2 to 16 percent in Brazil; 10 percent in Mexico, and fewer in Italy [10](Blanc, 1994). This leads some experts to label this phenomenon ***"home-based children on the street"*** (see e.g. Komobarakaran, 2004)[11].

Second, the majority of children "of" the streets has still their families, but has run away from home, often in response to psychological, physical or sexual abuse (UNICEF, 2006: 41).

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[9] E.g. Makombe (1992), quoted in Grundling and al. (2005), estimates that 85% of all street children in Zimbabwe have homes.
[10] Essentialy among the Roma community (see e.g. Unicef, 2006: 24)
[11] Quoted in Grundling (2005)

The majority of street children is therefore not abandoned, but return regularly to their households to share income and maintain social relationships (Conticini, 2004). Therefore, they can be considered as being parts of a 'multispatial household' with 'mobile livelihoods' (Tacoli, 1999; Olwig and Sørensen, 2001; Stepputat and Sørensen, 2001).[12]

2.2. About their gender

Findings tend to show that the majority of street children are boys, the girls being more subject to exploitative conditions at home (UNICEF, 2006; Aderinto, 2000; Blanc, 1994)[13]. Lalor (1999) makes an interesting review of the literature and indicates that the street child population in Columbia (estimated as one of the highest in the world) is 75% male and 25% female. In Ethiopia, street boys and girls are also in the same proportion. Finally, ILO (2003), in a survey of street children in Bangladesh, found only 2.44% of girls.
However, beyond the question of the number, the World Health Organisation (WHO,) points interestingly how important it is to identify street girls, and highlights that

> "…*Girls on the street have more difficulties and are often overlooked by street educators. Street girls are looked down upon in many societies and are easily exploited. They usually have less economic opportunities than boys and are given less money than boys for similar activities. Educational opportunities are denied to them and street educators usually engage street boys in various activities while paying little attention to girls". (WHO, 2000)*

Consequently, street girls are doubly discriminated: by the society and by youth organisations.

2.3. About their economic activities

Grundling and al. (2005) indicate how street children share one common characteristic: "working the streets" to make a living. Indeed, Lucchini (1998)[14] highlights that the children are not content in the street when they are not able to pursue some concrete activity, that the child will feel ashamed of being in the street with nothing to do, and that being without any activity causes boredom, the need for diversion, and the feeling of being condemned. So, street children tend to work, and the relationship between street children and the work is so close that it has created new terminologies such as **"street-based working children"** (see e.g. Gilligan and al. ,2004; Foy, 2001).
Many would assume (or witness) that street children do beg or steal, and therefore can not be considered as "child workers". However, Ennew (2000) indicates that even begging and stealing are considered as a form of work from the child's perspective, as it is a way to survive[15]. So, although street children have specific problems, they can be considered as a direct subset of working children.

[12] Quoted in Conticini (2004)
[13] However, once they leave home, they are generally less likely to return (Consortium for Street Children Worlwide, FAQs)
[14] Quoted in Liebel (2004: 59)
[15] However, the UNICEF does not consider it as a work, but does nevertheless include it in several programs as "illegal work" (Liebel, 2004 : 43)

The range of street children's economic activities stands mainly in the informal labour market (Bartlett, Hart, Satterthwaite, Barra et Missair, 1999). This market has different characteristics, depending on the local economy 'landscape', and comprises many types of work. However, despite this diversity, two common features can be drawn: first, it is unregulated,; and second, jobs are generally carried for short-term periods and do have low barriers to entry.

Box. 1.3.: Types of work of Street Children (from Ennew, 2000)

Type of Work	Description
Domestic	Unpaid housework and childcare within family.
Non- Domestic	Unpaid work with family, such as helping the father in a job.
Tied or bonded labor	Forbidden by law- some families lend their children as worker to get a loan or pay a debt.
Wage labor	Working for goods or money.
Marginal activities	Varied occupations such as street selling, manufactured in workshops, rag picking, begging, prostitution, and stealing.

The income-generating activities of street children are therefore diverse, and include occupations such as vendors, scavengers, tea and juice shop helpers, mechanics helpers, car washers, etc (Blanc, 1994: 326). Many of them are self-employed, but need to supply one part of their earnings to someone who supplies the good – for example, children who park or wash cars need to pay a premium to someone who controls the territory (Ennew, 2000: 29). Some other may be also working in small family enterprises – such as handicrafts and sweets-making – and despite being carried out in a family environment, some of these businesses can be extremely detrimental to the children's future (Blanc, 1994: 339).

However, as pointed by ILO (2003), when referring to street children in Bangladesh, "*most of the labouring children themselves do not mind having to work. What they object to are the humiliation, scorn and the various abuses they have to endure from their employers and clients*". Avoiding harassment of their employers might therefore explain why street children prefer to be self-employed, although they are quite limited as their access to capital in order to start their own business activity is limited.

2.4. About their vulnerability

The vulnerability, which we can define as the susceptibility of being harmed by some events, takes unfortunately a very important place in the street children characteristics. The street being a very harmful environment, the child is more vulnerable to harassment and abuse. The child does face many risks, such as: drug addiction, sexual promiscuity and abuse, work exploitation, involvement in criminal activities and violence (from the police, other street children or from adults). Volpi (2002) points out for example how, in Latin and Central America, a very high number of street children are victims of brutality by police and other adults. UNICEF (2006) indicates that, in Latin America, many of them are murdered by vigilantes in the name of 'cleaning up the city', often with the complicity of the police. Another mentioned problem is related to health, many children being alcohol and drug user, and subject to HIV. For example, Leroux and Smith (1998) report how Filipino street children experience loneliness, neglect, abuse, drug addiction, and various medical problems, and face constant harassment and arrest by the police, as well as abuse from other street children. In India, street children are also reported to be victims of violence, including physical and sexual abuse (Panicker, 1993)[16].

Vulnerability has different levels. Street children are all, inherently, vulnerable. But among them, children "of" the streets are said to be the most vulnerable ones as many of them sleep under bridges or in railway stations.

[16] Quoted in Leroux and Smith (1998)

They are very mobile and difficult to locate, and many analysts point to the importance of considering proprietarily this "much smaller" and "extremely vulnerable" group (Kaminsy and Wright, 1992, Lusk 1989, Childhope 1993)[17]. Street girls are also a highly vulnerable population. Indeed, they are heavily exposed to the multiple risks of street life and sexual exploitation, and run the risk of being doubly exploited: at work and sexually (Blanc, 1994: 327). Finally, apart from the vulnerability arising directly from their life on the streets, another type of vulnerability is related to the work they are doing. Indeed, children generally lack marketable skills, and therefore can not access good jobs, pushing them to enter the world of hazardous jobs which enhances their vulnerability.

2.5. About their capacities

We can go long in depicting the street children vulnerability. However, only seeing them under the prism of vulnerability may lead to a pity vision of the street children.

Indeed, evidence tends to demonstrate that street children are active policymakers for them and that the street life made them develop resilience[18] and adaptability, having therefore a high ability to thrive in difficult circumstances (Felsman, 1981[19]). This self management capacity has also been reported by Aptekar (1988)[20].

Moreover, many of them hold high moral principles and are found to have altruistic and caring behaviour (see e.g. Swart, 1998, 1990)[21]. Chawla (2002)[22] reports that the interaction of children in street situations, within neighbourhoods and street communities, is the keystone for understanding the growth of impressive ethical behaviours among them. In fact, street children are found to contribute largely to their families' income, and to buy gifts to their siblings when returning back home (see e.g. Ennew, 2000).

Many fieldworkers report also the existence of supportive and co-operative peer relationships amongst these children (see e.g. *Boyden, 1991, Bar-On, 1997* quoted in Foy, 2001; Lalor, 1998; Conticini, 2004).

Conticini (2004) highlights how street children create peer groups as a replacement of natural family ties and how friendship was important for them and Lalor (1998) indicates how the group is having a positive impact on their mental health. This group organisation can be central for providing both emotional and physical security. Indeed, it enables them to develop both a feeling of belonging and a collective identity (Lucchini, 1997).

Peer relationships become therefore important sources of identity and social support for young people (Woodhead, 1999: 29). Moreover, this group organisation is also present in their working activities, where evidence tends to demonstrate that much street based work is strongly built around peer groups, in order to share resources, strategies, assets and care (*Tyler et al., 1991; Ennew, 1994; Panter-Brick, 2002* quoted in Woodhead, 2004:26)

[17] Quoted in Blanc (1994)
[18] Resilience can be defined as "the manifestations of competence in children despite exposure to stressful events" (Garmezy, Masten, and Tellegen, 1984 quoted in *http://ohioline.osu.edu/b875/b875_1.html)*
[19] Quoted in Lalor (1999)
[20] Aptekar, L. (1988). *Street children of Cali*. Durham: Duke University Press, Quoted by Conticini and al (2006)
[21] Quoted in Ennew (2000)
[22] Quoted in Conticini (2004)

As pointed by Blanc (1994: 340) "To counter the negative perceptions of the street children, a new anthropological literature has emphasized the positive aspects of the street experience, and the new pride and confidence street work gives them (see e.g. Anderson 1990)

Consequently, in that new approach, street children are not passive human beings, but rather active contributors to their development, attempting to make sense of their social world, and coming to an understanding and evaluation of their own experiences of child development; they are therefore not "object of concern", but "subjects with concerns" (Woodhead, 1999). It requires therefore reviewing their status as competent to determine what is in their best interests (Prout, 1998). This new vision is summarized by Rizzini :

> *"Although exploited, poor and oppressed, 'he' was a 'strong and astute' being, a surviving hero for whom it was necessary to create 'critical, creative and participative action on the part of educators, who always had something to learn from the children and had to face opposition from the public, who only demanded immediate results.' There the children would be playing their part as, denouncers of an unjust society that evaded its due responsibilities" (Rizzini, 1996)*[23]

3. CAUSES OF THE STREET CHILDREN ISSUE

A common cited reason pushing children to the street is economic poverty (Alexandrescu, 1996; Peacock, 1994; Scheper-Hughes and Hoffman, 1998)[24]. Indeed, street children are said to move from the household for coping with insecurity and economic hardship (Conticini and al., 2006). For example, a recent UNDP/Government policy paper in Bangladesh (ARISE, 2001)[25] indicates poverty as the driving forces that pushes children to the streets, and points out that "*the influx of migration could be stopped if sufficient income earning opportunities are created in the rural sector through massive poverty alleviation interventions at the country side*" (ARISE, 2001).

Poverty leads therefore some families to send their children to work, and the street appears as a "promise of rewards" (Lucchini, 1997). But, if economic poverty was the only reason, all poor countries in the world would be filled up with street children ; in fact, only a small minority of households in the poorest metropolitan cities account for street children, and they are generally no poorer than their neighbours (Moura, 1997). Other reasons are therefore at the origin of the phenomenon.

Conticini (2004: 6-7), in his study of street children in Dhaka, points out how the majority of children interviewed did leave their villages because of abuse, especially in terms of physical violence and the breakdown of trust within households, and that "analysts and policymakers have so far missed the opportunity of significantly engaging with a growing body of literature that shows the decisive role played by non economic factors in children's decision to migrate to the street". Indeed, considerable evidence tends to show that street children have endured psychological and physical, including sexual abuse (Blanc, 1994 and Moura Castro, 1997).

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[23] Quoted in Ennew (2003)
[24] Quoted in Conticini and al. (2006)
[25] Quoted in Conticini (2004)

For example, a study of street children in Nepal (Pradhan, 1990)[26] revealed a range of different and mixed reasons:

> *maltreatment by stepmother, 23%; father's death, 28%; family abandoned by father, 5%; mother's death, 16%; family abandoned by mother, 9%; lack of home/food, 12%; neglect or abuse, 83%; abandoned by family, 5%; attraction to city life, 62%.*

Consequently, both economic and non economic factors are part of the equation and, unfortunately, plenty of theories have analysed the causal factors as mutually exclusive (Foy, 2001), and did not consider the complex mixture of factors that pushes and pulls children to the streets.

Lucchini (1997) tries to make some order in this complexity, by building up a multifactoral model, where he defines 3 levels of analysis: **macro-, meso-, and microscopic.**

- **Factors at the micro (individual) level:** escape from an individual situation (hunger, shame, abuse), failure at school, lack of money or feeling unwanted, desire of autonomy, etc.
- **Factors at the meso (family) level**: the breakdown or disintegration of the family structure, single-parent families, remarriage, desertion, poverty, child abuse, child neglect, family violence, lack of adequate care, etc.
- **Factors at Macro-level**: politics, economy, housing, health and welfare services, unemployment and rapid urbanization.

This multifactoral model does show the complexity of the analysis. Whereas the earlier assumptions identified two causes, **poverty** and **family breakdown**, the street children being either "throwaways" or "runaways" the new thinking about street children uses multifactoral models to explain the street children predicament (Ennew and Kruger, 2003; Foy, 2001). Indeed, "most poor families do not break down, nor do they inevitably abandon or discard their children and using simplified models can lead to the stigmatization of children and their families" (Ennew and Kruger, 2003).

Finally, Lucchini (1997) highlights the importance of considering the fact of leaving home as a process, whose length varies according to different parameters.

We therefore witness how the problem is diverse and complex, and needs therefore to be tackled in its complexity.

4. CONSEQUENCES, OR WHY IT MERITS OUR ATTENTION?

The consequences of the street children predicament are numerous, both for the child and the society at large, and can be categorized as social as well as economic.

Undeniably, life in the streets can be extremely damaging for the child. Our first section sketched some characteristics of the street children, and indicated how they are experiencing health problems, neglect, violence and abuse. Indeed, those children may experience some forms of exclusion from the official and institutional parts of society and rarely treated with respect, their views and opinions being seldom taken into consideration by anyone (West, 2003). Life in the streets prevents also children from getting education, and the dilemma between "education" and "work" is a complex one. As pointed by West (2003), "work" is not the only reason that prevents

[26] Quoted in Leroux and Smith (1998)

children from getting education, as children do not generally see it as mutually exclusive, but the core explaining factor might be the discrimination, as the official and institutional parts of society exclude them partly because of their "perceived" picture of criminal.

We have also pointed out how much work is an integrated part of their daily life, and that many children are working for their families and themselves. Moreover, many are experiencing very hazardous working conditions, being therefore economically exploited, impacting therefore their development.

Combining social consequences as well as economical exploitation, we could assert that street children are living in an extreme poverty situation, Marshall (nd)[27] defining childhood poverty as *"growing up without an adequate livelihood, without opportunities for human development, without family and community structures that nurture and protect children, and growing up without opportunity for voice.*" So, severe and chronic poverty[28] are both a cause and a consequence of the street children predicament.

Secondly, the street children issue has an impact on the society at large. Indeed, some street children in some parts of the world can be found in the drug trade, as they are cheaper to hire, and the majority of them do use chemical inhalants, such as solvents, adhesives and fuel gases, local drugs, or even alcohol and tobacco (Blanc, 1994). Some studies report e.g. that 75 percent of street children in Brazil, and increasing numbers in the Philippines, Kenya and Italy use dangerous substances (Alexander and al., 1993)[29]. This situation can increase considerably the criminality climate in some metropolitan cities. Moreover, when street children come into contact with the "bourgeoisie", it can generate unfortunate economic, political and social consequences, including some that are extremely damaging to the social order, as they are often perceived as threats to property and physical integrity (Moura, 1997).

However, stating this must not push us to blame and shame those children, as this is only true in <u>some</u> parts of the world and for <u>some</u> street children, but this argument must give incentive to governments to find a sustainable and effective way of acting, first for the well-being of children, and second for the well-being of all the society. Besides, many have outlined the intergenerational transmission of poverty in developing countries, describing how a poor child will have a higher likelihood to become a poor adult (see e.g. Moore, 2001) ; and the impact of adult poverty on a society is never good, as it is damaging the economic and social development of the society. This calls therefore for a necessity to invest in children and youth at risk. In such a perspective, the World Bank also points out how political and economic costs of not investing in children and youth are high, and that the sooner this investment is done, the higher will be the returns (World Bank, 2005).

[27] Quoted in Iglebaeck and Hassan (2005)

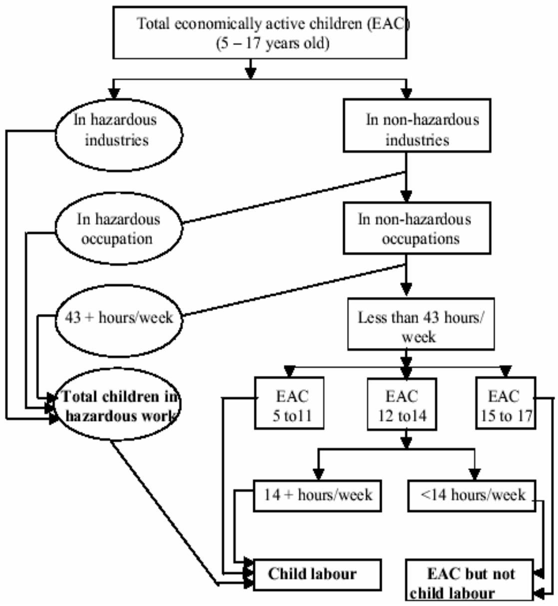
[28] For more explanations about the concepts of severe and chronic poverty, see Hulme, Shepherd and Moore (2001)

[29] Quoted in Blanc (1994)

5. SOME IDEOLOGICAL ISSUES: CAN (STREET) CHILDREN WORK?

5.1. Child labour and child work: definitions

Box 1.4. : EAC and child labour



ILO/IPEC (2003 :46)

In 1973, the International Labour Organisation (ILO), under the *Minimum Age Convention* (Convention n°138), set the minimum legal age for starting work at 15 years old (and developing countries could set it at 14 years)[30].

In its definition, ILO considers work as the process which produces a marketable output. Domestic work is therefore not considered in their statistics.

The ILO estimates that the number of children aged 5-14 years in 2004 who were economically active was 190.7 million, while the number classed as child labourers was 165.8 million, which nevertheless represents a decline comparing to the figures of 2000 (ILO, 2006).

As we notice, these statistics make a distinction between children who are **economically active** (i.e. children working more than 1 hour but less than 14 hours a week in non hazardous conditions) and **child labourers** (i.e. children working either 14 hours or more in non-hazardous conditions, or 1or more hours of hazardous work per week). However, for all the children aged 5-11 years, being economically active is synonymous with being a child labourer. Thus, for 12-14 years, child labour is more restrictively defined (N.H.W.[31] ≥ 14 hours or H.W. ≥ 1 hour).

In the 1990s, the ILO took up the distinction between *labour* and *work*, in order to separate the 'harmful' forms of children's work from the 'tolerable', on the basis of hazard (Liebel, 2004; Woodhead, 1999). It lead to the adoption of the ILO Convention 182 in 1999, defining as hazardous work "*any activity or occupation that, by its nature or type, has or leads to adverse effects on child's safety, health (physical or mental) and moral development*" (ILO, 2006). The previous figure highlights the difference between a child labourer and an economically active child.

On the other side, child work refers to the work done occasionally and which can have positive effects on the children. Indeed, *"not all work is harmful to children. Some work activities develop practical knowledge and skills; and work also reinforces many children's sense of self-esteem and unity with their families"* (Jo Boyden et al., 2004).

[30] Unfortunately, fewer than 50 countries have committed themselves to making it part of the national laws (Ennew, 2000)

[31] (N).H.W. : (Non) hazardous work

5.2. Ideological considerations

Myers (1991)[32], a famous specialist in child development, points out how the question of working children has often been seen as a dichotomy, depending on the beliefs of each. Let us review the two sets of approaches that are part of the vision on child work:

⌖ Approach 1: Abolitionist perspective or child-centered approach

> **Description** - "*The crux of the problem is in the fact that children are allowed to engage in economic activity. They argue that childhood should be reserved primarily for study and play, with work consisting (only) of light chores in the home. Moreover, even if children are not mistreated, their participation in the work force weakens adult wages and employment and is thus a factor that generates the very poverty that forces them to work. A working child is considered by definition to be at risk (...) and the ultimate goal should be the elimination of all child labour*". (Myers, 1991)

As pointed by many experts, this approach is based on the unthinking adoption of the 'modern' western conception of childhood where "childhood is sacralised as a privileged phase of life properly dedicated only to play and schooling, as a time in which children have the right to protection and education but not to autonomy or participation" (Boyden and Myers, 1998). This approach takes mainly its roots from mainstream western developmental psychology theory where few considerations are being given to the cultural aspect of child development (ibid). Indeed, "it has long been the explicit goal of the West to crystallize such ideas in the fashioning of a universal system of rights for the child" (Boyden, 1990). Within this ideal, the family and school were regarded as the appropriate settings for the nurture, protection and socialisation of children (Foy, 2001). Although this approach may have positive effects, as education and family are two important notions for all children, this approach has the risk of not perceiving working children as a social group acting or able to act in an organised manner as protagonists (Liebel, 2004: 8). Regarding street children, the scope of solutions may therefore be limited, as school and family can not always be a viable solution.

Box 1.5.: What is a hazardous work?

- Children are too young to be doing this kind of work
- The hours are too long
- Children are too small for the tasks and tools involved
- They are paid too little
- The work is too hard for a small growing body
- Too much responsibility
- The work is too dull and repetitive and does not stimulate their development
- The working environment is too dangerous
- They are too unfree (i.e. there has been no choice about whether or not to work, or what kind of work to do; they can not leave; they loose their self-esteem)

From Ennew (2000)

[32] Quoted in Liebel (2004)

⌖ Approach 2: Subject-oriented approach

Description: *"(Here), the work, under appropriate protection and supervision, is an essential vehicle of juvenile socialization, training and self-esteem. (...) The economic participation of children is therefore acceptable as long as it is consistent with healthy development and that the real problem is the special vulnerability of children when they enter the labor market. Although they support the elimination of child participation in hazardous work, they feel that youngsters wishing to work should have the right to do so. (...) To them, the central issue is how to protect the safety and development of children who work. (Myers, 1991)*

Criticizing the traditional abolitionist perspective, a new movement of child advocates emerged, witnessing that the abolitionist perspective did change few things and that children are still continuing to work (Moore, 1999)[33]

They point out the importance to see children as *subjects* who, "*precisely because they are different from adults and have their own specific interests and needs, must be able to decide themselves about their affaires, and should be supported in this*". (Liebel, 2004: 8).

This means considering working children as "social actors" who through their activity contribute to the preservation and further development of human life and the society in which they live (ibid).

Box 1.6.: Some positive aspects of children's work

Work can:

- Increase children's sense of responsibility
- Build their self-esteem
- Enhance children's status as family members and citizens
- Provide them with an opportunity to learn the skills of their parents and neighbours
- Make children feel less marginalized, especially when combined with regular schooling.
- Provide an important an gradual initiation into adult life

From Blanc (1994: 346)

In order to do so, it needs to replace the narrow view of children's work as exploitation by a wider view that takes account of its multifarious influences on children's growth and development (Boyden, 1998:11). Under this approach, children "*are not merely recipients of an experience, but do mainly contribute to its development*" (ibid: 11). In such a context, it is possible that "children seek and value work as a source of learning, social acceptance, independence, feelings of accomplishment and self-worth, or other personal benefits beyond strictly economic considerations" (ibid: 11). See Box...

As pointed by Woodhead (1999:14), the problem comes from the conceptualization of "child development".

He enlightens how "studying child development means studying Western concepts of childhood" and highlights how the field how developmental psychology is an ethnocentric one dominated by a Euro-American perspective, with no place to "work" in their model. Indeed, referring to Vygotsky, the author points out how every child is born into a particular social/cultural/historical context and how their development is therefore circumscribed by processes of maturation, but there is no such thing as a "natural environment" for their development (ibid: 18). Moreover, he warns about policies which are aimed to generalize "meeting children's needs", "promoting children's

[33] Quoted in Foy (2001)

healthy development", or "enabling them to reach their full potential", and which distract attention away from more fundamental issues about the many different expressions of need, routes to health and human potentials (Woodhead, 1997 quoted in Woodhead, 1999: 49)

Applying a subject-oriented approach means avoiding the "rescue strategy", and building upon the capacities of the street children (as underlined in our section 1 "characteristics"). Williams (1993)[34], for instance, urges interventions to be directed at changing the *capabilities* of those for whom street use is, to some degree, a positive aspect of their existence. Consequently, Foy (2001), referring to Tolfree (1998) underlines that the overall objective is to provide this group with the opportunities and experiences which will enable them to become economically productive and eventually self-supporting, to facilitate their survival in the world of work and independent living. This will therefore be a move 'beyond conventions, towards empowerment' (Boyden and al, 1998,:87).

Operational implications: towards a model of child development

The following of our paper will be built on a subject oriented approach, implying that we will seek solutions to alleviate the present suffering of street children, whilst looking for ways to improve their future, by constantly building on their *capabilities*. This approach advocates a holistic model of child development[35], which starts from considering what matters to street children and which seeks solutions which are consistent with their livelihoods strategies. As pointed by Conticini (2004), this will guarantee an intervention directed to strengthen children's own solutions rather than merely substitute for them. In order to do that, the following of our paper will try to listen to the street children's needs.

[34] Quoted in Foy (2001)
[35] We will adopt the definition of "child development" raised by Petren and Hart (2000) and quoted in Conticini (2004): "Child development is a holistic process which underpins not only physical growth and health, but also economic, cultural, mental, moral and spiritual development. It represents the process of realising each child's inherent potential".

CHAPTER 2: DEMAND ANALYSIS
WHY DO STREET CHILDREN NEED FINANCIAL SERVICES?

Four facts and one conclusion

Fact one: street children do work and have a high range of economic activities aimed at meeting their present and future expenditures; **Fact two**: street children do need savings in order to afford better their future expenditures; **Fact three:** some street children do need credit in order to start a business activity and to improve their income; **Fact four:** but street children demand is poorly matched by supply, the informal market remaining the main supplier ; **Conclusion:** street children do need an access to financial services, especially savings, in order to build a better future.

1. CONTEXT

1.1. Bangladesh in brief

Bangladesh, one of the poorest countries in the world, is also the most densely populated one in Asia. The total population accounts for about 130 million, 85% living in rural areas. Agriculture is its main activity but unemployment remains a major problem for the rural poor. However, there is now a high urban population growth rate. Dhaka, the capital, is therefore highly populated and the Centre for Urban Studies[36] states that 60% of the population of Dhaka city lives below the poverty line.

1.2. Street children in Bangladesh

About 45% of the total population is under the age of 15, the children between the ages of 0-15 being so high that it has serious socio- economic implications (Padakhep, nd. (a)). One of the consequences of such phenomenon is the presence of street children in urban cities.

The Consortium for Street Children Worldwide[37] estimates their number at 445,226 (of which 75% are in Dhaka city); 53% boys, 47% girls (Sept 2001 survey). However, as pointed in our first chapter, the definition makes the counting difficult and different from on agency to another.

Witnessing this disaster, the Government of Bangladesh is taking a very positive attitude and ratified, in 1990, the United Nations Convention on the Rights of Child (UNCRC)[38]. As pointed by Padakhep (nd), this provided an impetus to the formulation of a National Policy on Children and to collaborate with National and International NGOs to develop programs for the vulnerable children in order to harmonize all child development activities in the country in light of the UNCRC. Therefore, in order to execute such commitment, the Government is supporting some projects/programs towards intervening in the life of the street children, and "Appropriate Resources for Improving the Street Children's Environment" (ARISE) project is one of them. Under ARISE, the government (in partnership with UNDP) is supporting, since April 1999, 9 NGOs in 6 cities. Padakhep is one of them.

2. OBJECTIVES

Many studies explored the financial needs of poor people – but with a focus on adults, not children. It has been demonstrated that adults need financial services for preventing - *ex ante risk management strategies*- and coping - *ex post coping strategy*- with risks, and do not only need the traditional mono-product working capital loan (Wright, 2000)[39]. Furthermore, Rutherford (1999) categorized this demand into three main components: *life-cycle*, *emergencies* and *opportunities*. *Life-cycle* demand refers to the predictable and anticipated events that hit poor households, such as Christmas, Eid, childbirth, education, etc. *Emergencies* are, on the opposite, unpredictable

[36] Quoted in Iglebaeck and al (2005)
[37] http://www.streetchildren.org.uk/reports/Bangladesh%20Child.doc
[38] This convention states the right of the child to live, to be developed, the right of security and the right of participation
[39] Quoted in Iglebaeck and al. (2005)

events which *create a sudden and unanticipated need for a large sum of money*, such as employment loss, theft, floods, etc. Finally, *opportunities* to invest in an existing or new business or to buy land or other productive assets may arise and may need large lump sums of money (Rutherford, 1999; Matin, Hulme and Rutherford, 1999).
When talking about street children financial services needs, a new challenge is facing us, as very few literature is exploring that topic. The common idea about street children is that they are one of the poorest communities in the world, being often qualified as '*destitute*', and even '*criminals*'. They are therefore perceived as too poor and too young to be forward looking, having no money management strategies, being irresponsible as they spend all their earnings at the end of the day. So, why to offer savings or credit services, as they do not need it.

This chapter will therefore have three specific objectives and it will identify:

1. **How do street children get money and why do they need money?**
2. **Why do street children need savings?**
3. **Why do street children need credit?**

3. METHODOLOGY

In order to meet our three specific objectives, we decided to make a zoom on street children of Dhaka already benefiting, through Padakhep, from access to savings and credit.
Padakhep chose the definition that appears to be the most adequate to the Bangladeshi context and defines them as "*Disadvantaged Children aged below 18 years, who pass most of their time on the street either for work or for any other purposes*". However, the organization views street children more critically and segregates them into four specific categories, following the ARISE classification (from the most vulnerable to the less vulnerable).

BOX 2.1. : STREET CHILDREN CATEGORIES - PADAKHEP / ARISE TYPOLOGY

CATEGORY 1: WHO WORK AND LIVE ON THE STREET DAY AND NIGHT WITHOUT THEIR FAMILY

- ✓ Children who either have their families in the villages, either left their families in Dhaka city or either lost their families.

CATEGORY 2: WHO WORK AND LIVE ON THE STREET DAY AND NIGHT WITH THEIR FAMILY

- ✓ Children who are living with their families in a temporary house made of plastic or bamboo; they are found on the embankment of any metropolitan area of Bangladesh.

CATEGORY 3: WHO WORK ON THE STREET DURING THE DAY AND RETURN TO THEIR RELATIVES AT NIGHT

- ✓ Children who live in Dhaka with their uncles, grandmothers, aunts, etc.

CATEGORY 4: WHO WORK AND LIVE ON THE STREET DURING THE DAY AND RETURN TO THEIR FAMILY AT NIGHT

- ✓ Children who live on the street and work there during the daytime but return to their parents at night (settled generally in the slums of Dhaka)

Those four categories were found in three different drop-in-centres. As pointed in our Methodology section, we addressed those 4 categories using focus group discussions in order to assess their demand. The following table gives the total number of participants that took part in our research:

	8 to 12 years	13 to 16 years	16+	Total Participants
Category 1	2 FGD	2 FGD	1 FGD	37
Category 2	1 FGD	1 FGD	0 FGD	11
Category 3	1 FGD	1 FGD	0 FGD	9
Category 4	1 FGD	1 FGD	1 FGD	22
TOTAL PARTICIPANTS				79

Moreover, we added 2 PRA sessions, with a total number of **38 participants**, in order to assess their perception of money, credit and savings.

4. DATA ANALYSIS

Preliminary note: the data below will be expressed in local currency:
Exchange rate: 1 US $ = 68 US$
Purchase Power Parity Rate: 1 US $ = 13 TK

4.1. Entering their financial world: the first steps…[40]

4.1.1. Street Children's perception of Money: what does money mean to them?

Our participatory sessions identified that the street children's perception of money was articulated around five aspects:

1. Problem
2. Future
3. Survival and a mean to meet emergencies
4. Purchase Power
5. The reward of our work

What is money? A poem written by Mohidul Kooser Samim Jibon

Money is the dust of hand (meaning: it's nothing)
Money is problem
Money is something which enables to have large things
Money is a mean to fill wishes
Money is future
Money means good food
Money means expensive dress
Money means what mind wants
Money means to live on earth
Money is the root of business
Money means the light of life

PRA Session (translated by Nahar) – 27/12/2005 Dhaka

[40] The idea of starting our exploration in Dhaka city by participatory sessions around street children perception of money and money management strategies was initiated thanks to Iglebaeck and Hassan contributions, to whom we are thankful.

- **Money is problem**

First, children usually depicted money as a problem, linking money with the sinister side of their street life experience. Indeed, many of them already experienced some troubles because of money. As they did not have a safe place where to deposit their earnings, many were keeping their money in their pockets, trying to hide it as best as they could, being therefore a source of problems as other children and adults knew this. Children mentioned the plethora of pickpockets that are there, especially in highly frequented places (as the vegetable market of Karawan Bazar in which children work during the night).

> *"When we sleep at night, then the thief steals our money"*
> A child during the PRA Session

- **Money is future**

> *"Money means something which helps us to make sound live" A child during the PRA Session*

The children participating in our sessions made a strong link between money and **future**. Even if money was expressed as a "problem", it was perceived as being useful and having a lot of advantages, one being that it enabled them to build their future. Money was associated with "good job", i.e. the element which would enable them to have a pretty life. *A good future was also* linked with "education", as the "school" is still for some of them a mean to have a better future. As some girls summarized: "*With money, we can start life in a good environment*"

- **Money is survival and a mean to meet emergencies**

There was a particular emphasise on the link between money, emergencies and more generally survival. Many pointed out how money was needed for eating, treatment, shelter and for daily survival. A particular interesting point is the altruistic view of "survival" and "emergencies". Indeed, the majority of children was specifying how money was necessary for the survival of their families, and therefore was informing us on the significant role they are playing to contribute to the well-being of their families. Moreover, it gives an introduction to the difficult living environment surrounding them and their responsibility in meeting their families' basic needs.

- **Money is "purchase power"**

Children highlighted how money was necessary to buy assets: dress, tea, machinery tools, etc. The assets were not only for consumption, but also inputs for their businesses. Indeed, many mentioned how money helps them to buy tea, vegetables, "chutneys" (i.e. indian sauce), in other words products that were necessary to run their businesses. Here too, we can see how their world is structured around the work.

> *"Money is something which enables us to have many things, to buy nice food and expensive dress"*
> *A child during the PRA Session*

- **Money is the reward of our work**

As highlighted in our first chapter, the majority of street children are working. It is therefore logical to find expressed the link between money and work. Money is not something they received from their parents, but the result of their work. It may seem very anodyne to raise this point, but it is extremely important to consider it, as this is impacting our view on the street children, which need to be seen as "economic agents".

4.1.2. Street Children's perception of money management strategies

This section aspires to draw the perceptions of street children on the conventional money management strategies, in other words to analyse what does savings and credit mean to them.

▪ What is Savings?

Many different definitions of savings arose. It was very interesting to see how street children, often very young, were able to define precisely this notion[41]. The following box gives a sample of some definitions:

- Savings is daily income from which we take a part and we put in a safe place
- Savings is income less expenditure.
- Savings means to put money in a safe place
- Savings means to keep money in a bank or cooperative

Many street children perceived savings as a mean "to save their life" and to enable them a better future. Some did point out the relationship between savings and business, as saving money was a mean to start their own businesses…*"we sell chips with our savings"*

▪ What is Credit?

Street children made a strong relationship between credit and investment. It was perceived as a mean to start or reinforce their business. Moreover, children perceived credit as an opportunity to get education and to meet emergencies. Here is a sample of the definitions that arose during the PRA sessions and FGD:

- Credit means borrow money from others" (i.e. some of them had a solidarity system" between them)
- Credit is what helps us to start business
- Credit is what helps us to access higher education
- Credit is needed if a family member falls sick
- Credit is a mean for me to go abroad and it will enable me to have a better future.
- Credit is "good future"
- Credit is a mean to be self-dependent.

[41] Many street children who took part of the PRA sessions had followed previously awareness sessions given by Padakhep staff, where they learned the importance of savings and credit.

4.2. Street children economic activities

In order to assess correctly the demand for financial services, we need to understand the economic activities in which the street children, who took part in our research, are involved.
During our research, the majority of street children were found to have a job and quite innovative ways to earn money. Our previous chapter underlined that street children are particularly present in the informal labour market, and our findings in Dhaka do confirm it.
Padakhep identified more than 30 economic activities in which street children are involved: *carpenter, mason, small trade, shopkeeper, welding, van puller, rickshaw puller, driver, scavenger, day labour, trainees, sales boy, iron man, garments, domestic helper, garage work, boutique work, hotel boy, Tokai, bakery, water seller, tea stall worker, helper, sewing, service, factory, vender, beggar, Minti, electrical work, beautician, packet making, etc.* As we see, the range of economic activities is long and shows how street children have a broad imagination in finding income generating activities.

We can segregate those occupations into two broad categories: trade related activities and wage related activities.

Regarding their trade related activities, the majority of children were found to work as "*Tokai*", a Bangali term who defines a child who moves around the town to pick up various used items like papers, bottles, shoes, clothes, etc in order to sell them. Many were reselling those items around different markets (especially Kawran Bazaar) and were earning 30 TK to 50 TK daily.
Some other sell flowers, snacks (chips, chocolates, etc) or cigarettes in the streets. Some, like Swapon, are also selling vegetables:

> *Swapon is a young boy of 16 years old. He used to be ill-treated by his parents and thus decided, one day, to leave home and look for happiness in the streets. He was then 12 years old. However, he quickly understood that the street life was far to be easy and that he needed to work in order to survive. He therefore decided to use his negotiating skills and found a way to buy vegetables at 8Tk per kg and to resell it 9 TK.*

Others are involved in seasonal businesses, and reported to earn quite high during those occasional periods.
For example, many children buy food during Ramadan and sell it for "iftar"[42]. Children highly valued those seasonal businesses and pointed out how they were earning significantly during those periods (i.e. a daily profit up to 200 TK).

Some were involved in wage related activities. The most recurrent job among them was the "Minti" i.e. persons who carry luggage – fish or vegetables and other goods for shop owners and customers- in markets, railway stations, bus stations and shops. It is the informal equivalent of the "Cooli", who does the same job but is registered with the government and earn higher wage rates (ILO, 2003). Having visited this vegetable market at night, we found that street children were working there under difficult conditions. They were generally working all the day.

[42] Ramadan is a Muslim festival, lasting one month, where the believers fast during the daytime and eat at the sunset.

In the evening, they rest a bit, before starting again to work by midnight (when the first trucks come). Then, they work all the night until early morning.
Other wage related activities include jobs such as van pullers, where children unload and push trucks and rickshaws.

As for the wages, they vary on the job involved and the age of the worker. For example, young "Minti" (from 8 to 12 years old) earn between 30 to 50Tk daily. Older children, working as Minti, earn between 50 and 70 Tk daily. Many children had seasonal businesses and were reported to earn consequently during those periods. For example, many children sell "iftar" during Ramadan and earn up to 200 Tk daily. Other children, such as hotel boys, get a salary partly in cash and partly in nature, receive a package: a small salary in cash, plus a place for sleeping and food from the hotel.
Street children involved in embroidery earn between 100 to 250 TK, depending on the quantity, intensity and quality of work (Iglebaeck and Hassan, 2005).
Some are lucky to find a job at Padakhep (in the drop-in-center), as peer educators, and earn 1000 Tk/ month. Others are working as employees in Padakhep Bipanon, a retail shop created by Padakhep.

Whenever talking about their preferences, children reported how wage related activities (such as Minti and van pullers) were not appreciated, because people often were blaming and insulting them. Iglebaeck and Hassan (2005) confirm this finding and indicate that those jobs are in general hazardous and not valued by children themselves.
Their dream was to leave their current jobs and to start their own businesses. So, the desire for self-employment was highly visible, as those children perceived it as a way to earn higher income and to avoid hazardous working conditions

When discussing the reasons underpinning their working activities, street children pointed out, logically, that they were working in order to meet their financial needs, which can be grouped in two categories:

- **Present financial needs**: it does include day-to-day basic expenditures, such as food, transportation and clothes; these scored particularly high in the street children spending portfolio.
- **Future financial needs**: it does include expenditures such as supporting family, buying medicines, paying for education or investing in an income generating activity.

4.3. Why do street children need savings?

Our data tend to show that street children, as any other people in the world, need savings in order to meet their future financial needs, which are of 3 kinds (following Rutherford's typology):

- **Life-cycle**, such as supporting their family or getting education
- **Emergencies**, in order to be able to meet their own as well as their families' emergency costs
- **Opportunities,** in order to invest it (either directly, or either through the loan they can get thanks to their savings)

Those are the three pillars of their savings needs. However, what makes particular a street child from another person is its street life insecurity, which is the root of their needs for savings. Let us therefore discuss quickly this argument, before moving on to the three pillars.

4.3.1. The street life insecurity

Street Children of all ages and categories have reported how the street is an unsafe environment. Passing most of their time there, their money was often stolen, especially when sleeping on the streets. They reported that, usually, other street children were stealing money from them. Moreover, another source of fear and theft was the "*Mastaans" (see Box)* who threat them in order to get money.

Box 2.1. : The world of Mastaans - Dhaka Underworld

"A number of the *mastaans* have good relationships with the political parties (both ruling and opposition parties). In some areas *mastaans* collaborate with each other, whereas in other areas they fight over territory.

M*astaans* use children for a number of illegal activities, such as carrying drugs, small arms or throwing bombs. *Mastaans* target and identify street children from street to work for them. For targeted children escaping from the claws of the *mastaan* is by nature almost impossible and children who try to escape are usually killed. People are aware of the activities of *mastaans.* At the same time people are scared to talk about *mastaans.* Children are paid according to activities performed, and payment is related to trust between the *mastaan* and the child, scale of illegality, skills and experience".

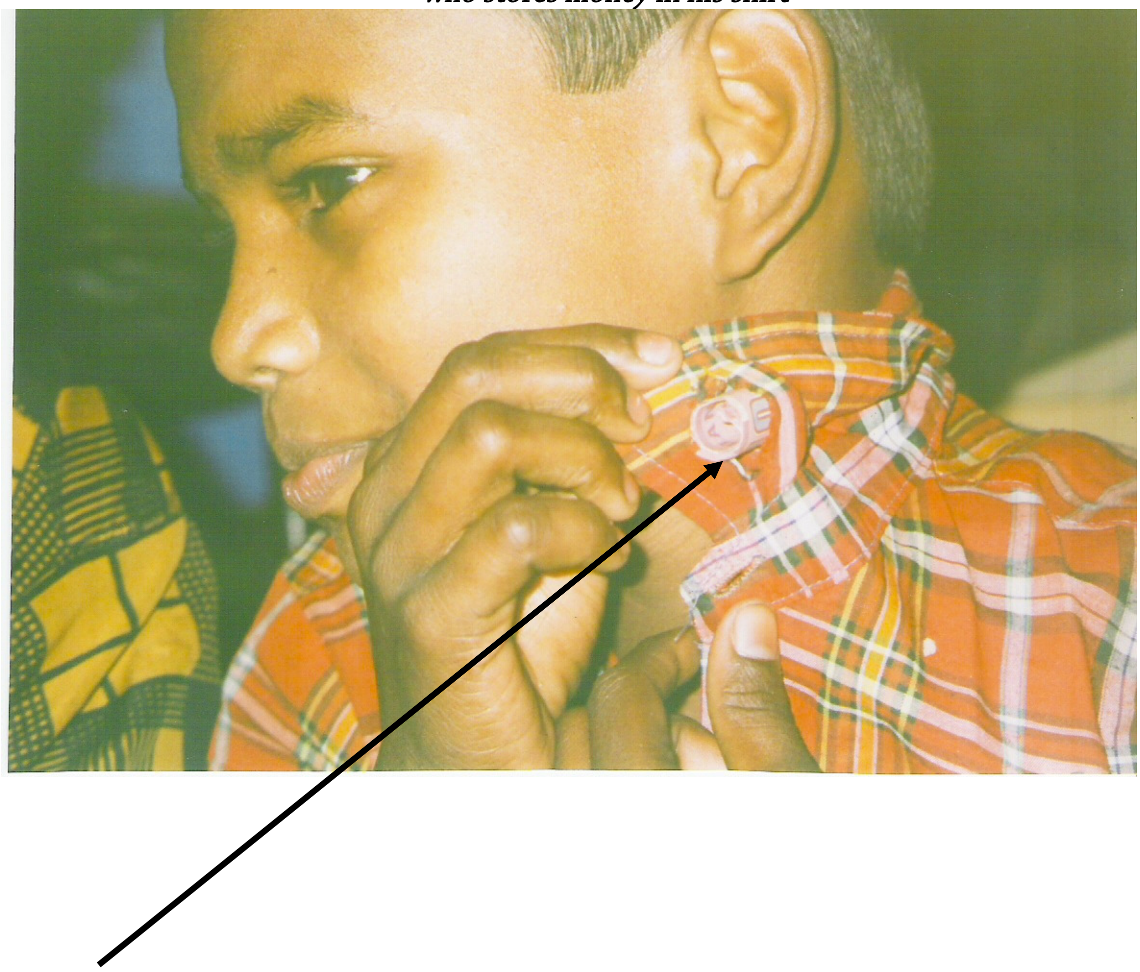
(from Iglebaeck and Hassan, 2005)

Consequently, they look for ways to keep their money safe and were doing so by using three strategies (before joining Padakhep and benefiting from access to savings services): short-term devices, informal intermediaries and "the quick spending'.

A. Short-term devices: Street children find innovative ways to store their money, such as trousers, shoes, etc. They indicated the usefulness of such strategies for very short-term period, as money is quickly accessible. However, it is inappropriate because it can get wet when it rains, or can be lost if they change clothes; and it is unsafe, as other children know that they keep money with them and may attack them. Mohamed Kawsar explains us this danger.

> *Mohammed Kawsar is a 10 years old boy. He is living alone in Dhaka city and left his village in order to help financially his family. He is working in a vegetable market and gets 20 to 30 Tk daily. In order to protect his money, he used to hide it in his pocket. However, one time, as he was sleeping on the street, somebody came, cut his pocket and stole all his earnings. Since then, Mohammed Kawssar deposits his money in Padakhep.*

Fig. 2.1: a picture taken during one of our FGD showing a "category 1" street child who stores money in his shirt



Money stored in a short-term device

B. Informal financial intermediaries: such as mud banks, money guards or bamboos[43], etc. Children expressed two critics regarding those intermediaries.

First is the relative low access they have, due to their status of "destitute" among the Bangladeshi society. Street children have highlighted that many do not want to accept their money, because they are considered as theft and criminals and want to avoid problems. Iglebaeck and Hassan (2005) explain that one reason might be the low access to "private spheres" that urban poor children in Bangladesh have, in comparison to their rural counterparts.

Second is the lack of safety of those intermediaries; indeed, many children pointed out their fears regarding those providers who were usually disappearing with the money of their "customers" after some time.

"One time, one man left with 500,000 Taka and all people in the slum were very sad" (Rafik)

Moreover, even if those providers do not disappear, they may not want to give them back their money because they know that nobody will pursue them if they do so. The police is, indeed, far to protect street children and even if they tell the police that they have stored their money with a particular person, the police would not believe them.

C. Quick spending

The last available strategy that street children have is to spend their earnings quickly, before loosing it. Al Amin quotation summarizes their strategy:

"If we don't have a place where to deposit our money, we know other street children will steal it from us. So, it's better to spend it quickly, before loosing it! "(Al Amin – 13 years old)

Another child pointed out the same behaviour:

"When we have a lot of money on us, we spend it quickly, buying lot of Pulao Byriani (i.e. bangali food made of rice), ice cream, video games and going to the cinema."

Consequently, street children may be trapped into a vicious cycle. Indeed, because of their vulnerability, they will be pushed to misuse their money; because of this, they will not be able to meet their expenditures, enhancing therefore their vulnerability. In such a circle, the children, from being the victim of robbery, can become the author of it, as they will not have enough money to meet their expenditures. Stealing becomes therefore an habit, and sooner or later, negatively impacts the child.

[43] These are informal systems available to poor people who can save money there. "Mudbanks" are generally insecure as it can be stolen and it is difficult to withdraw small amounts of money. "Bamboo" are relatively similar, but less available in urban areas than mudbanks.

4.3.2. Life-cycle needs:

Street children, although their street life hardship, pointed out how they need savings in order to meet their life-cycle needs. Those needs refer to the predictable events that hit the children (adapted from Rutherford, 1999), and can be classified in three categories:

1. Support family,
2. Get education and
3. Other

1. Support family

Providing financial support to the family came as one of the most important expenditure in the street children's budget and was significant in terms of financial pressure and frequency.
Although expressed by children of all categories and ages, their financial behaviours in terms of family support were different.
In order to capture this diversity, we can categorize the children into 2 different sets, based on their physical proximity with their families:

- **Set 1: category 1 & 3**

This first set contains children who live far from their families (i.e. parents). Both categories have, in most cases, their families staying in villages, the main difference being that Category 1 street children have no relatives (uncle, aunt, etc) to live with in Dhaka city.

Category 1: who work and live on the street day and night without their family

They appeared to support (or not) their family in a different way, depending on the reason(s) that made them leave their villages. Here, we can underscore 3 profiles of children:

- **Children who left their families for economic reasons:**

They left (or had to leave) in order to help financially their families staying at the home village. Their support was very high and children were finding very innovative ways **to send money to their families**.
The money transfer was done through different strategies.
The first consisted of a direct transfer where the child went to the village, directly, and gave the money to his/her parents. It was usually done 2 or 3 times a year (for special occasions).
The second strategy was to use an intermediary and to transfer the money through a trustworthy person.

- **Children who left their families for non-economic reasons and did not face any abuse**

They left generally in order to seek autonomy and 'independence', as the urban life fascinates them. However, many acknowledged the role they need to play in the family's life and tried to help it financially whenever they can. This support was either in cash or in kind, sending therefore money or some gifts to their brothers/sisters/cousins staying in the villages.

- **Children who left their families for non-economic reasons and did face abuse/harassment**

They completely cut contact with their families, and no support of any kind is given to them.

All those children, except the last category, highlighted how access to savings was needed in order to cope with these expenditures, and that having no access to savings would mean that no support to family would be possible.

Category 3: who work on the street during the day and return to their relatives by night

Although not living with their own families, those children bear a double "burden": first, many tell they support their families generally living in their villages; second, they were expressing how they were contributing (or had to contribute[44]) to their relatives in Dhaka city (i.e. aunt, uncle, grandmother-father, etc). This is the case of Munna, a young boy living in Dhaka:

> *Munna is 16 years old. Living with his grand mother, he is working in a "Shai Doccan" (i.e. tea stall) every day. This job gives him at the end of the day 40 to 50 TK). Munna left his parents in the village some years ago because of poverty. So, as he feels responsible towards them, he sends every month some amount of money. But it is not the only expenditure he has to afford. Living with his uncle, he needs to give him 100 TK every month (1, 50 Euros), and to bear daily family costs. To do so, Munna spends a big part of his daily income, but saves some money in Padakhep in order to be able to give the monthly "rent" and to meet any emergency which may occur to his uncle's family, or to his close family in the village. This hardship of life does not prevent Munna from dreaming to become a big business man in the future...*

In order to afford these expenditures, they need to manage their money. From their earnings, children were giving a part to their relatives in Dhaka. Another small part was used for their own tiny spendings The third part which remains was put in a savings account in order to send to their parents in the village. So, here, street children expressed the need to have access to savings in order to be able to send some money to their families, otherwise ***"our relatives will take all our money".***

Set 2: category 2 and 4

This second set of children lives far from their parents, who are generally settled in their villages.

Category 2 - Who work and live on the street day and night with their family (pavements)

They appeared to support their parents on a permanent basis, a large part of their income being given to them in order to support their basic needs, and the needs of their siblings.

They are using their income to cope with their family needs. For this category, therefore, the interest of financial services was not *directly* expressed as a mean to meet this financial need, as they are mainly using their income to do so. However, as pointed by so many children, savings facilities were a mean for them to meet this expenditure without neglecting themselves. Indeed, as the major part of their income was going to their family, they were keeping one part of it which they were depositing on their savings account. The purpose expressed is to build a

[44] Some children were forced to support financially their relatives in Dhaka city

better future. In fact, if no savings facilities were made available to them, they would have hardly been able to think about themselves, as the family pressure and the misuse propensity would have been too big to keep some money in their pockets.

Category 4: Who work on the street during the day and return to their family at night

Those children were generally working with their parents. They were therefore also supporting their families on a permanent basis, but more with their "working force" (as usually do rural children).

Therefore, they were not giving cash to their parents, but the opposite was sometimes happening: parents were giving some "pocket money" to the children, but rarely a regular salary, and used to urging them to save money. Finally, we must note that this reflects the general trend and that some children from category 4 highlighted that they give money to their parents on a permanent basis, as they are not working (disabilities, etc)

However, apart from this support, a significant part of their savings amount is said to be used in order to help their families in case of an emergency (when a brother/sister/mother/father is sick). Surprisingly, many of the children interviewed expressed that their parents were urging them to save (especially the younger ones, from 8 to 12 years old). Usually, the money deposited in their savings account was the one received from their parents, as a "reward" for the help they have furnished to the family's business. So, we can draw from this behaviour a vicious circle, where children are paid for their job, but urged to put all the money in their savings account, money which will be returned after to the family. Therefore, the child appears here as a mean for adult members to access savings facilities. However, many SC expressed how they were using the money they were saving for themselves and how the "pressure" practiced by the parents was a lot of time beneficial. (as the girl who is saving because her mother urged her to do so for her marriage, etc).

2. Get education

Street children did not consider work and education as mutually exclusive. Indeed, many children pointed out how savings was needed in order to pay for their school fees or the school fees of their siblings. Even if children were getting non formal education at the drop-in-centre, some of them re-entered the formal education system. However, it was mainly the case better off street children (i.e. category 4), but some other children did also express the same concern.

> *This was the case of AL AMIN, a child of 13 years old who is struggling to become a doctor. Alone in the streets of Dhaka, his father being dead and his mother living in the home village, he is allocating a large part of his income in buying school furniture and in paying his school fees. To do so, he works as a Minti and, when he finishes his work, goes to the school.*

3. Others

Some children expressed the need to get access to savings in order to pay their loans instalments or to payback the loan instalments of their parents.

Other children were saving in order to meet their own future occasional expenditures, as buying a new dress for girls in special occasions (e.g. Eid festival), or to go to the cinema. Other expenditures were expressed, some of them being a bit "dark".

> *"I took a credit of 500Tk from Padakhep in order to buy chocolate and to sell it. I had a daily profit of 50-60Tk and saved all my profits at Padakhep. Thanks to these savings, I was able to repay my loan"*

4.3.3. Emergencies

"Meeting emergencies" was another important reason underscored by children of all ages and categories whenever referring to savings demand. Indeed, crisis situations (such as income shocks due to the loss of their job) are very usual in their lives, and an access to savings facilities was expressed as a mean to secure their livelihoods in dangerous periods and to enable them to answer adequately to all crises that may appear in their lives.

> **"Today we have a job, tomorrow we don't have it"** - A child during PRA session.

However, "emergencies" had different meanings depending on the child's age and category. Children who had no contact with their families (i.e. mostly category 1) were mainly facing personal emergency costs and were defining "emergency" as an urgent need that hit them personally.

Other children, whose family's links were sharper, defined it as a sudden event that hit them OR/AND their family. Moreover, young street children (aged 8 to 12 years old) generally referred to an emergency as an event hitting exclusively their families, as they are more dependent to the family nexus.

> *"I was working in a vegetable market and I lost my job. Now, I do not get any income and use the money I saved to survive"*
> *(Kanchan -15 years old)*
> ***Category 1***

Regarding the intensity of this need, it appeared that it was positively correlated to the child's vulnerability. Indeed, the more the child was vulnerable to a crisis situation, the more he squeezed out the need to save money. For example, "category 1" street children, generally engaged on high (informal) competitive market were exposed to some job uncertainty. They expressed intensively how savings facilities were needed and useful in case they loose their job. This was a way to afford their basic needs and to avoid begging in order to survive.

> *"When any member of my family is sick, I can buy medicine with the money I have saved". (Aktar)*
> *"One time, my mother was sick. I therefore withdrew some money from my savings account to treat her". (Shugon)*
> *"When my parents face some problems with their business, I use my savings to help them. (Chahida)*
> ***"Category 4" Street children***

Many street children also expressed the need to save money in order to buy some medicines in case of illness. Others (especially category 4) were saving in order to bear the emergency costs of their families. Regarding the latter, two types of emergency costs appeared: the ones that are directly attached to the **family members** (i.e. sickness, etc) and the ones that are linked to the **family's business**. Therefore, those children were usually saving to help their family when they felt sick, and to help them when their business was facing a problem

4.3.4. Opportunities

Many children pointed out how saving money is needed in order to create their businesses or to help their families to do so, in order to improve their income. Here, two profiles can be drawn. First are the children who plan to take a credit in the future, and who know that they need to save money in order to access credit.
The second profile is children who save money with the hope to start an income generating activity in the future.

Consolidated analysis

This section has demonstrated that street children of Dhaka city have a range of future financial needs that need to be met, which is of three kinds: life-cycle, emergencies and opportunities.
However, as pointed by Conticini (2004), "*street children (of Dhaka city) do not save very regularly and tend to spend all their income quickly, living on a day-by-day basis*". Our findings agree with this statement, but do transfer the responsibility of such "day-by-day" behaviour from the child to the street life hardship. Indeed, we have demonstrated that it was the insecurity in the street and the lack of proper ways to save money in the informal financial market that lead street children to enter into a vicious circle and to misuse their money quickly. This behaviour does not allow them to meet their future expenditures and hence increases their vulnerability. Consequently, street children do need savings to protect their money and to break the vicious circle in which they have entered.
These findings are coherent with Judith Ennew observations (having a long lifetime working experience with street children all around the world), who states that street children have two ways to keep their money safe.
The first is to look for some places in which to store it: *"In Colombo, children sleep on the street with their money in their mouths"*. She adds that the second option is *to spend all the money fast, often sharing with friends who will reciprocate when they in turn are in funds (...). This rapid spending of money gives the appearance of not wishing for anything other than short-term pleasure, but it really illustrates that there are practical obstacles to saving or making long-term plans" (Ennew, 2000 : 137-138).*

4.4. Why do street children need credit?

4.4.1. For their income generating activities[45]

Two profiles of demand emerged among the street children interviewed

The most vulnerable street children (i.e. category 1) who did not finish their vocational training[46] and were involved in wage related activities pointed out their desire to get occasionally access to credit in order to start some seasonal businesses, which was perceived as an opportunity to increase their income, or some temporary businesses whenever they loose their jobs.

Most of them were buying mineral water, food and chocolate in order to sell them and to earn a profit on that. Usually, this happened during special periods (i.e. New Year, Ramadan, etc). For example, during Ramadan, some street children were buying food and preparing a meal, selling it to the people on the street for "*iftar*" (i.e. sunset meal). These seasonal businesses were generally combined with their actual work, and provided additional sources of income.

For others, it was a mean to get some money whenever they loose their jobs. Indeed, the probability to loose their jobs is very high, and relying on savings whenever this happened was effective for short-term period. So, in case street children stay without a job for a quite long period, a credit enabled them to get some sources of income for their survival.

However, whenever talking about their future, many wanted to leave their actual jobs and to start their own income generating activity, after their vocational training being finished.

The second profile of street children needed credit in order to start their desired businesses, as their preference for self-employment was also very high.

The business investments were generally related to the vocational training that was provided to them (e.g.: if the child received some training in tailoring, he desired to invest in a tailoring machine) and were usually expressed as their main point of interest: purchase a tailoring machine, create a tea stall, expanding or creating a grocery shop, buy electrical goods or cycle rickshaw[47] servicing materials, etc.

When asking the children whether they got some access to credit before joining Padakhep, all pointed out that *"nobody wants to give us a credit because they think we will fly with the money; but we are not like that; we are responsible!"*. Moreover, some children highlighted that some people sometimes give them credit, but they charge very high interest rates - about 10% a month.

> *"Before Padakhep, I was working as a* ***Ferry Wallah,*** *carrying and selling some goods from one shop to another. To do so, I was buying some goods in credits. After selling it, I was returning the money with a high interest rate to the MOHAJAN (i.e. the money lender)*

[45] This was only the case for children aged more than 12 years old.
[46] Vocational training is a professional training provided by the NGO to the street children in order to get professional skills which were valued on the labour market.
[47] Cycle rickshaws are small bicycles which serve as a "taxi" in the streets of Dhaka.

A study of the ILO (2003) underscored that the main source of credit for street children in Bangladesh are their friends, who lend them some money, mainly for consumption purposes. Iglebaeck and Hassan (2005) findings indicate that, as it was the case for savings, urban poor children have less access to credit facilities than their rural counterparts, but the few access they get is from people whom they had working relationships with.[48]

We must note that the root cause of doing such a business is closely related to the reasons mentioned below when discussing their spending needs: the objective is to guarantee a source of income to the children, in order to afford their present and future expenditures.

4.4.2. For their families' income generating activities

Without any surprise, children who were said to have very close relations with their families (category 2 and 4), and were supporting them on a permanent basis, did generally express the importance of having access to a credit in order to allocate the money to their parents for creating a business or to help (sustain - expand) their families' businesses. This was also perceived as a logical way to support their family and children were generally employed in their families' businesses.
The children living with their relatives in Dhaka city expressed also this need, and many were found to need credit in order to give it to their relatives in order to start an income generating activity. However, no children expressed the need to access credit in order to send it to their parents in their villages.
Regarding younger street children (from 8 to 12 years old), they have expressed the interest of such loan for their guardians, as Padakhep was normally not giving those young children a direct access to credit but giving it through their parents.

4.4.3. For their future

Many children were expressing how access to credit was a way forward for them, as it gives them hope and the capacity to build a better future. In order to assess exactly these statements, we have asked to all the children interviewed what they wanted to do in the future.
Two types of answers came out: some children wanted to become engineers, or doctors, or social workers. The others wanted to be business men and to become "professionals" in their actual business activities or in another type of business activity. However, when going a bit deeply in our discussions, we discovered that the high majority of children who highlighted the first type of answers made a difference between *"what they wanted to be"* and *"what they had to be"*. Because of their economical and social condition, those children underscored that they wanted to start a business as they had to do so in order to live in dignity.
Many girls interviewed wanted to become dancers or musicians, but the life's reality pushed them to start a business. An interesting point is that very few children wanted to become employee. Most preferred to start their

[48] Rural children tend to have a larger social network, which not only provides stimuli, but also takes the child through a socialisation process of financial behaviours, which urban children lack due to weak social networks in urban areas (Iglebaeck and Hassan, 2005).

own activities, as this was a way of liberation from the pressure of their employers. Indeed, *"our salary depends of the mood of our employer"*[49]

Finally, we must mention how credit is perceived as a mean for autonomy. Having credit, street children were able to start a business and to be self-dependent. This was of particular importance for children having no close ties with their families.

4.4.4. "We do not need credit"

Some children claimed that they do not need credit at that time, but may be interesting in the future.

The main reason expressed was the fact that they did not desire to start a business activity at that time and that they preferred to work, day by day, as an "employee". This appeared to be more the case for girls than for boys. This is also an indication that children do not take a credit and think afterwards of what they will do with that money, but have generally a precise idea before taking it.

Finally, we must note that children did not express the need for credit to meet basic consumption needs (buy food, to pay for transportation, etc.). This was generally done through their income or, whenever impossible, through their savings.

Consolidated analysis

Our exploration in Dhaka city made us discover how street children needed credit in order to start or to sustain their own or their families' income generating activities.

Regarding their own income generating activities, these were of two types:

- Seasonal and temporary businesses, whenever they get an opportunity to increase their income or whenever they loose their jobs;
- Long-term businesses, because they want to be self-employed.

Regarding their families' businesses, children who had their families in Dhaka city did support them by giving them a credit in order to start an income generating activity, and were generally working with them after.

These findings are consistent with some observations worldwide regarding street working children, who point out at how those children have entrepreneurial skills but dot get access to credit.

However, they use some credit services, provided by employers (advances, with no interest), or buying goods on credit (with interest) and neighbours/known people. Therefore, urban children do use mainly credit from informal market. These credits are generally claimed to be needed for both consumption and for business (Wilson and Hall, 2006), but resort to it when income flows and savings were inadequate to meet their financial needs (Iglebaeck and al, 2005).

Our findings from Padakhep did not confirm the fact that children needed credit for consumption, as those children knew that, to get a loan, one condition was to invest it in an income generating activity and were generally meeting their expenditures needs through a management of their income and their savings. However, other experiences worldwide show that street children may need credit for consumption purposes.

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[49] Quoted in Iglebaeck and Hassan (2005)

CHAPTER 3: DEMAND VS. SUPPLY
HOW BEST TO MATCH MICROFINANCE WITH STREET CHILDREN?

Key Points: Microfinance, a powerful tool aimed at delivering financial services to poor people, has become a new way of intervening in the lives of street children. However, those interventions are few very diverse.

Relying on the demand drivers of street children for financial services expressed in the previous chapter and on the general characteristics and needs of our target population, as well as equipped with two important evaluation criteria (effectiveness and sustainability), we start our building process in three phases: we first build ***a minimalist microfinance for street children framework,*** composed only of credit and savings; then, we build a "***microfinance plus framework***" by adding the vocational training component; finally, we add the operational requirement: "social services", in order to reach ***a comprehensive microfinance plus framework for street children***.

This final model being built, we turn to the most adequate provision model, by pointing out that the most appropriate one, in terms of sustainability, might be the youth organisation, but that large place can be made for microfinance institutions that can work in partnerships with youth organisations and gain considerably in terms of future clients.

The final part of this chapter tests the validity of our new framework, by applying it to Padakhep, an innovative microfinance institution in Bangladesh targeting street children with microfinance.

1. MICROFINANCE: A WAY TO SUPPLY FINANCIAL SERVICES TO POOR PEOPLE

Microfinance refers to the provision of small scale financial services, primarily credit and savings, to poor and disadvantaged people (Robinson, 2001:9). It is being regarded as a powerful poverty alleviation tool and is bringing a lot of hope to the poor people all around the world. The microfinance movement - which some like to call "the microcredit movement"- started with the vision that the poor are bankable and that the conventional wisdom – claiming that the poor people could not use credit and that the costs of providing it was too high – was wrong (Harris, 2002).

The new vision saw the emergence of financial institutions all around the world, united under the banner of microfinance and sharing a commitment to serving clients that have been excluded from the formal banking sector (Morduch, 1999). Those clients were initially offered microcredit in order to start microentreprises and to escape from the circle of poverty. However, as the movement spread all over the world, there has been recognition that poor people needed a variety of financial services, not just credit (UNDP, 1999). Now, the movement has expanded and, at the end of 2002, was claiming over 65 million customers (Aghion and Morduch, 2005). The essence of microfinance is to draw ideas from existing "informal sector" credit mechanisms – like intra-family loans, Rotating Savings and Credit Associations (ROSCAs)[50], and local moneylenders – while creating a viable conduit for capital infusions from formal sector banks, donors, and governments (ibid).

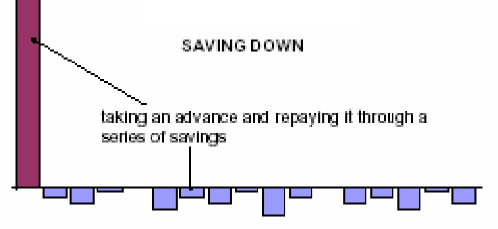
The supply of financial services to the poor has witnessed a huge expansion worldwide, largely because the poor were expressing a high demand. This demand has undergone some "changing conceptualizations" over the last four decades (Matin, Hulme et Rutherford, 1999). First, between 1950s and 1970s, there was a focus on the small farmers who needed agricultural credit. Then, from the 1980s to 1995s, the perception has been enlarged and the poor were seen as microentrepreneurs which needed microcredit. Now, we have entered "the microfinancial services era" where the poor are seen as "a diverse group of vulnerable households with complex livelihoods and varied needs" (ibid).

1.1. Products: credit, savings and insurance nexus

In the new microfinancial services era, three types of products are generally delivered to poor people: microcredit, microsavings and microinsurance.

A microcredit refers to the process which allows a lump sum of money to be enjoyed now in exchange for a series of savings to be made in the future in the form of repayment instalments (Rutherford, 1999).

Box.3.1..



Rutherford (1999)

[50] For a very interesting description of those informal mechanisms, see Rutherford (1999)

It has three characteristics: **a size, a term and an interest rate**, which vary among semi-formal providers.

A. Loan sizes are the first characteristic which differentiates a microcredit from a formal credit. Indeed, loan sizes are generally smaller than those of formal banks. For example, the MicroBanking Bulletin Survey, analysing 72 microfinance programs worldwide, found that average loan balances varied from $133 to $2871 depending on the target group, with a global average balance of $415.

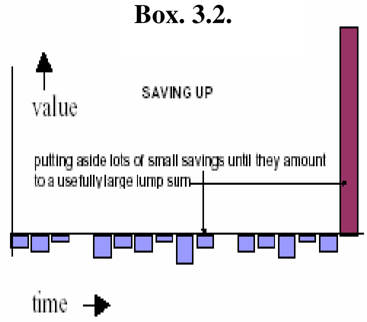
B. Typical loan terms are also diverse. As pointed by Morduch (1999), Grameen Bank has a loan term of 1 year, Banco Sol Bolivia from 4 months to 1 year, Bank Rakyat Indonesia from 3 to 24 months, and FINCA of 4 months. It is therefore depending on the microfinance institution policy.

C. Regarding interest rates, Aghion and Morduch (2005) point out that in Bangladesh and Indonesia, the main institutions charge typically around 30 percent (in economies with inflation at about 10 percent). However, many MFIs around the world charge higher interest rates, in order to achieve sustainability.

Microsavings refers to the process which allows a lump sum to be enjoyed in future in exchange for a series of savings made now (Rutherford, 1999).

Matin and al. (1999) argue how savings – which they also define as "making choice not to consume cash"- is the fundamental and unavoidable first step in money management, without which financial services cannot operate. It made therefore a huge apparition in the microfinance area and Robinson (2001) points out how deposit services are more valuable than credit for poorer households. Saving products are generally of two kinds: voluntary or/and compulsory, the latter "forcing" the clients to save a certain amount of money in order to get access to a loan. Interest is generally provided against savings deposit.

Box. 3.2.



Rutherford (1999)

Finally, **Microinsurance** allows a lump sum to be enjoyed at some unspecified future time in exchange for a series of savings made both now and in the future (Rutherford, 1999).

Cohen and al (2003) point interestingly the utility of insurance - "*Credit and savings services offered by microfinance institutions can reduce vulnerability to risk by contributing to increases in income, diversification of income sources, and asset building. Access to microinsurance could enable people to move into an even more proactive mode, and reduce the stress often caused when people deplete savings, borrow, or sell assets to deal with shocks after they occur*" (Cohen et al., 2003). However, as noted by Churchill and Brown (1999)[51], microinsurance products have addressed a fairly narrow range of risks and the coverage of the poor population has been limited. The range of microinsurance products includes mainly credit insurance and life insurance. Some do also offer health insurance plans, property, crop insurance and the new rainfall insurance.

[51] Quoted in Cohen et al .(2003)

1.2. Mechanisms

When talking about microfinance mechanisms, we are generally referring to the specific mechanisms surrounding the process of lending to poor people. Indeed, this is one of the major concerns of microfinance institutions: how to deal with poor people, lacking collaterals and hence being very risky, and to guarantee a good repayment in order to stay "alive".

Four types of mechanisms are generally listed: group lending, dynamic incentives, frequent repayment schemes and collateral substitutes.

1.2.1. Group lending

The formal banking sector teaches us how credit is generally delivered to individuals with physical collateral. Poor people do generally have no collateral. Therefore, the microcredit movement introduced a new delivery methodology called "group lending".

This word *"refers specifically to arrangements by individuals without collateral who get together and form groups with the aim of obtaining loans from a lender"* (Aghion and al., 2005). However, the loans are provided to the individuals and their projects, the group only being there to serve as a "guarantor" (this concept is called "joint liability"). The size of the group is variable, depending on the MFI choice.

Aghion and al. (2005) describe the process of a Grameen Bank group lending:

> *"The group – called Kendra - consists of five borrowers each; loans go first to two members, then to another two, and then to the fifth group member. As long as loans are being repaid, the cycle of lending continues. But, according to the rules, if one member defaults and fellow members do not pay off the debt, all in the group are denied subsequent loans."*

In order to reduce transaction costs, the loan officer meets seven other groups at the same time. All those 40 persons, called "centre", meet usually in the village.[52]

Because the joint liability contract implies generally that all the members of the group will not get any subsequent loans in case of default, they will have a high incentive to repay the loan of the potential defaulter.

Group-lending has interested a lot academic economists, and many economic papers analysed the effectiveness of such methodology; It is celebrated as a "*contractual innovation that has achieved the apparent miracle of enabling previously marginalized borrowers to lift themselves up by their own bootstraps by creating `social collateral` to replace the missing physical collateral that excluded them from access to more traditional forms of finance"* (Conning 2000).[53]

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[52] "Loan delivery costs fall dramatically due to the simultaneous delivery of multiple loans and reduced time needed for credit approval" (Karlan, 2001, quoted in Calles, 2005).

[53] Quoted in Simtowe and al. (2005)

The potential benefits of group-lending can be summarized in two points:

a. Mitigation of Adverse Selection problems:

Adverse selection problems occur when lenders can not distinguish risky borrowers from safer borrowers (Aghion and al., 2005) because of the information asymmetry problems.

Ghatak (2000), and Aghion et Gollier (2000)[54] state that the group-lending methodology helps to overcome adverse selection problems as borrowers, by forming their own groups, will use their own information to find the best partners[55]. In such a process, the safe borrowers will naturally form groups among themselves as they will look for group members who would able to manage their credit in a good way (Calles, 2005), and the risky borrowers will consequently be "obliged" form groups together. This leads to a segregated outcome referred to in the labour economics literature as "*assortive matching*" where the MFI has easier to detect bad groups (Aghion and al, 2005).

b. Overcoming Moral Hazard:

"*Moral hazard in lending refers to situations where lenders cannot observe either the effort made or action taken by the borrower, or the realization of project returns"* (Simtowe and al., 2005). Two types of moral hazard are generally identified: ***ex ante*** **and** ***ex post***.

Stiglitz (1990)[56] argues that ***ex ante moral hazard*** can be overcome as the borrowers monitor each others' choice of projects and inflict penalties upon borrowers who have chosen excessively risky projects. Indeed, a "bank" can not do that, as "borrowers are protected by limited liability since they have no collateral to offer; in other words the "bank" cannot seize more than the borrowers' current cash flow" (Aghion and al, 2004). In that case, social sanctions may be exercised, as a borrower can denounce her/his peer's "misbehaviour".

This moral hazard concerns a pre-investment situation.

Interestingly, group-lending is also said to help overcome moral hazard generated after the poor client has made investment and generated profit; this is called ***ex post moral hazard***. Indeed, the bank being unable to check whether the borrower may want to escape with the money generated by the investment without paying back the lender or to pretend that his return realization is too "low" to payback, other members of the group may want to afford a certain monitoring cost to check the revenue realization of their peer (Aghion and al, 2005).

This monitoring - whose cost has though to be small - is induced by the joint-liability contract which creates pressure on the borrower and her/his peers; in other words, sanctions can arise if one member can not repay, and can therefore guarantee better repayment rates.

Thanks to these two potential benefits, combined with a potential reduction in the transaction costs of the organisation, group-lending is said to overcome credit market inefficiencies.

However, some authors pointed out that group-lending is not without problems. Indeed, as the groups are self-formed, collusion problems may arise.

[54] Quoted in Aghion and al. (2004)
[55] This process is called « peer selection » (see Morduch 1999)
[56] Quoted in Aghion and al. (2005)

For example, Sadoulet (2005) points out 3 potential pitfalls. First, the clients may collude against risks by choosing partners wanting to default. Second, they can collude against bank and inflict no punishment, since they agree to default. And third, joint-liability may not be costless for the borrower and can increase cost of repayment, hurting therefore repayment rates.

Considering this, many organisations started to reconsider their group-lending contracts. Grameen II reflects such reconsideration. Indeed, under Grameen II, Dr Yunus[57] wanted to open new scopes for the bank and to readjust its current practices with its cumulated learnings. In such a perspective, Grameen II tries to lower the pressure on the borrowers by developing other innovative ways of guaranteeing a good repayment rate (Rutherford, 2004). Individual lending is therefore more emphasized and group-lending is more based, for the members, on a problem solving process, where they will try to help each other solve the problems underlying repayment rates, rather than to make a high pressure on its borrowers.[58] As pointed by Yunus (in Rutherford, 2004), his original concept of group-lending was not aimed at "guaranteeing" the loans of its members, but simply to help the members solve the problems that underlie repayment difficulties, stating that joint liability arose from the imagination of economists. So, Grameen II is returning to its initial statement.

1.2.2. Dynamic incentives

An incentive is defined as something that induces action or motivates effort (the fear of punishment or the expectation of award). As group-lending alone can not guarantee good loan repayments and can create some problems, MFIs have developed innovative mechanisms in order to foster repayment rates.

Those dynamic incentives (Besley, 1995)[59] are generally combined with group-lending and are used to overcome information problems and improve efficiency (Morduch, 1999).

The most widely used incentive is "progressive lending". In such a system, a loan of a small amount is first provided and then the size gradually increases as the customer demonstrates good repayment.

This system is claimed to have many advantages. The first is to "test" the borrower's reliability. A second advantage is to increase the borrower's opportunity cost of non repayment as he/she will not have access to a subsequent if he/she does not repay (Aghion and al., 2004).

However, this system contains two risks. First, if there is a high competition among MFIs, the borrower can go to another microlender and ask for a new loan. Second, default attractiveness is proportional to the loan size. The more the size increases, the more the borrower has a higher incentive to default.

Moreover, Morduch (1999) argues that dynamic incentives can be problematic in high mobility areas, because the borrowers can easily leave his/her place and go elsewhere. The efficiency of such mechanisms in urban areas is therefore controversial.

[57] The founder of the Grameen Bank

[58] Dr Yunus states that it was its initial idea when starting Grameen Bank and points out that "joint liability" arose from the imagination of economists and was not his initial objective.

[59] Quoted in Morduch (1999)

1.2.3. Frequent repayment schemes

One of the other particularities of microfinance is its repayment mechanism. When formal banking system teaches us that the borrower should repay his loan after the investment being made and the profits generated, microcredit lenders often expect the loan to be paid in small instalments, starting soon after the initial disbursement (Aghion and al, 2005). For example, Grameen type loans e.g. have weekly instalments, starting two weeks after the initial disbursement. (Yunus, 1999)[60]

Morduch (1999) and Aghion et al. (2005) point out several advantages; it screens out undisciplined borrowers; it represents an early warning system about emerging problems; it is a mean for the bank to select less risky clients (i.e. select borrowers able to repay loans even if investments fail; therefore, the bank relies partly on the "diversified" income of the household, and partly on the cash flow generated by the borrower's investment); and finally it allows the bank to get hold of cash flows before consumed or diverted.

1.2.4. Collateral substitutes[61]

It has been underlined how group lending is one way to secure the loan, for poor people having generally no collateral to offer[62]. However, some programs may ask for collateral. Those collateral substitutes may be of two kinds: flexible collaterals and financial collaterals.

Flexible collaterals - as those asked by the Bank Rakyat Indonesia - consist of tangible assets of any kinds (livestock, working tools, etc). However, the main constraint here is the "notional" value of such collaterals, in other words will the fact of loosing the asset be such that the customer will behave prudently? (Aghion and al., 2004).

Financial collaterals, where the borrowers are asked to build up financial assets and then to base lending on those assets. SafeSave, operating in the slums of Dhaka, is a good illustration of that mechanism.

To be able to get the first loan, the borrower must have already saved for three months. The saving requirement is therefore a very powerful instrument, showing the ability of the borrower to manage its money as giving the opportunity to the lender to "capitalize on financial collateral and its special place in the borrower's heart and mind" (Aghion and al, 2005). Indeed, the lender will be able access the savings amount, in case the borrower defaults on a debt obligation.

[60] "Banker to the poor, the story of the Grameen Bank" quoted in Calles (2005)

[61] We will outline here the two most widely used substitutes. For a comprehensive description of substitutes, see Aghion and al. (2005)

[62] The notion of collateral refers to the assets that the borrower is willing to put up to secure credit (http://sbinfocanada.about.com/od/financing/g/collateral.htm)

2. HOW BEST TO MATCH MICROFINANCE WITH STREET CHILDREN[63]

2.1. Prevalence of microfinance for street children

2.1.1. Introduction

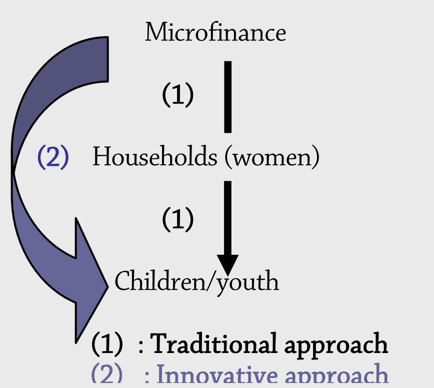
The beneficiaries of microfinance interventions are mainly women[64]. Cheston and Kuhn (2002) highlight three reasons that make women so popular among MFIs.

First is the financial criterion, which indicates that *"women's repayment rates are typically far superior to those of men, leading therefore to lower arrears and loan loss rates and having a positive effect on the efficiency and sustainability of the institution".*

The second reason is the empowerment of women, which are generally located among the poorest of the poor, the UNDP reporting that 70 percent of the 1.3 billion people living on less than $1 per day are women. (UNDP, 1995)

The last commonly mentioned reason is related to the higher impact created by the intervention on children. Children have, indeed, long been a priority of microfinance interventions but, surprisingly, have not been directly targeted by such interventions (Foy, 2001). Indeed, thanks to its "demonstrated" role of income generation and vulnerability reduction, microfinance is said to be able to improve children's access to education, to enhance their nutritional and health status, reduce their need to work and even prevent them from having to turn to the streets to survive (ibid).

Box. 3.3.



However, this framework assumes that the impact of microfinance will be beneficial only if the household (especially the mother) is playing the role of interface. However, as pointed by Nagarajan (2004), "*capital is assumed to flow from the family for adolescents (...) but family support is limited for orphaned and poor adolescents to access capital to start a business and to help accumulate assets".*

Consequently, microfinance has recently opened its scope of interventions to children and youth, as part of the new "Microfinance for youth" framework being advocated by some **youth serving organisations (YSOs)** and **microfinance institutions (MFIs)**[65] all around the world, wherein it is supported that poor youth need access to financial resources *(i.e. credit, savings, and insurance)* in order to build their capacity and to increase their employability. Indeed, youth between 15 and 24 years are more than 1 billion in the world, 85% being concentrated in developing countries where many are especially vulnerable to extreme poverty (ILO, 2006).

[63] We will confine our analysis to "savings" and "credit", as the children who took part of our research did only have access to those to financial products. Therefore, this does not mean that microinsurance or other microfinancial products may not be suitable to street children. But this question is beyond the scope of our paper.

[64] Mody (2000), quoted in Morduch and Aghion (2005), found that 80 percent of the clients of the thirty-four largest microlenders worldwide are women.

[65] By youth serving organisations, we mean any organisation serving at-risk youth and include child rights organisations. By MFI, we use the definition adopted by Rutherford (2002) who defines it as any NGO that provides financial services to low-income people, either as their exclusive business or as part of a wider programme of development.

According to ILO, youth unemployment accounts for approximately 41% of all 180 million unemployed persons globally.[66]
In these interventions, youth are generally defined as aged between 15 and 24 years old, but some adopt other definitions and classify it in a broader spectrum (e.g. 10 to 25 years old)[67]. Within that framework, we generally find *"young poor, unemployed and school-dropouts in relatively peaceful countries* (as well as) *at risk youth, such as street children and those living in high crime areas*" (Nagarajan and McNulty, 2005).

Regarding the characteristics of such programs, very little documentation is being found all around the world and a high knowledge gap does exist. However, Chemonics International[68], under a project financed by USAID and trying to enlighten the topic of microfinance for at risk youth, lead a global survey in September 2005 wherein a sample of MFIs and YSOs around the world have been surveyed in order to assess the extent to which youth are being served with microfinance and it was found that the youth were addressed by a mixture of MFI and YSO, but the prevalence was still low (Nagaran and McNulty, 2005)

When referring to the specific segment of street children/youth, the knowledge gap is much higher and very few studies make a comprehensive review of microfinance programs addressing this particular population, because such programs are "*few and far between (...) and largely consist of isolated, one-off projects supported by NGO's"* (Foy, 2001)[69]. Moreover, our different literature researches tend to confirm this global low prevalence, and the particular concentration of the supply in the YSO segment. So, both MFIs and YSO are still reluctant to address street children with microfinance.
Our two next sections are therefore aimed, first, at enlightening the potential reasons of such reluctance. We then follow the discussion by a review of the major microfinance for street children programs worldwide.

[66]ILO means by "unemployed" any person without work but having made him/herself available for employment"(ILO, 2006)
[67]The age range for 'youth' is not scientifically defined but the World Bank and UN definitions of youth define it as 15-24 years old. However, this is not unanimous and e.g. the World Development Report 2007 expands this spectrum from 12 to 24.
[68] We want to thank Michael McNulty, from Chemonics International, for having shared some of their resources on microfinance and youth-at-risk.
[69] The only study found that focus explicitly on microfinance for street children and that gives a global picture on that topic is the unpublished Master Thesis of Deborah Foy (2001) from the Institute of Development Studies of Sussex (UK)

2.1.2. Why do MFIs and YSOs avoid street children?[70]

a. The MFI's perspective

1) Street Children are too poor. An important element which may impact the reluctance of MFIs to serve youth is the poverty criteria, where street children are generally perceived as "destitute" or extremely poor. One might wonder why this may be problematic, as microfinance institutions exist to serve the poor. However, even if MFIs exist for the poor, international evidence show that extremely poor (i.e. the poorest of the poor) are generally excluded from microfinance interventions. Indeed, Hickson (nd) points out that *"the majority of poverty-focused microfinance programs incorporate client selection criteria which attempt to limit participation to poorer households".* Dalley-Harris (2003) interestingly indicates how the conventional wisdom that was prevalent 20 years ago and which was perceiving the poor people as unbankable is being repeated with the extremely poor people nowadays, perceiving them as unbankable because their sources of income is unstable. However, field experiences deny this wisdom. Grameen Bank, BRAC and SEWA learned through experience that conventional financial strategies for the poor did not make much difference at all for the extreme poor (Simanowitz 2002; Khandker 1998)[71].

2) Street Children are too young. MFIs may believe that young people do simply not need financial services because they are too young to need manage their money. And even if they need it, MFIs may argue, as pointed by Nagarajan (2004), that child advocates oppose youth access to microfinance as it could create more child labourers vulnerable to exploitation ; that work may divert the child's attention from schooling and that work may inhibit the child's physical and psychological development.

3) Street Children are too risky. As underlined in our introduction, one of the reason that lead microfinance organisations targeting women was the risk mitigation, women's repayment rates being far superior to those of men. Regarding street children/youth, two parameters may increase the risk's perception function of the MFI: first, they are children/youth and second, they are street based. As children/youth, they are assumed to be less expeienced than adults in managing a business and to have a higher propensity to use loans in a non-productive way. As street-based, they are assumed to be "criminals", non trustable and highly mobile. Moreover, street children may not have any collateral, such as a home or a land and, worse, may not even have parents or other family members who have any collateral.

4) Street children are too costly. Many agree that street children need a mixture of financial and non financial services. However, a "microfinance plus program is generally costly to administer, and may face difficulty in achieving viability without continued subsidies" (Nagarajan, 2004). Indeed a knowledgeable staff aware of both microfinance and street children needs to be recruited in order to deal with the various issues facing the children during their livelihoods. Therefore, targeting street children may affect the MFI's sustainability.

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[71] Quoted in Davis (2000)

5) Street Children can not legally be our clients. The question of regulation is a very important issue. Indeed, many countries around the world require a minimum age of 18 for eligibility to enter into a legally binding contract (Mc Nulty and Nagarajan, 2005).

b. <u>The YSO's perspective</u>

1) Street children are not capable and need to be rescued from the street work life. Many youth organisations philosophy is built on a paradigm which perceives street children as vulnerable people which do not have any capacities and which do need to be protected from any working opportunity. This view is largely built on what we described in our first chapter as "the abolitionist or child-centred approach" and does not permit any provision of financial services, as this could be an incentive for the child to start working.

2) We are child specialists, not microfinance specialists. Such programs may need some specialized staff in microfinance in order to manage it efficiently as well as an effective management structure. Indeed, an organisation which has never provided services like savings mobilization or business training must invest a lot to set up an *"effective administrative system and training for both programme and management staff"* (Foy, 2001). Moreover, SKI explains how work with street children requires a lot of energy from the staff in order to understand the street children's livelihoods.(Foy, 2001).

3) Providing financial services to them is too costly. Youth organisations do often survive thanks to limited subsidies and are not **self-sufficient**. This means that adding a microfinance activity targeting street children may need to divert a part of their actual subsidies to the program in order to finance the credits provided and the management costs underlined in our previous points.

4) We can not legally provide financial services. Legal barriers can lead many of them to avoid providing such financial services. Indeed, *"national and international legal frameworks placed on an organisation's activities could further undermine the potential of microfinance. These include, for instance, whether or not NGOs are allowed to conduct income-generating activities to support their programs; whether only those registered as financial institutions are allowed to carry out microfinance activities; and whether there are legal restrictions on the acceptance of deposits by non-bank organisations" (Foy, 2001)*

2.1.3. Case studies

a. ASIA: the Children's Development Bank (CDB)[72]

The Bal Vikas Bank, also called the children's development bank, was started in 2001 in New Delhi by Butterflies NGO, with the support of the UK organizations CIVA and Comic Relief. The program was initiated after having made 2 field observations:

- Street Children had money but no safe place in which they can store it;
- Street Children have entrepreneurial skills but did not have access to capital to start or expand a business.

The objectives of the Children's development bank can be summarized in 4 key elements:

1. To provide a safe space to deposit money.
2. To inculcate the habit of saving.
3. To provide loans for enhancing the lives and livelihoods of street and working children.
4. To create an institution run by young people for young people, and thereby build leadership and personal skills of all those involved in its running.

This project gives the opportunity to street children to save and, under certain circumstances, to apply for a loan in order to start a business or to afford other expenditures (school fees…). The innovative part of this project is its **participatory framework.** The children are themselves the "managers" of the bank and are involved in the day to day management of the bank, under the supervision of facilitators (called mentors). As pointed by Michael Norton, "participation is the central nexus of this project"[73] savings and loans being secondary.

The beneficiaries are aged between 9 and 18 years. Savings are collected daily in any small amount and an interest of 10% a year is provided on savings. Moreover, an interest of 50% is provided for those who do not withdraw savings for six months. Inculcate the saving habit is one of the core objectives of the bank.

The following table illustrates it:

	Savings as on August 2004	**Savings indicated by CDB's (as on March 1st 2005)**
Chennai	0	1180
Delhi	510	50170
Kolkata	547	38215
Muzaffarpur	116	14320
Total India (In US$)	**1,217**	**103,885**
Afghanistan	322	23984
Bangladesh	1052	417101
Nepal	467	353243
Total Afgh, Nepal, Bangladesh	1,841	**794,328**
GRAND TOTAL (in US$)	**6,072**	**898,213**

1 US$ = 45 Indian Rs

[72] We are particularly thankful to Michael Norton (CIVA, UK) for the time spent in London making me discover this project and for the useful data and reports shared, as well as Swasti Rana and Tom Davis for their contribution, as well as Rabiul Ahmed for having made me discovered the project in Kolkata (India)

[73] In that regard, it is interesting to note that the slogan of the CDB is « Empowering children for democratic participation ».

At the age of 15 years, the members are eligible to apply for loans and to set up a business of their choice. To benefit from the loan (called « advances » in the CDB lexicon), children must have been members of the bank for at least 3 months and need to have 20% of the loan amount in their account. Both individual and group loans are available. In order to secure the loan (which is provided after the loan committee, composed of the children themselves, has examined the application), two guarantors are required (e.g. a shopkeeper or another street child).

Two types of advances are being provided

1. **Welfare advance** : an interest free amount aimed at helping street children in their emergency expenditures
2. **Development advance**: to initiate economic enterprise, provided only to adolescents (interest rate: 5%)

Loan repayments are made daily, weekly or monthly, at the discretion of the loan committee.

Only in Delhi, advances were given to several children for various businesses. From June 2004 to March 1st 2005 about RS 18,000 (i.e. 400 US$) was given to children to start economic enterprise and about 15% was considered bad debt, *"as children either could not continue with their business or had to leave the place and go somewhere else and some went back to their families"*..

The Bal Vikas Bank is now spreading to some other neighbourhood countries (Nepal, Afghanistan, Bangladesh, etc), and the number of members increases day after day.

	June04	Sept04	Dec04	March05
	800	**1638**	**2881**	**3405**
Girls		494-30%	724-25%	892-26%
Boys		1144	2157	2513
		Doubled	**2 ½ times**	**three times**

(Source: CDB Annual Report (2005))

The total membership status is illustrated in the following figure:

	Members				Total	Percentage %	
			Age				
	Girls	Boys	Girls	Boys		Girls	Boys
Afghanistan	212	123	8-18	9-18	**335**	63	37
Bangladesh	157	429	9-18	9-18	**586**	27	73
Chennai	41	34	9-18	9-18	**75**	55	45
Delhi	99	1395	8-17	8-17	**1494**	7	93
Kolkata	143	188	8-16	8-16	**331**	43	57
Muzaffarpur	119	124	9-18	9-18	**243**	49	51
Nepal	121	220	10-15	10-15	**341**	35	65
TOTAL	**892**	**2513**	**8-18**	**8-18**	3405	**22**	**78**

Source: CDB annual report (2005)

Finally, we must note that the "children's development bank" is a project initiated by Butterflies but which relies on local youth organisations in order to implement it. As pointed in their international training report (2004), "Butterflies" identifies NGOs working with street and working children who should necessarily have participation and involvement of children as a core value.

Regarding the effectiveness of their programs, no comprehensive impact assessment has yet been undertaken. However, through the collection of some case studies, the organisation is pointing out that children value a lot those services. Indeed, the increase of the members is one of the core indicators. Moreover, some individual case studies indicate that many children have been empowered thanks to their new business activities started thanks to their credit. Finally, the children's development bank core emphasize is on participation; and it says to bring considerable added value to the children as it enables them to learn the principles of democracy and solidarity.

b. AFRICA – Street Kids International (SKI)[74]

SKI initiated, in 1996, a joint program with the Zambia Red Cross Society and the YWCA Council of Zambia called the Youth Skills Enterprise Initiative (YSEI). By targeting street youth in Zambia aged between 14 and 22, this program had two core objectives: to earn increased daily income and to learn useful business and life skills. The goal was therefore to encourage economic empowerment of the youth, by listening to what street children have to say and do express as their needs, considering their actual capabilities. Indeed, as pointed by SKI, this is a particularly new approach in working with street children, which is mainly built on a new paradigm: rather than using the paradigm of absence - *in which children and youth are "absent" without a voice and without recognition of their experience* – SKI uses the (new) paradigm of the child as a person" (Sauvé, 2003). This leads therefore to see street youth as capable human beings, who have something to offer rather than "empty vessels needed to be filled and helped" (ibid). They can therefore not benefit from financial services.

SKI has therefore developed a Street Business Toolkit, aimed at helping street based working children to develop a viable business plan for a street-enterprise initiative, prior to loan distribution.

Four program elements are part of the foundation of this program.

These are:

- ***Accompaniment*** : Youth workers support participants while they establish their business within the larger context of their life
- ***Skills training***: access to business planning and management.
- ***Credit and Savings*** : each participant is encouraged to save and can access a total of three loans (the 2nd and 3rd are larger)
- ***Peer Support Networking*** : *a*s participants' share skills and opinions, they mutually reinforce each other's efforts towards positive change in their lives

The SKI approach is more based on a general intervention aimed at stimulating enterprise creation among street based working children and "credit and savings" is one of the components of this program.

Concerning the effectiveness of such intervention, SKI is pointing out several positive impacts:

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[74] This part is based on the reports published by SKI and the article of Stephanie Sauvé (2003)

Box. 3.4.: Impacts of SKI microfinance program

Impact on Street Children

• Greater financial resources to buy food, clothes and household essentials.

• The ability to identify goals for themselves and for their business.

• Reduced involvement in high-risk behaviour.

• Greater understanding of how HIV/AIDS is transmitted and prevented.

• Friendship and support from other participants.

• Improved relationship with their family.

• Sense of pride, self-identity, and purpose.

Impact on Families

• Meals and household supplies supplemented through the participants' contributions.

• In several cases, the participants subsidized siblings' school fees.

• Parents/guardians feel proud of their child's productive use of time.

• The participant is much less dependent on family resources and financial support.

Impact on Communities

• Participants are staying in the community and off of the streets.

• Participants are becoming positive role models for their peers.

• More products are accessible in the communities, and are often available on credit.

From Street Kids International (2002 : 37)

c. LATIN AMERICA: Pronats[75]

Pronats is based in Peru and has been implemented in 1994 by Manthoc, a famous working children's organisation, and by various other partner organisations. Their approach is based on the paradigm of children "as subject" with its own desires and needs. The organisation is particularly renown for its successful struggle to include the recognition of children's right to work in Peru's national children's code, and working children covered under the same medical plan as adult workers (Moore, 1999)[76].

Pronats microfinance program is mainly based on an integration of the informal microfinance practices. Indeed, street working children of Lima and Cajamarca are provided loans (up to a maximum of US $188) on a system of rotating funds and invest it in different activities. *"Children use these loans to initiate their business or supplement their savings to start up businesses (...) and has registered a return rate of 50 to 70 %"* (SKI, 2002). In order to get this loan, the child put forward a proposal and is then interviewed to discuss it. The repayment schedule is quite flexible and Pronats has penalties in case of arrears.

> "It helps us to develop a business. When a person wants to get funding, they have to talk to the coordinator who talks to the fund and they give you an interview...you say how much you need and how much you will earn. The fund aks you what you will do with that money,...if you can pay the loan. The rotating fund lends you up to 500 soles (about US $188) and asks you how much you can pay...I used to pay every 15 days."
>
> A girl from Pronats - Tolfree (1998)

> I was selling sweets in the middle of the streets and was always facing the dangers of being hit by cars. Now, thanks to a credit received from Pronats, I was able to change activity and to sell cassettes in front of a school, a safer place!
>
> A girl from Pronats
> Adapted from Tolfree (1998)

One particularly important aspect is that street children are involved in different workshops for discussing themes such as "how to use loans", business administration, the principles of selling, working conditions, managing money, etc.

Another interesting point is that the organisation is pushing street children to change activity regularly in order to find what suits them the best and the work which would offer better financial rewards.

[75] The program outline is based on the excellent book of David Tolfree (1998), outlining and analysing several programs addressing working children around the world.

[76] Quoted in Foy (2001)

d. Learning points : Demand and supply

Those three case studies highlight three important elements:

- **Subject oriented approach**: the three projects are built on the new approach which has been highlighted in our chapter 1, which perceives non hazardous work as an essential vehicle of juvenile socialization, training and self-esteem and which highlights the necessity to listen to the street children, and to consider them as capable human beings which know about their affaires and are supported in this.

- **Demand for financial services:** Our chapter 2 highlighted how the street children who took part in our research do need financial services for various reasons. The three programs outlined before extend our findings and tend to show that street children in other Asian countries, as well as in Africa and Latin America do need financial services and this demand can not be argued to be "supply-driven" (in other words that the organisations did create the demand by supplying their services) as those organisations are built on a subject-oriented approach.

- **Holistic approach:** All those programs do offer more than traditional savings and credit products. They do argue that street children do need additional services, such as training and life skills, and that microfinance intervention should be sequenced with those services in order to have a positive impact on street children.

2.2. Effectiveness and sustainability: the trade-off

Our previous section outlined that microfinance is a new way of intervening in the lives of street children and sketched some programs worldwide. This section is aimed at discussing the two important concepts which will follow us in the next pages of our paper, and which must be kept in mind whenever discussing microfinance for street children.

2.2.1. Effectiveness

Any intervention addressing street children need to be effective, i.e. it needs to create a positive impact on them. The three programs highlighted above, although no formal impact assessment has been carried out, underline that such interventions do have positive impacts on street children, as street children are asking for it and such access does enhance the street children self-esteem and helps them to have a better future.
However, two objections may be put forward by MFIs and YSOs who are still reluctant to serve street children.

- **Supply-driven demand:** Providing financial services to street children may be a pushing factor to the street, because of the supply-driven demand it may generate: the greater is the supply and the greater may be the demand, and the worst may be the street children issue. For example, Lewis (1998)[77] does argue that programs for street children often make life on the street more bearable, thereby contributing to an increase rather than a decrease in the number of street children.
- **Mitigation of positive impacts**: even if some positive impacts may exist for some street children, they can be mitigated by negative ones. For example, street children may use the money provided to them in buying things that increase their vulnerability, such as drugs and alcohol; they may also want to leave completely school, and to start working because of their new profitable working activity.

What could those organisations argue against those objections? Mainly two things:

- **Targeting strategy:** Kobayashi (2004) points out that some solutions exist in order to mitigate those incentive effects and propose two solutions:
  - ***a. Good targeting mechanism,*** by setting clear criteria in order to have a barrier to entry in the programs;
  - ***b. Prevention***, by initiating some activities in the local places of children in order to avoid migration.
- **Holistic approach:** In order to mitigate the negative impacts, the programs outlined before point out the necessity to have a well-designed intervention which adopts a holistic approach, and therefore tackles all the vulnerability parameters of street children.

Assuming that such intervention may be effective by following a holistic approach (this assumption will be discussed in the following section), this second argument leads us to analyse the second important concept, namely the sustainability.

[77] Quoted in Kobayashi (2004)

2.2.2. Sustainability

Assuming that microfinance for street children may need a holistic approach leads us to discuss our second core concept: the sustainability.

Indeed, providing additional services such as training and education means designing a "microfinance plus program"[78] and avoiding a minimalist approach centred only on the provision of financial services.

However, as pointed by Nagarajan (2004), a microfinance plus program is generally costly to administer, and may face difficulty in achieving viability without continued subsidies. In other words, this approach can jeopardize the sustainability.

Indeed, financial sustainability requires the organisation to cover all its costs (cost of capital, administrative costs and provisions for loan losses) thanks to the revenues generated by the intervention in order to reach the maximum of poor people thanks to a minimum of resources[79].

This means essentially doing two things:

- Keep operating costs to a minimum
- Set interest rates on loans in such a way that it covers all these costs

But those two criteria may be hardly reached in case of street children taking into account the necessity to provide a holistic approach. Indeed, keeping operating costs to a minimum would mean providing no additional services that street children may need. Moreover, setting high interest rates would mean targeting the better off street children as well as reducing the total profits of the child.

So here appears a trade-off between effectiveness and sustainability, where on one side we may have an effective but a financially unsustainable project; and on the other side a financially sustainable project, but which is less or not effective.

Taking into account our objective, i.e. to maximise the street children well-being, we would argue that even if the microfinance program for street children is financially unsustainable, it could have sense to launch it if the project is effective. This leads therefore to assume that, most probably, a microfinance intervention for street children will not be financially sustainable and therefore will need to depend on subsidies.

But assuming this should not stop us from thinking about our research topic. Indeed, if the provision of financial services to street children is an effective system of delivering those subsidies, a microfinance program for street children could have all its sense. Moreover, the impossibility (or difficulty) to have a financial sustainable program must not avoid us from thinking about **program sustainability**, which means finding a way to guarantee a long-term viability of the program, keeping in mind the limited amount of subsidies available. We will therefore view in this paper "program sustainability" in terms of two parameters:

1. ***Minimization of the intervention costs***
2. ***Ability and commitment of the organisation to keep delivering the adequate services in the long-term***

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[78] The term "microfinance plus" refers to programs which provide financial services along with other services.

[79] As pointed by the CGAP, financial sustainability is not an end in itself, but it is the only way to reach significant scale and impact far beyond what donor agencies can fund. See www.cgap.org/docs/KeyPrincMicrofinance_CG_eng.pdf

2.3. How best to match microfinance with street children?

This section is aimed at discussing the core elements that need to be part of a microfinance intervention targeting street children. Our challenge in the next pages is to propose a well-designed microfinance framework for street children, taking into account the need to reach a **good balance** between **effectiveness** and **sustainability**.
This will be done through a progressive approach, by building up three microfinance frameworks: **a minimalist** (section 2.3.1), **a microfinance plus** (section 2.3.2.), and finally a **comprehensive microfinance plus framework** (section 2.3.2.)

2.3.1. Financial services

A. Microsavings for street children

Thirty years ago, whenever talking of poor adults financial needs, we were pointing out that those people did not need savings services for two reasons (Aghion and al., 2005: 160):

- They are too impoverished and too undisciplined to be forward looking (Bhaduri 1973)[80]
- Even if they are forward looking, there are many informal ways to do so, and there is therefore no sense in providing this through a semi-formal way.

These two hypotheses have now been rejected for adult people, and considerable evidence tends to show that even poor households are eager to save, if given appealing interest rates, a conveniently located facility and flexible accounts (Morduch, 1999:1606).

Concerning street children, our second chapter, having reviewed the demand of street children for financial services, pointed out how those two arguments were false:

- Street children are forward looking, but are quickly trapped into a vicious cycle due to the street insecurity.
- Because of their perceived statute of *'destitute'* and '*criminal*, very few safe informal ways of saving money do exist for them.

Therefore, at this stage, we know that street children need savings deposits. Then, one question remains: what sort of savings services do street children need? Rutherford (2002) teaches us that a saving scheme must have three main characteristics: reliability, convenience and flexibility. Let us review it in application with street children.

1. Reliability

Reliability is the "quality that, above all others, is conspicuously missing in the world of money management of the poor" (Rutherford, 2002). The need of security is therefore important for each poor, and it may even be more important for street children. Indeed, our demand analysis has demonstrated how street is an unsafe environment for them and how the informal devices were as much risky. Street children need therefore a place where their money will be in high security. It is therefore essential for such saving scheme to be very secure.

[80] Quoted in Aghion and al (2005)

Morduch (1999) points out that only tightly regulated institutions should be entrusted to hold savings, but this would exclude most microfinance programs worldwide. Moreover, as pointed by Rutherford (1999), many state-owned banks in developing countries are unreliable. So, security conditions must be a priority of all saving scheme. In case of street children, any place which serves as deposit (centre-based or not) must carefully check its security conditions.

2. Convenience to pay-in and take-out

We have underlined how street children need savings in order to cope with emergencies. Saving deposits need therefore to be convenient, i.e. to be both accessible and quick, so that children will find it easy to withdraw money when a sudden emergency hits them.

In order to be **accessible**, the deposit service has to be local, i.e. to be based in the location of the child. Placing a deposit service far away from the children living and working place would be inappropriate, as the child will have no incentive to deposit his/her money. A particular place can meet this first criterion: the drop-in-centres. Indeed, street children, after integrating some programs launched by diverse NGOs, are provided with various services in some centres. Those centres are places where children can feel relaxed and comfortable, safe and looked after (Ennew, 2000: 111). It can also provide night shelters, but it is not always the case. In those protected places, street children usually gather and spend a large part of their time. It seems therefore that the best accessible solution would be to settle the saving scheme in or near drop-in-centres[81].

In order to be **quick,** minimum delay must follow the child's request to access his account. In order to guarantee such mechanism, transaction costs have to be restricted (i.e. no heavy paperwork, etc.). Two options do exist in terms of registering:

1. **Personal passbook**: even if this has the big advantage to create a positive effect on the child's willingness to save, as the child may feel more committed to the project, this has two disadvantages:
    1. ***Costly to administer***: the passbooks, even if done in the most basic material, have a cost; moreover, given the high probability for the child of loosing it in the street, it does need a specific place in or near the drop-in-centre in order to store it.
    2. ***Not quick***: the registering officer must record the amount on the saving book of the child and on a register in order to keep general records in the organisation in case children loose their passbooks or for reporting data.
2. **Register book** based in or near the drop-in-centre seems to the best solution. Two options do exist: a manual book and a computerized system, the latter being the best one (a simple Excel file may be appropriate, or better a specialized microfinance software if available)

[81] Our two determinants "in" and "near" are maintained here, as we still need to keep in mind our double delivery strategy, i.e. YSO ("in") and MFI ("near")

3. Flexibility

Flexibility is a key element of deposit services quality. Indeed, our demand analysis pointed out that street children do generally handle very small amounts of money, which they may need to deposit though. Consequently, the system in place needs to guarantee flexibility by allowing the children to save and to withdraw any amount of money, as small as this could be. Therefore, the core of the process must be based on voluntary savings, and the organisation should not avoid children withdrawing their money for any kind of imaginable reason: it is the children's money, and the only person that must have control on it is the child, nobody else.
However, the children's development bank and SKI do point out the question of compulsory savings, which may be important for two reasons: as a learning opportunity for the child; and as financial collateral for loan disbursements. This point will be discussed in our next section, dedicated to credit.

Now that those three fundamental criteria have been underlined as being the foundations of a microsaving scheme for street children, we need to highlight two other important elements, namely the need to find innovative ways to attract saving deposits, and the need to provide more than money deposits:

- **Stimulate saving deposits: the importance of returns**

It is generally said that returns are important in order to stimulate savings. The Children's development Bank, for example, is giving 10% a year, and 50% for those who do not withdraw savings for six months. Although interesting, this solution can cost a lot to the organisation and may impact the program sustainability. How can we therefore find another way of stimulating saving?
As pointed in our chapter 1, street children are vulnerable and this vulnerability may impact their self-esteem. Providing them with what we can call *"non monetary returns"* may therefore be useful. Those returns can consist of giving some rewards in public to the street children who saved regularly. Apart from enhancing the self-esteem of the child, it could be a high incentive for other children to save more and more and to feel more concerned by the program.
Finally, we must point out that our aim is not to avoid giving "monetary returns" to children, which can enhance their income and be profitable to them and their family, but we try in this paper to find some ways to maximize the effectiveness of the intervention, given the sustainability criteria, which one requirement is a cost minimization. Indeed, without the last aspect, we could argue that providing both monetary and non monetary returns are needed. However, we think that "non monetary returns" may be sufficient in stimulating saving deposits and that given the high need of street children to save money, interest rates may be of little importance to them.

- **Assets deposits**

As pointed by Ennew (2000: 112) street children may not only need to save money, but also to store some valuable things, such as working materials, or personal belongings. Therefore, offering the possibility to the children to deposit their assets is crucial, particularly after a child may start his/her business.

B. Microcredit for street children

Our chapter 1 (section 2.3) highlighted how street children accumulate skills and are plenty of capacities due their street life experience. Moreover, our demand analysis (chapter 2) pointed out how some street children need credit in order to start their own income generating activities whose returns are used for meeting their diverse expenditures and their families' expenditures, but do have a very low access to credit and hence can not initiate their own enterprises.

This finding is coherent with our three programs outlined below and it tends to show that this need is not only confined to Bangladesh. For example, SKI (2002) points out interestingly that:

> *Poverty combined with the lack of access to credit are some of the biggest obstacles that face street youth wanting to engage in healthy and safe income generation. Without money, street youth are unable to make the investment necessary to buy the initial assets their business needs. Most lending organizations do not trust the credibility and reliability of street youth seeking loans. Hence, street youth are left feeling discouraged". (SKI, 2002: 15)*

Access to credit is therefore perceived as way to secure the future of the children, as it encourages economic empowerment and supports their socialization process. Moreover, it is a way to enhance their self-esteem by the success of their business activity, enhancing therefore their personal agency.[82]

This section is therefore aimed at throwing light on the appropriate product design and delivery needed in order to address street children effectively and in a sustainable way.

1. Product design

As pointed in our first section, a microcredit is characterized by three elements: a size, a term and an interest rate. Let us review those three components in application with street children

1.1. Loan size: small but tailored

Our previous case studies tend to demonstrate that loan sizes provided to street children must be smaller than conventional microcredit scheme and that the credit amounts tend to be comprised between US $ 20 and US $100, depending on the program. Indeed, small loan sizes have advantages both in terms of effectiveness and sustainability:

- ✓ **Effectiveness:** it limits the risk faced by the child to fall into high indebtedness in case his/her investment fails, compromising his/her ability to repay, and creating instability in the future as the child must look for other ways of repaying back the money during a considerable long period.
- ✓ **Sustainability**: it limits the risk of default facing the provider and it increases the provider's outreach.

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[82] "Agency can be an individual or collective (group) attribute and refers to the ability to act on and/or take control of one's life, to change one's circumstances etc. It is an important component of self-efficacy and can make all the difference in situations of adversity to individual or group survival. ie. people who passively accept their fate rather than actively strive to overcome it are more likely to be overwhelmed" *(Jo Boyden: personal email communication: 21 May 2006)*

However, the loan amount should be sufficient to meet the child's investment costs, and needs absolutely to be tailored to the child individual needs and his/her ability to repay (depending on his/her ability to make good investments, to manage correctly his/her business, as well as the child's repayment discipline). So, different categories of credit amounts must be proposed, from the smallest one, to the "largest" one.

1.2. Loan term: flexible but delimited

Flexibility is a key issue, in both savings and credit. Regarding credit, flexibility means that the term of the loan could be changed if the child is not able to meet the first deadline. This has been pointed by SKI as an essential factor of success, for both the lender and the borrower.

- ✓ **Effectiveness**: it avoids the child to fall into indebtedness (borrowing money from other people, and creating tensions if the child is not able to repay to the informal lender) in order to meet the deadline.
- ✓ **Sustainability**: it guarantees a higher final repayment rate, as non flexible loan terms might push the child, who is witnessing that he might hardly be able to repay the loan before the deadline, to run away.

However, the child must be aware that flexibility is not unlimited, but is settled between correct boundaries (e.g. between 6 months and 1 year)

1.3. Interest rate: low but adequate [83]

The three programs outlined below show a mixture of practice in terms of interest rates. For example, SKI is charging 15% and the children's development bank stands relatively low with either an interest of 5% (*development advance*), either no interest (*welfare advance*). Foy (2000) indicates that some other programs worldwide are charging no interest at all.

Charging interest rate can have two impacts on effectiveness and sustainability

- ✓ **Effectiveness:** an interest rate reduces the total available income of the children
- ✓ **Sustainability:** more than the question of bringing additional revenue which may cover a part of the administrative costs, it can also be a barrier to entry to those who do not have a business project, limiting therefore the amount of loss (given a successful investment)

But in order to avoid depleting too much of the effectiveness, such interest rate must remain small. The range of 5-15% seems to be the most commonly used among practitioners.

So, we should suggest designing two different products, as does the Children's Development Bank: one with interest (for business starting activity) and one without interest (for emergencies, etc.)

[83] The high majority of programs call it "service charge" instead of "interest rate", for both economic reasons (to avoid falling into the regulation process) and ethical reasons: as pointed by Padakhep staff, we should not speak about "interest" with street children, as we are not making profit, but just try to cover costs.

2. Criteria for accessing credit

One of the core elements that could guarantee the effectiveness and the sustainability of microfinance for street children programs is the setting up of conditions to be met before any loan is disbursed. Those are essentially based on two pillars:

2.1. Good targeting:

Targeting the appropriate children is essential. Indeed, our chapter 1 illustrates the diversity existing among street children, across and inside countries. Therefore, it is important to keep in mind that not all street children are potential entrepreneurs and need to start a business. Our chapter 2 has highlighted this point, some children stating that "*they do not need credit*" at all. This implies the necessity to have a well-designed targeting strategy in order to target the children that will be the most committed, able and motivated of doing so. This targeting could be built on four elements:

- ✓ **Age:** all programs do highlight the necessity to provide loans for older street children, as the younger ones have lower capacity to start businesses. For example, the children's development bank gives business loans to children of minimum 15 years and SKI to children of minimum 14 years.
- ✓ **Membership:** one of the key considerations in such a program is the necessity to know the child before disbursing the credit; this means that a loan must only be disbursed to the child who has been "member" for some months. This allows avoiding disbursing a credit to a child who may be too much vulnerable (e.g. drug addicted); but this implies also disbursing credit to the ones who showed good performances in the past.
- ✓ **Willing, motivated and able:** a microcredit program needs to address the street children who are willing, motivated and capable to start a business activity in order to analyse if such activity may be the most suitable for the child.
- ✓ **Feasible business plan:** Pronats and SKI highlight the necessity for the child to think deeply of his business and to propose a small business plan before disbursing the credit. This business plan must be feasible and take into account the local informal market structure and competition.

2.2. Collateral substitutes

The collateral can take two forms

a. Compulsory savings: loans are given to children who had previously saved and the loan amount provided will be equal to "x" times the last saving balance

b. Guarantors: the children's development bank is giving loans to children who can provide two guarantors (e.g. a shopkeeper and another street working child)

3. Product delivery

Now that we have an idea on the product that may suit the best street children and the criteria for accessing such product, we need to discuss the way of delivering such product, in order to ensure both effectiveness and sustainability.

3.1. Group-lending

Our chapter 1 (section 2.3.) underlined that one of the main characteristic of street children is their altruistic behaviour and the supportive networks they do create among themselves. Kobayashi (2004) indicates interestingly that, *because solidarity among street-involved children and youth is very strong in general, and they tend to enjoy interacting among themselves, many programs have incorporated group activities and promoted interaction to maximize the positive effect of peer groups"*

Moreover, microfinance best practices demonstrate how the providers need to integrate the strength of their beneficiaries into their programs to transform it into an advantage. In that regard, the prevalence of solidarity among a particular group is a precious strength, which can both benefit the children and the provider.

In terms of **effectiveness**, a group lending system can be doubly beneficial:

1. The peer support gives the children the opportunity to share skills, opinions and ideas. This is a good learning opportunity – they support themselves and collaborate for the success of their respective businesses and therefore reinforce each other's efforts towards positive change.
2. This enhances their self-esteem and self-confidence, as they feel that they have a place and a role in the society, and that their voice does account for something.

In terms of **sustainability,** it can:

1. Increase repayment rates, thanks to the peer monitoring and peer support.
2. Enhance the sustainability of the project, from a double perspective: a good repayment rate, and a higher feeling of belonging to the organisation, guaranteeing therefore their long term commitment.

Concerning the size of the group, SKI advises to limit it at about 5-7 members per group, as a bigger may lead to less flexibility for children in choosing their partners.

Moreover, concerning street children, we can broaden the traditional concept of group-lending (i.e. disbursing credit to individuals who are part of a group) to include the notion of group-enterprise, where the loan might be disbursed to a group of street children in order to create together their enterprise. For example, the children's development bank, after having witnessed the limitations of individual lending, is orientating its future activities towards group-enterprise: *"...in a group enterprise there is peer pressure and the children are motivated to move along with the group and continue to put in their efforts to make the enterprise successful. Thus, now the focus is on providing skills to a group of children and initiating a solid group enterprise"* (CDB, 2005).

The idea proposed is therefore to try to launch, in parallel to or in place of individual business, a group business where the children will initiate and manage together their own business.

3.2. Progressive lending

All organisations point out the importance of starting small, and of expanding the loan size with the performance of the child. SKI does adhere to such philosophy, by offering a first loan up to US $ 40 and a second loan up to US $

80 and a third loan up to US $ 85. As a consequence, the child's reliability will be tested and this will increase his/her opportunity cost of non repayment.

3.3. Frequent repayment schemes

Padakhep's repayment period is weekly based. This has been emphasized as a necessary condition for street children, as it would enable them to avoid falling into debt if trying to repay a high amount at the end of a longer period. Moreover, it is a way for the institution to screen the child's ability and willingness to repay the loan amount. Starting very early after the loan disbursement seems to be also of high importance, but it has to consider the child's ability to repay in order to avoid indebtedness of the child.

3.4. Linking the guardians

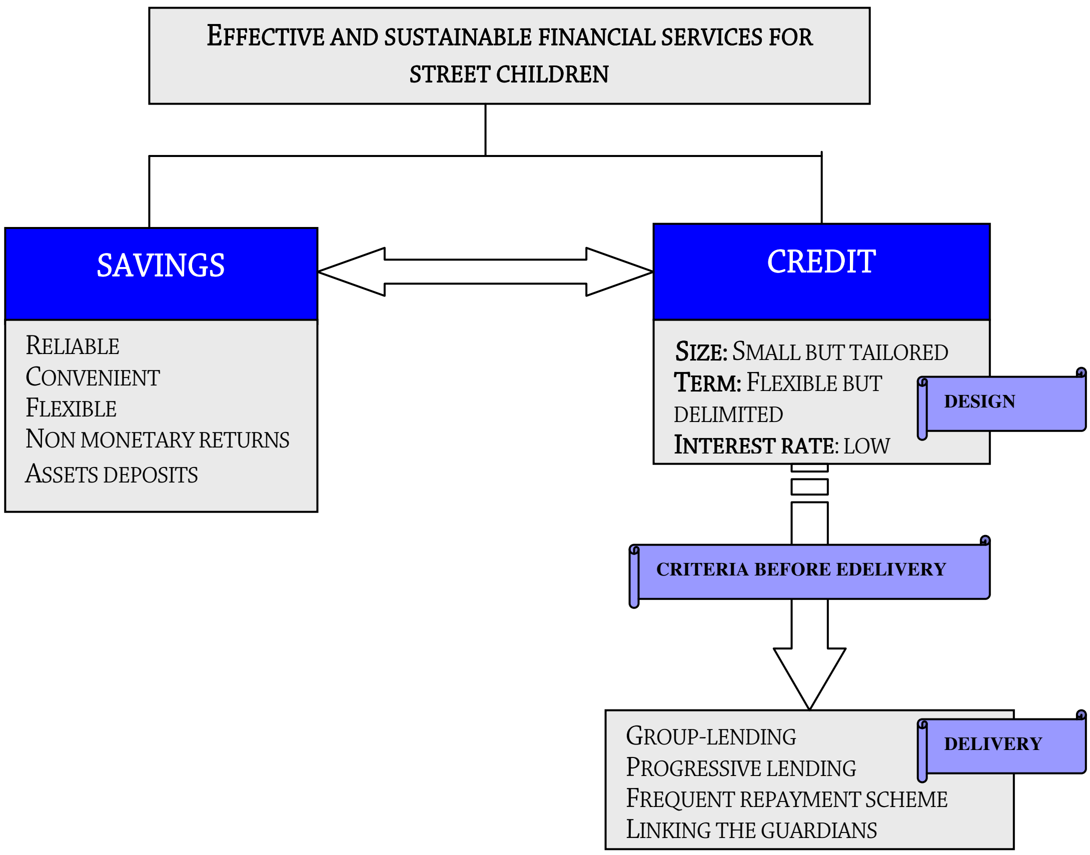
Our chapter 1 pointed out how the majority of street children around the world are closely connected to their families, passing most of their time on the streets in order to support their family and returning back home at night. Linking the guardians (i.e. parents or relatives) is therefore important and, as pointed by SKI, the importance is to guarantee that they approve the child's participation in the program, without interfering with his/her business, but supporting the child whenever he faces any problem. The youth workers may do this, as proposed by SKI, through the signature of a contract by the guardians.

C. microcredit and microsaving: a bridge

Providing credit in order to allow the child to start an economic activity will not be effective if the child is not pushed to save his/her money in order to reinvest it into his/her business.

D. A minimalist microfinance framework: visual summary

FIG. 3.1.



2.3.2. Supporting services: the need for vocational training

Our previous section outlined how should financial services for street children be designed and delivered in order to be effective and sustainable. At the same time, we remember that the programs outlined previously are doing more than just providing financial services to street children and point out the need to complement financial services with other supporting services. Indeed, even if motivated, willing and committed to start a successful business, street children may lack the appropriate skills to do that. Vocational training is therefore one solution to support street children in acquiring those skills. This concept generally refers to an educational activity oriented to provide necessary knowledge and skills for exercing a working activity.[84] This is a common education option in projects for street children and Kobayashi (2004) classifies vocational training in 4 categories. Three of them can be characterized as a direct supporting service to our microfinance framework, the fourth one being also important but is not directly a supporting service. However, all of them have the finality to offer street children with alternatives to harmful or illicit work.

a. Production-oriented training

This type of training it focuses on technical skills needed to produce goods and services and generally comprises trainings such as mechanics, electronics, electrical wiring, carpentry, welding or tailoring. However, Ennew (2000:133) warns about the risk of stereotypes that may be part of such schemes, where girls are being teached cooking and sewing, and boys mechanics. It needs therefore to be diversified and Kobayashi (2004) points out that the key is to design a vocational training that matches the demands of participants, the skill levels of participants and the demand of the market

b. Service-oriented training:

This training focuses on skills needed to provide specific services to other businesses and final consumers.
It includes mainly technical training which focuses on the way to serve the consumer (such as in the hotel business), and one major part of it concerns "retailing", such as grocery shops, or restaurants.

c. Entrepreneurship development training

Once being graduated from the previous training sessions, the child has two options: either work as an employee in a particular business (grocery shop, mechanical shop, etc), or start his/her own business. In the second option appears the notion of "entrepreneurship training".
Stevenson (1997)[85] reminds us about this concept and points out that it refers to *"The process whereby individuals become aware of business ownership as an option or viable alternative, develop ideas for business, learn the process of becoming an entrepreneur and undertake the initiation and development of a business"* .This means that, after being graduated from the previous vocational training sessions, the organisation should provide awareness about business opportunities for street children, and helps the ones who are interested and capable of

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[84] From *www.ilo.org/public/english/region/ ampro/cinterfor/publ/tunion/casanova/pdf/what_is.pdf* (the article offers an interesting view on the evolution of the concept across time)
[85] Quoted in Schoof and Haftendorn (2004)

starting their activity. In order to help them, they need to provide entrepreneurial skills which are aimed to develop personal, organizational and financial skills needed in order to start a business. The activities include: developing a business plan (one of our criteria in accessing credit), problem solving, communication skills, goal setting, time management, stress management, managing and reducing costs, stock control techniques, etc.

However, SKI argues how it is essential to have a constructivist approach by building upon the skills of the street children (which are already numerous, as pointed in our chapter 1) and by focus on a peer training approach. Finally, Kobayashi (2004) warns to inform the participants that what they learn in business development training is not a promise of reward, but essentially a way for self-improvement.

d. Management-oriented training

The business plan being done, the child will need to know how to manage its new business. Here comes the notion of management training, which seeks to accompany the child in the challenges he/she may face in the management of its business. SKI argues that this can be done through some group discussions hold every two weeks.

e. Supporting services and financial services: a microfinance plus framework

The three dimensions highlighted above are necessary in order to enhance the effectiveness of the microfinance intervention, especially the microcredit component of our model. However, this adds considerable costs to our previous minimalist model and, hence, may impact negatively the program sustainability. However, without those services, “effectiveness” will be poorly achieved.

Therefore, the challenge is to achieve a good balance between **effectiveness** and **sustainability** by reducing the costs of provision. In order to do so, two options exist:

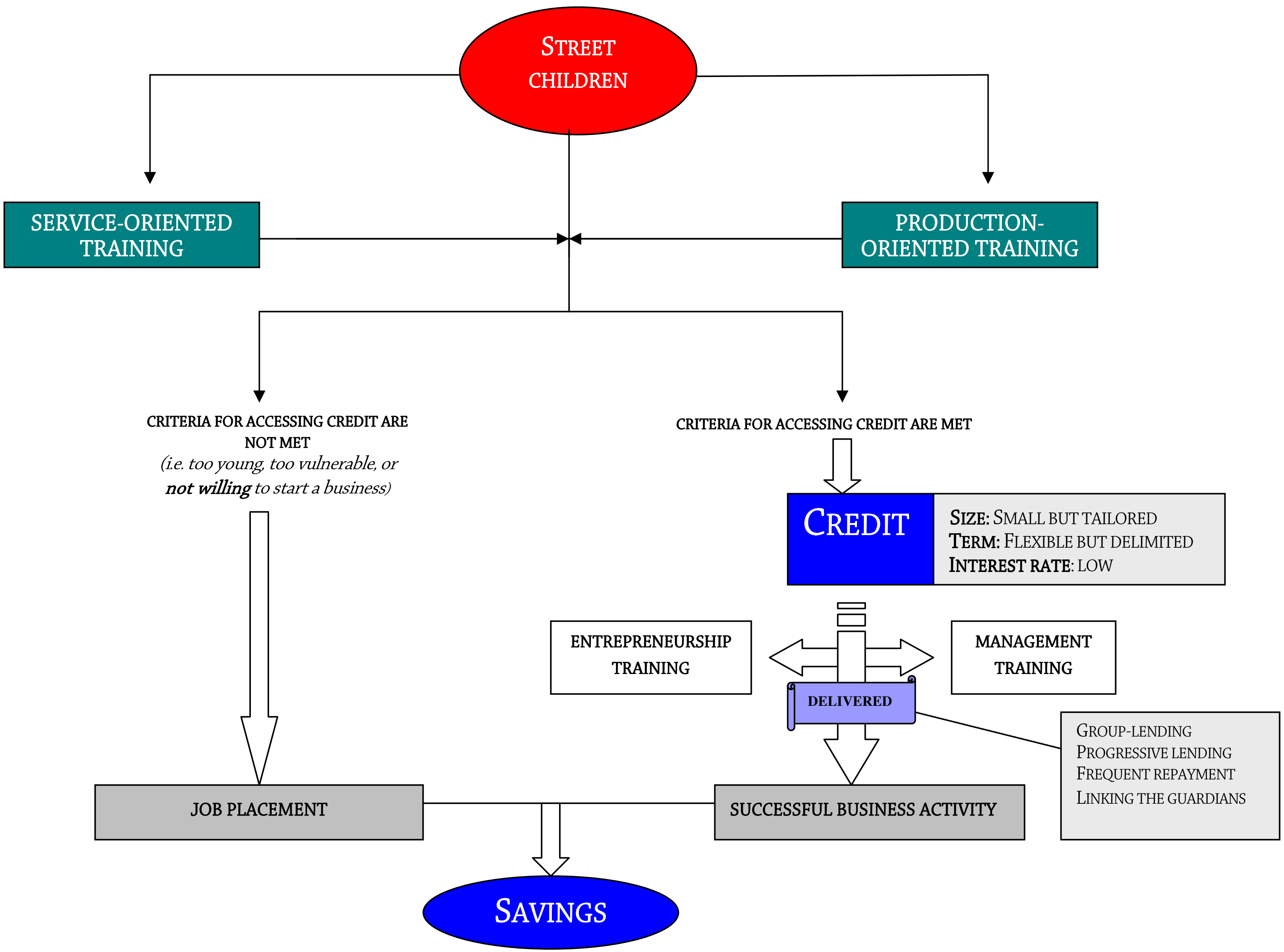
- ✓ **Partnerships:** to make a direct partnership with a specialized organisation providing vocational training, such as Underprivileged Children’s Education program (UCEP) in Bangladesh.
- ✓ **Mentorship:** to allocate (as does the children’s development bank) an informal mentor to the child, who will provide him/her the entrepreneurship and management training. However, this solution may curtain effectiveness if the mentor is not entirely committed.

Finally, it has to be noted that two barriers must be settled in order to avoid an error in targeting

- ✓ **For production and service training:** not all street children may need training; the less vulnerable ones may still have the possibility and the willing to integrate formal education system, and this has to be encouraged as it is a way to find a formal work in the future (although this concerns a particularly minority of children)
- ✓ **For entrepreneurship and management training:** not all the children are entrepreneurs, some may only want and have the capacity to get employed; but the important point therefore is to provide them with saving services in order to maximize the returns from their jobs.

Our following page illustrates our new microfinance framework, which integrates the vocational training components.

FIG. 3.2.: A MICROFINANCE PLUS FRAMEWORK FOR STREET CHILDREN



2.3.3. Operational requirement: social services

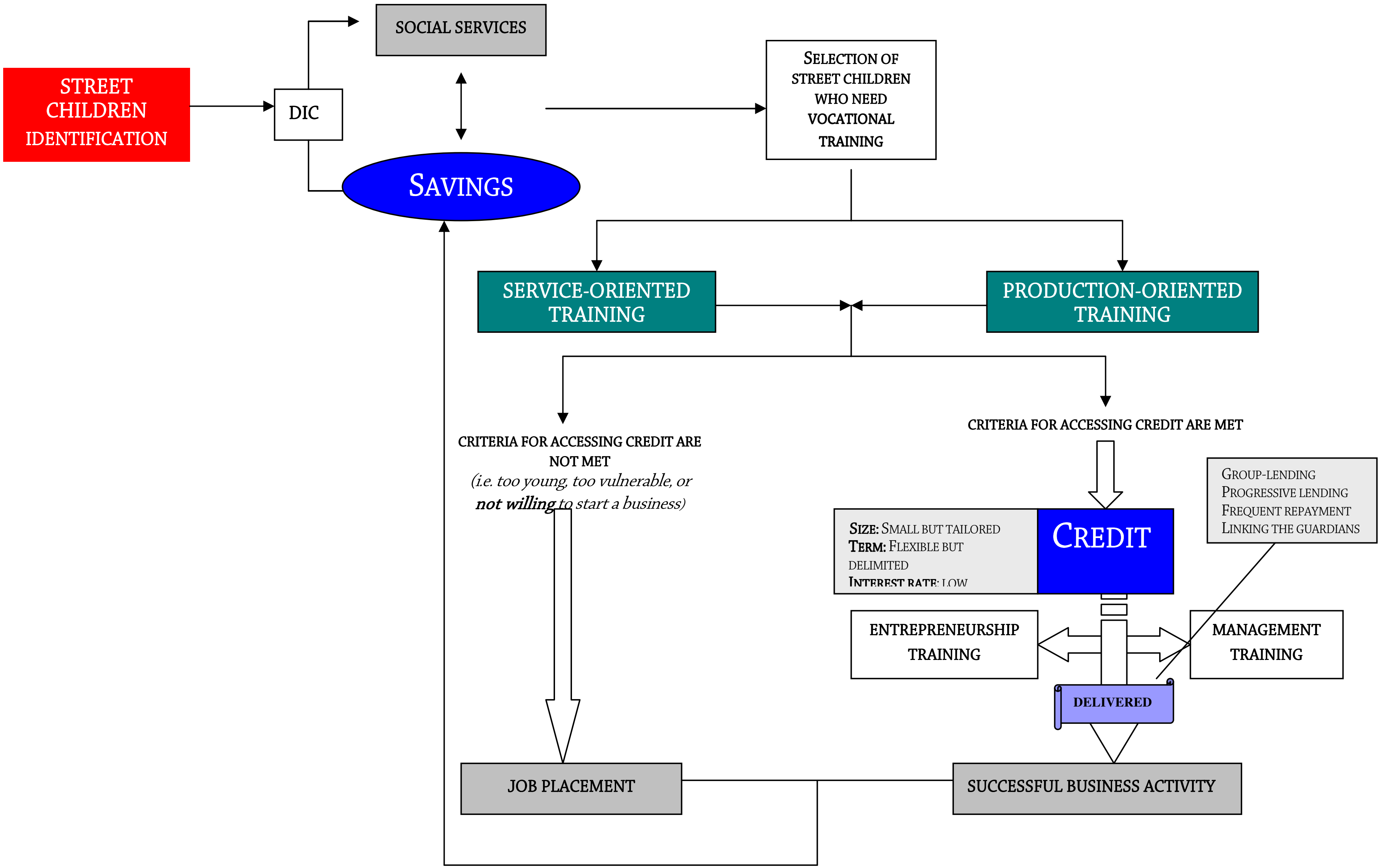
Our first chapter outlined how street children, even if they have high capacities, are vulnerable, having therefore basic and urgent needs to fulfil first. Social interventions for street children are therefore aimed at responding to the various developmental needs of the street children.

As Judith Ennew points interestingly: *"You cannot ignore children who are in danger, frightened, hungry or ill because development philosophy says you should look for long-term solutions (...)" (Ennew, 2000:* 100)
She completes this comment by comparing street children to "people" who are in a permanent emergency or disaster-relief situation. Indeed, as in the case of earthquake victims and refugees, they need immediate help, but this will be of maximum benefit to the street children if it is planned so that it will become part of a long-term development solution. In that regard, microfinance can be a valuable long-term development solution, but whose effectiveness will be limited if we do not integrate in our framework basic social services. Those services comprise generally: *health, nutrition, education, recreation, awareness, psychological counselling, legal aid, and advocacy and gender*, and are a kind of first aid. They are generally provided in drop-in-centres (DIC), where the child is given shelter (day or/and night) along with other social services (although night shelter must only be provided to the most vulnerable ones).
Although positive impacts may be numerous, Ennew (2000: 110) warns about one danger: dependency.
Moreover, as pointed in our section 2.1.3 (d), it can enhance the supply-driven demand, as families may have higher incentive to send their children to the streets in order to benefit from such services. The "solution" (if any) is a good targeting strategy, with clear criteria in the identification of street children, in order to avoid integrating in their programs children who may not need it urgently.

2.3.4. A comprehensive microfinance plus framework: Financial services, supporting services and social services nexus

Our previous point leads us to redesign our previous microfinance plus framework, by trying to integrate the social services in a logical and effective sequencing.
First, social services (i.e. "first aid") must be a preliminary condition before providing vocational training and disbursing credit. Indeed, this is a way of meeting some of our criteria;
However, "saving" can be viewed as direct parallel service to the "first aid" solution. Indeed, the child, from the street, will move to the centre where he/she will be provided with basic social services along with the opportunity to save his/her tiny earnings. Moreover, a positive correlation between social services and saving will appear, as the more the child will be socially empowered, the more he will understand the need to save money. Then, after some time, the child will be provided with the opportunity to gain production or service oriented training, in order to move from his/her harmful or illegal working activity, and either be placed in a business, or either create his/her own business thanks to a credit provided to him/her. Then, with the money generated, the child will save a part and, little by little, sees his/her future in a better way. However, this transitory phase does not only need social services to be provided before, but also during the microfinance intervention, as getting money alone is not an end in itself. This calls therefore to modify our previous microfinance plus framework, by adding those social services to our model.

FIG. 3.3: A COMPREHENSIVE MICROFINANCE PLUS FRAMEWORK FOR STREET CHILDREN



2.3.5. Effectiveness, sustainability and provision model

When discussing "effectiveness" and "sustainability" in our section 2.2, we were pointing out how those two criteria need to be kept in mind whenever discussing microfinance for street children.

The comprehensive microfinance framework for street children we are proposing tries to meet at best those two criteria, by finding a system which increases the impact on street children, taking into account the limited amount of subsidies and the need therefore to minimize costs and to have a sustainable program. But as we have seen previously, even with the last criteria in mind, the holistic approach needed keeps the program at a high cost, keeping therefore difficult to reach financial sustainability and consequently a constant dependence on subsidies. So, at this stage, two questions need to be raised:

a. What is the added value brought by this new approach? In other words, why should a particular donor support such activity, comparing to a traditional one?

Since the street children predicament appeared in developing countries in the 80s, many NGOs tried to approach the issue by, first, relying on a paternalistic approach taking its roots from the Western model of childhood, where the objective was to "protect" the child and to provide only with emotional, physical and intellectual development services. The assumption behind this approach is the lack of responsibility of the street children, who do have nothing to say, but just to keep receiving services until they reach adulthood. But those street children, as pointed for instance in our chapter 2, do have high responsibility towards their families, and it is often for this reason that they are on the street. Witnessing this, some NGOs began to worry about the appropriateness of intervening in the street children life only by providing social services, and tried to help street children, usually engaged in hazardous work, to find a better survival strategy, by giving them training an finding jobs. Then appeared the third movement which, taking into account the necessity to provide training, did find inspiration in the microfinance movement which emerged in the 90s, and thought effective to add to the actual framework of intervention two components: "savings" and "credit".

The added value of this new framework of intervention is structured around the notion of ***"economic empowerment"*** which tries to find solutions to a complex problem by relying first on the children themselves.

This new approach tries therefore to assist street children, whenever keeping in mind the necessity to give them tools which will improve their future. Among the various added value, we could say that:

1. By providing **saving,** the street child can meet his/her life-cycle needs, emergencies and opportunities whenever keeping him/her safe for robbery and getting involved in criminal activities, reducing as a consequence his/her vulnerability.
2. By providing **credit** and launching a successful business activity:
    - The street child' self-esteem and confidence will be increased
    - The street child will be protected from hazardous street working activities
    - The will be more able to raise a high income and to support him/herself as well as his/her family more efficiently
    - The socialization process will be efficient, as the child would be perceived by his/her community as a responsible person.

Finally, we must recall that the effectiveness of this intervention can only appear by keeping a particular attention to the respect of each step, in order to avoid the supply-driven demand, as well as the mitigation of positive impacts.

b. MFI vs. YSO: Which provision strategy is the most sustainable?

The microfinance framework we are proposing is said to be effective (i.e. positive impact) and sustainable (i.e. minimizing cost), non regarding the organisation which is providing it.

However, as pointed our in our section 2.2.2, there is another component of sustainability which, if brought in our framework, can enhance the program sustainability: the "ability and commitment of the organisation to keep delivering the adequate services in the long-term". Indeed, even if any organisation can, by adopting our model, create a positive impact on the street children, and in the same time minimizing its costs of intervention, we need to seek which type of provision strategy will be the most adequate one for guaranteeing these criteria.

From the provision side, we have, as pointed in the beginning, two potential actors: MFI and YSO.

From a MFI perspective, launching a successful microfinance program for street children alone and keeping it viable means three things:

1. Hiring additional staff able and committed to serve street children
2. Providing social services to street children
3. Providing vocational training to street children

From a YSO perspective, launching such a program means:

1. Changing its working philosophy, moving on to a subject-oriented approach.
2. Consuming time to the actual staff or increasing the number of staff needed
3. Providing training to the staff in order to in order to manage adequately the provision of financial services and to provide entrepreneurship and management training to street children.
4. Provide production or service oriented training

Therefore, we are in presence of what we can call a **"*management dilemma*"** where, on one side, we have an MFI which has an expertise on financial services (and sometimes training services) but no expertise at all on street children; on the other side, a YSO has the expertise on street children, but few (or no) expertise on microfinance. How can we therefore reconcile this dilemma? Keeping in mind our objective of street children well-being maximization, we would argue that two sustainable provision model can exist:

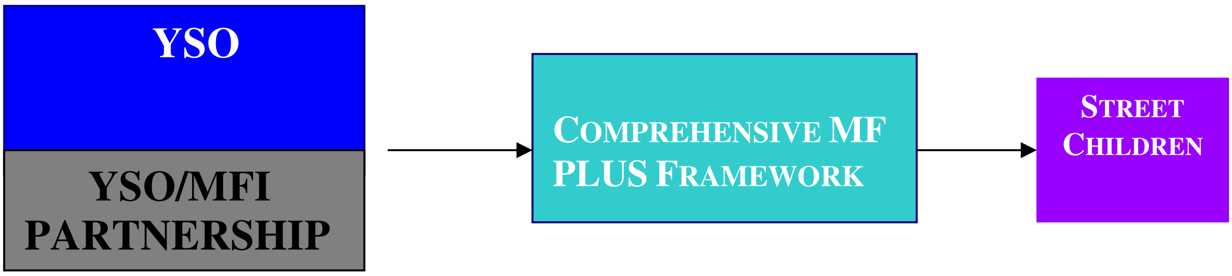
- ✓ **YSO focus:** our operational requirement implies that social services HAVE to be provided, otherwise the program will never be operational. As YSO do already provide such services, it makes more sense to initiate such activities in YSO, thanks to the economies of scale[86]. Indeed, as their constraints are much in terms of staff, if the staff is well trained, the major costs disappear. The only high cost is the production and service oriented training, but outsourcing it can be a profitable solution. Given this, the more there will be subsidies, the higher will be the effectiveness. Second, it can be more valuable

[86] "Economies of scale" are related terms that describe what happens as the scale of production increases. They are different terms and not to be used interchangeably. (http://en.wikipedia.org/wiki/Economies_of_scale). Here, the input is the amount of subsidy, and the output is the effectiveness

in terms of economies of scope, as more street children can be reached for each dollar spent (as the YSO has already a "pool" of street children)

- ✓ **YSO/MFI partnerships:** Even if our previous suggest that it can be more sustainable for a YSO than for a MFI to launch such activity, partnerships can be, in our view, extremely valuable. It can take the form of a "capacity-building" relationship, where the MFI would help the YSO to design and deliver its products. Indeed, for an MFI, helping the poor may also mean helping those who serve the poor as well. Moreover, a particular element to consider is how gainful too can this partnership be for the MFI: as pointed by Hatch (2004) the youth of today are the adults of tomorrow. The street youth of today can therefore be the adults' clients of tomorrow, if the organisation is closely linked to the YSO, and if the street children are well aware about that.

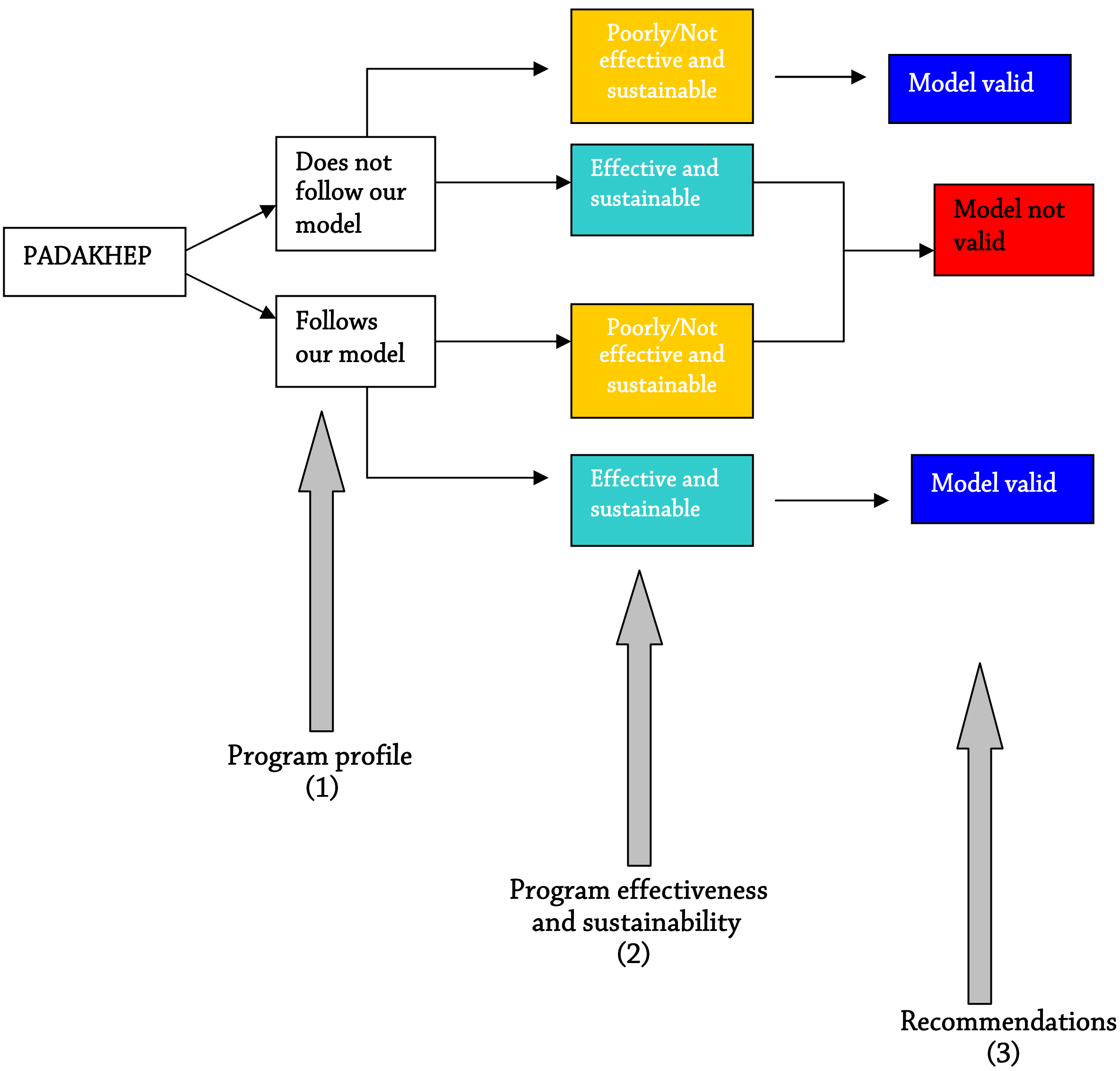
Fig. 3.6-Visual summary: our effective and sustainable MF for street children model



2.4. Case study: Padakhep Manabik Unnayan Kendra (PMUK)

Our case study has the objective to test our proposed model, by first analysing the program profile in order to assess whether the organisation follows our model; our second objective will be to analyse the effectiveness and sustainability of the program in order to determine and then to move on to the validity of our model, and make recommendations. Our approach can be schematized as followed:

Fig. 3.7: Case study framework



2.4.1. Program Profile

A. Padakhep: an introduction

1986. Poverty is striking Bangladesh, a country of 130 million inhabitants situated in South-East Asia. Revolted by the alarming situation he was witnessing, Iqbal Ahammed, former worker at the World Bank in Dhaka, decided to leave his office and to go to the field : he created, in a small remote village of Barisal district, in the South of the country, his organization: Padakhep Manabik Unnayan Kendra(PMUK). The initial objective of Padakhep was to find a solution to the hardship of life of the villagers, and was especially working on the field of agriculture, building awareness sessions and mobilizing the villagers to take their destiny in their own hands.

Now, twenty years have passed, and Padakhep is present in 166 locations of 53 districts, both in rural and urban areas of the country[87]. There, Padakhep is implementing various development programs and projects, within a single mission: to create self-financed, self-employed and self-empowered communities with increased capabilities by providing need based services and supports.

To do so, Padakhep follows a holistic development approach (HDA), and its interventions are centered in the following sectors: M*icrofinance; Agriculture; Health; Education; Street Children; Enterprise Promotion; Gender; Advocacy and Training.* Its strategy is characterized by a bottom up approach, with an emphasis on beneficiaries' participation in all stages of the project. The following figure illustrates Padakhep's HDA.

Source: http://www.padakhep.org

[87] Bangladesh is divided in 64 districts, each district being divided in..... Dhaka is the capital, and...

In order to achieve its missions, Padakhep relies on its principal strength: its management. Padakhap has actually more than 1000 workers all over Bangladesh, at different executive levels. The following table gives the distribution of the actual number of staff.

Sl No.	Staff Category	Number of Staff		
		Female	Male	Total
01	Policy Making Level	03	12	15
02	Mid Level Staff	15	58	73
03	Field Level Staff	356	676	1032
04	Support Staff	18	35	53
	Total (2005)	**392**	**781**	**1173**

Source: Padakhep profile, 2005

The management structure of Padakhep is being illustrated in our next page. The first organ is the General Board, which consists of 21 members and which meets at least one time a year. Its mission is to approve the activities of the Executive Committee. Moreover, it does elect the members of the Executive Committee, which consists of 8 members: 1 president (whose role is to monitor Padakhep's activities), 6 members and 1 secretary. The role of secretary is being played by the executive director who is the executive chief of the organisation. He plans and designs the projects, prepares and develops the budget, designs the policies and implements all activities. He recruits, under approval of the Executive Committee, all types of staff. The existing management is therefore being run under the Executive Director leadership and is divided in two big divisions:

1. **Program Divisions**
   a. Education, child development and gender division
   b. Health , Population, Nutrition & Sanitation Division
   c. Agriculture & Marketing Division
   d. Microfinance division
2. **Program Supporting Divisions**
   a. Human Resource and administration division
   b. Finance and Accounts Division
   c. Research, Planning and Program development division
   d. Training Division
   e. Audit Division

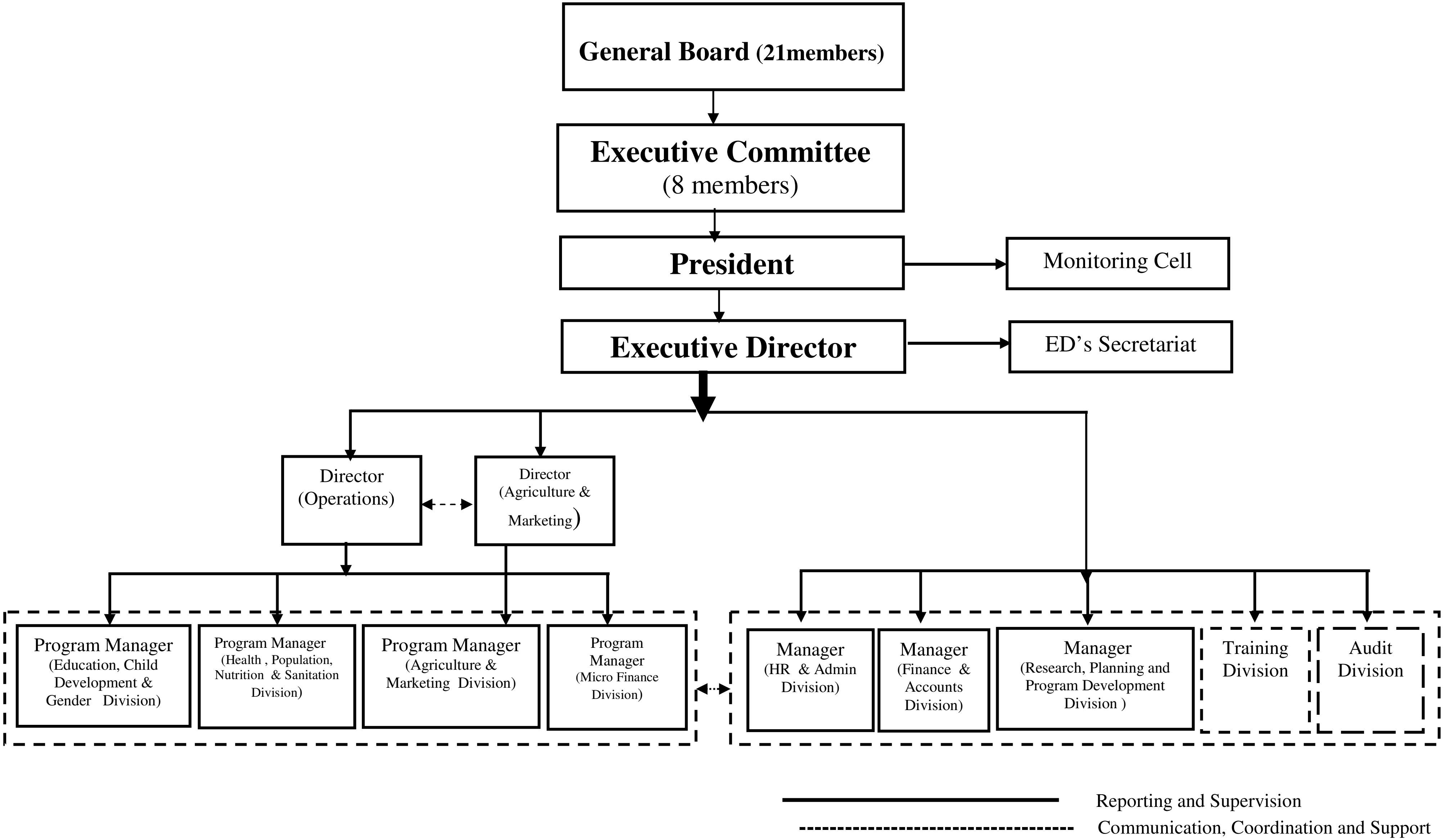
Apart from its staff, Padakhep relies on different partnerships in order to achieve its missions. Those partnerships are segregated into 3 categories:

1. **United Nations organisations :** International Fund for Agricultural Development (IFAD), UNICEF, UNDP and World Food Program (WFP)
2. **International organisations**: Department for International development (DFID), Asian Development Bank, Action Aid Bangladesh, CONCERN Bangladesh, CGAP/World Bank, USAID etc.
3. **National organisations**: Palli Karma Shahayok Foundation (PKSF)[88], Department of Agricultural Extension (DAE), Agrani Bank, Department of Non-Formal Education (DNFE), Grameen Trust, etc.

Finally, Padakhep is a member of different platforms, such as Forum for Participatory Education and Development, the Gender forum, the Credit Development Forum, etc.

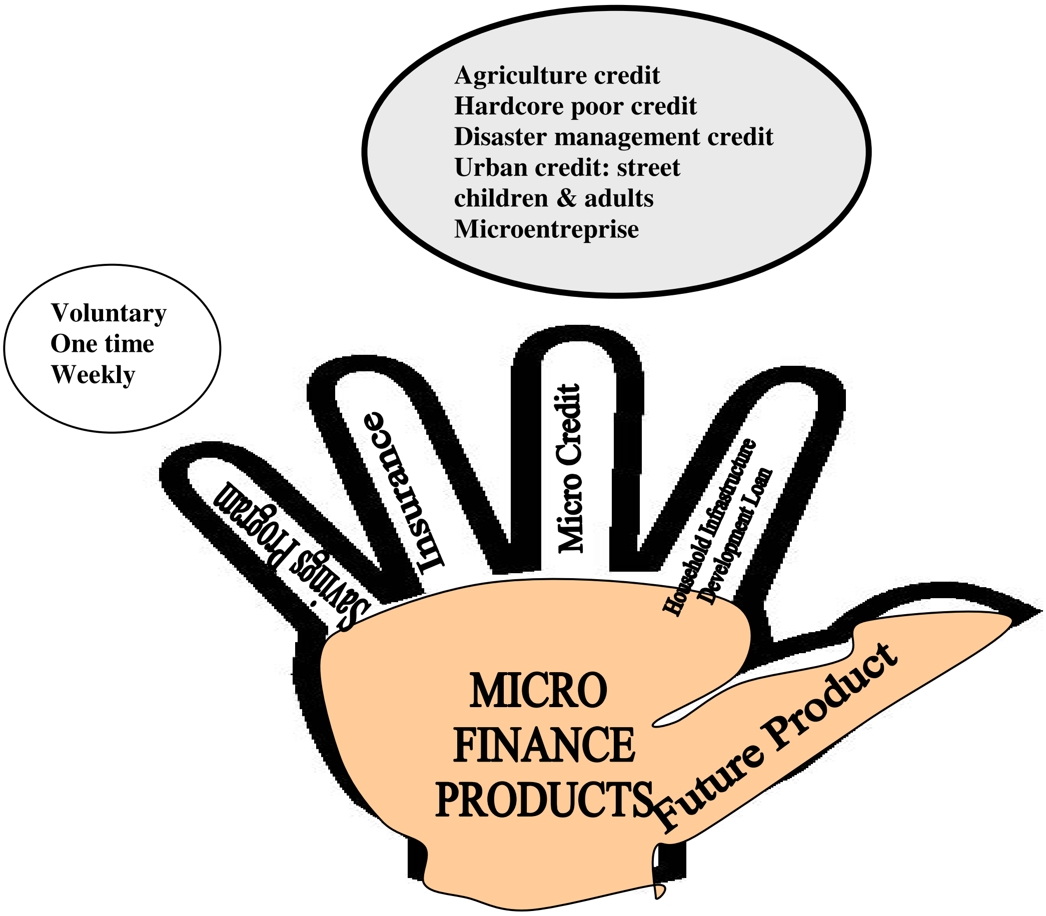
[88] PKSF is what is now known as an 'apex organisation', a parastatal involved in loaning funds to its partner organisations (POs) for on-lending as microcredit" (for a detailed profile see Hulme and Moore, 2005)

Organogram of Padakhep Manabik Unnayan Kendra



B. Padakhep and Microfinance

In the beginning of the 90's, the microfinance movement started its expansion, and Padakhep decided to do the same. In 1993, Padakhep launched a microfinance program which became, now, its major intervention: one of the "pillar" of the organisation, as Iqbal Ahammed likes to emphasize. As a starting point, they replicated the Grameen Bank model and, soon later, developed their own microfinance program. The main goal of the program is the strengthening and the empowerment of the poor. To do so, Padakhep chose to follow a holistic approach, providing financial services along with various other services, keeping a special emphasis on underprivileged women. This microfinance program is structured around 3 kinds of products: Micro Credit; Micro Savings and Micro Insurance. Here is a sample of their main products:



From Padakhep (nd (b))

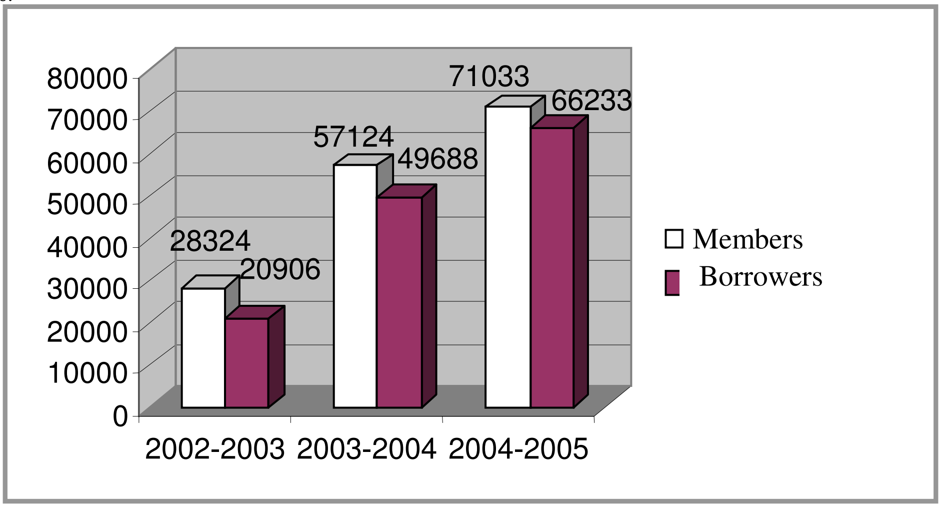
First, regarding microcredit, each product targets a particular segment of the poor population, as well as the less poor, with a particular emphasis on the extremely poor. The terms and conditions attached to their financial products depend upon the type of product. (see BOX) The size of the credit ranges generally from 2000 TK (30 US $) to 10000 TK (150 US $). The loan terms are of 1 year and Padakhep followed a weekly repayment strategy.

PRODUCT NAME	SERVICE CHARGE (%)
Rural Micro Credit	12.5
Urban Micro Credit	12.5
Livestock Credit	12.5
Hardcore poor Credit	9.2
Disaster Management Credit	1
Housing Credit	5

In order to deliver adequately its products and services, Padakhep has a network of more than 100 branch offices all throughout the country.

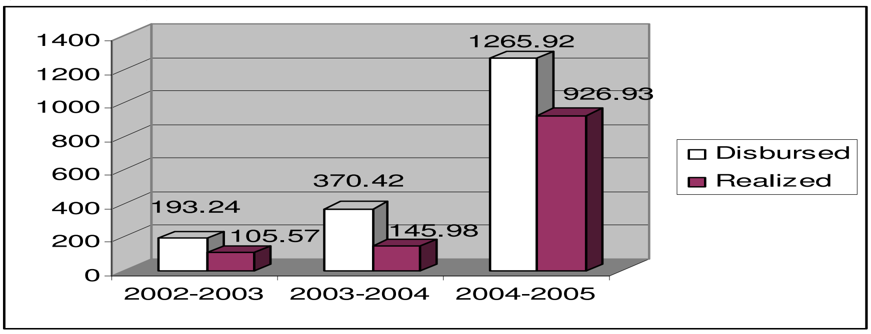
Concerning the delivery methodology, Padakhep first identifies the beneficiaries (i.e. the target population with socioeconomic homogeneity) and then organizes them into small groups, ranging from 15 to 20 members. They attend weekly meetings, deposit their savings, and discuss socio-economic issues. Padakhep observes the group's performance during a couple of months before providing them credit and other services (e.g. skill development training, nutrition services, farm input, etc). Every group member is entitled to the credit, the group acting therefore as a guarantor. Parallel to this group-lending methodology, Padakhep uses progressive lending in order to reduce its risks. Moreover, training is provided along with credit for income generating activities management, in order to guarantee a good investment and therefore a good repayment.

The microcredit program of Padakhep is in constant growth. The following figure gives the status of the members and the borrowers for the three last financial years[89]. It shows that the MFI has experienced a growth of more than 100 percent between July 2003 and June 2004, and that the growth rate between July 2004 and June 2005 has been equal to 33%.



From Padakhep (2005)

The following two figures characterize Padakhep's cumulative loan disbursement and realization status for the last 3 financial years (in million Tk)[90]:

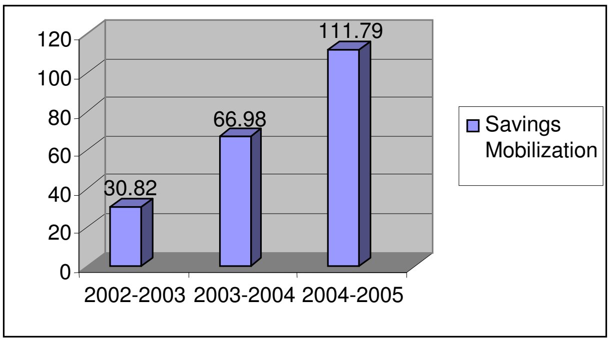


From Padakhep (2005)

[89] The difference between the total number of borrowers and the total number of members is one indicator of the additional services that are provided to the members (i.e. people benefit from various developmental services in their groups– such as awareness raising, etc – without taking a loan.

[90] From Padakhep (2005)

The savings scheme of Padakhep is a very important part of their microfinance activities and the savings mobilization is increasing over time. The following figure gives the savings mobilization (in millions TK) distribution for the three last financial years.



From Padakhep (2005)

Finally, Padakhep is also running a microinsurance program ducts since 2000, which consists of a welfare fund. The beneficiaries deposit, before disbursing the main credit, a charge of 1% in the Welfare Fund. This amount can not be refunded during the beneficiary's lifetime, but only in case of any member's death. This fund has now accumulated more than 10 millions Taka.

We need also to mention that Padakhep has developed a detailed computerized Management Information System which allowed to keep data for the majority of its microfinance projects.

Comparing Padakhep to the Bangladeshi Microfinance industry, we could say that it is a middle range MFI. Indeed, the microfinance market in Bangladesh is dominated with the big four: Grameen Bank, BRAC, ASA and Proshika. This small table illustrate their main characteristics:

Table 1: Micro-credit portfolios of the 'big four' MFIs in Bangladesh (as of June 2004)

Organisation	Number of Members	Number of Borrowers	Savings	Cumulative Disbursement	Outstanding Loan Amount
	Million		Million US$		
Grameen Bank	3.6	3.5	194.1	3,372.5	295.0
BRAC	4.5	3.8	114.4	2,014.2	219.9
ASA	2.7	2.5	47.3	1,607.3	232.1
Proshika	2.8	1.5	24.3	464.4	61.3
Total	**13.7**	**11.4**	**380.0**	**7,458.4**	**808.3**

Note: Exchange rate in June 2004: US$1 = Tk60.36

From Zaman, (nd)

As Zaman highlights *, "After the big four, the next largest NGO has 0.7 million clients and there are only ten NGOs who have more than 100,000 borrowers. The bottom line is that the majority of the MFIs are small (less than five thousand borrowers) and that the bulk of the access to microcredit is supplied by the four large MFIs".*

So, Padakhep, with its almost 70 thousands borrowers, can be characterized as a top medium Bangladeshi MFI; and, if following the same growth pattern than the previous financial year (i.e. 33 percent), could enter the top 15 MFI in Bangladesh in 2 years.

C. Padakhep and street children

"There is one population neglected by everybody and who needs our close attention: the street children"

(Iqbal Ahammed, Executive Director of Padakhep)

Our chapter 2 has highlighted the disaster of street children facing Bangladesh. In 1998, Padakhep, witnessing this disaster, was wondering how to contribute to the well-being of street children. Having no previous experience on that field, they decided to launch an exploratory study in order to assess the street children' needs and especially their vulnerability regarding sexual transmitted diseases, particularly HIV/AIDS.

The conclusions of the report pointed out two main features:

First was the global vulnerability characterizing those children, especially regarding sexually transmitted diseases, as well as the lack of basic services needed to their development.

Secondly, the study team discovered that many street children were earning money through different income generating activities (IGA), but were facing two important constraints: first was the lack of a safe place in which to deposit their tiny earnings; and second was the lack of access to capital in order to start their own income generating activities.

Therefore, the report highlighted two main recommendations which designed the roots of Padakhep' future intervention strategy:

1. **Social interventions**: The need to address street children with various developmental services which target their basic needs (psychological counselling, medical care, recreational activities, non-formal education, etc.)
2. **Economic interventions**: The need to strengthen street children on the labour market and to reduce their vulnerability as child workers by providing them financial services, along with other economical interventions.

Following those recommendations, Padakhep started, the same year, a street children intervention program, with a special emphasis on STD/HIV/AIDS. As many street children had no landmark, a drop-in-centre (DIC) was first established in Mohammadpur area in 1998 and different developmental services were progressively provided. The panels of those social services includes many interventions, such as psychological counselling, health interventions, recreational activities and non-formal education and were financed thanks to Padakhep's own budget and the assistance of Action Aid Bangladesh.

However, Padakhep considered that service provision and savings facilities alone can not help children reintegrate the society and stand "on their own feet". The NGO launched therefore, in a parallel process, an economic insertion intervention.

After benefiting from basic social services and completing their non formal education, street children were provided with vocational training, which is twofold:

1. **In house vocational training** (i.e. in the DIC): trainings on tailoring, embroidery, boutique, packet making, candle making
2. **Formal training** (through two formal training centres of Dhaka city: Dhaka Ahsania Mission and UCEP-Bangladesh Training Centre): trainings on electrical works, pipe fitting, plumbing, beauty parlour activities etc, in order to ensure a safe job placement rather than hazardous jobs.

After finishing their vocational training, street children are sent to shops, organizations, or firms.

However, this program was facing a major constraint. Indeed, many children who followed this training did not want to work as employees – as pointed in our chapter 1, this may be due to the harassment faced by their previous employers – and some expressed their desire to run their own business. But to be able to do so, a capital was needed and no access was available to them. Having at this time 5 years of experience in microfinance all over Bangladesh, Padakhep decided to lend them some money as a pilot project, and to analyse the success and effectiveness of such scheme.

From 1999 to 2000, only 25 children received credit. This small number was due to the newness of the project and the relative lack of funds. To expand this program, Padakhep needed the assistance of a donor. It is in that context that the NGO applied, in 2000, to the pro poor innovation challenge launched each year by CGAP –Consultative Group to Assist the Poor (CGAP/World Bank). The proposed activity was to open a Credit Branch Office for street children in Dhaka city. Thanks to the innovation of the project, Padakhep was selected among the winners and was awarded, in July 2001, US$ 50,000.

In the same process, Padakhep got the assistance of other partners which allowed the expansion of its activities.
The main partner organisation is the UNDP, through the ministry of Social Welfare. Indeed, Padakhep is one of the nine partner NGOs engaged in implementation of the ARISE program (Appropriate Resources for Improving Street Children's Environment), since April 2000. Thanks to this support, Padakhep has been able to create two more drop-in-centers in Dhaka city (in Mirpur and Kawran Bazar area), allowing therefore a deeper outreach.

Here is a listing of all their projects targeting street children, as of January 2006:

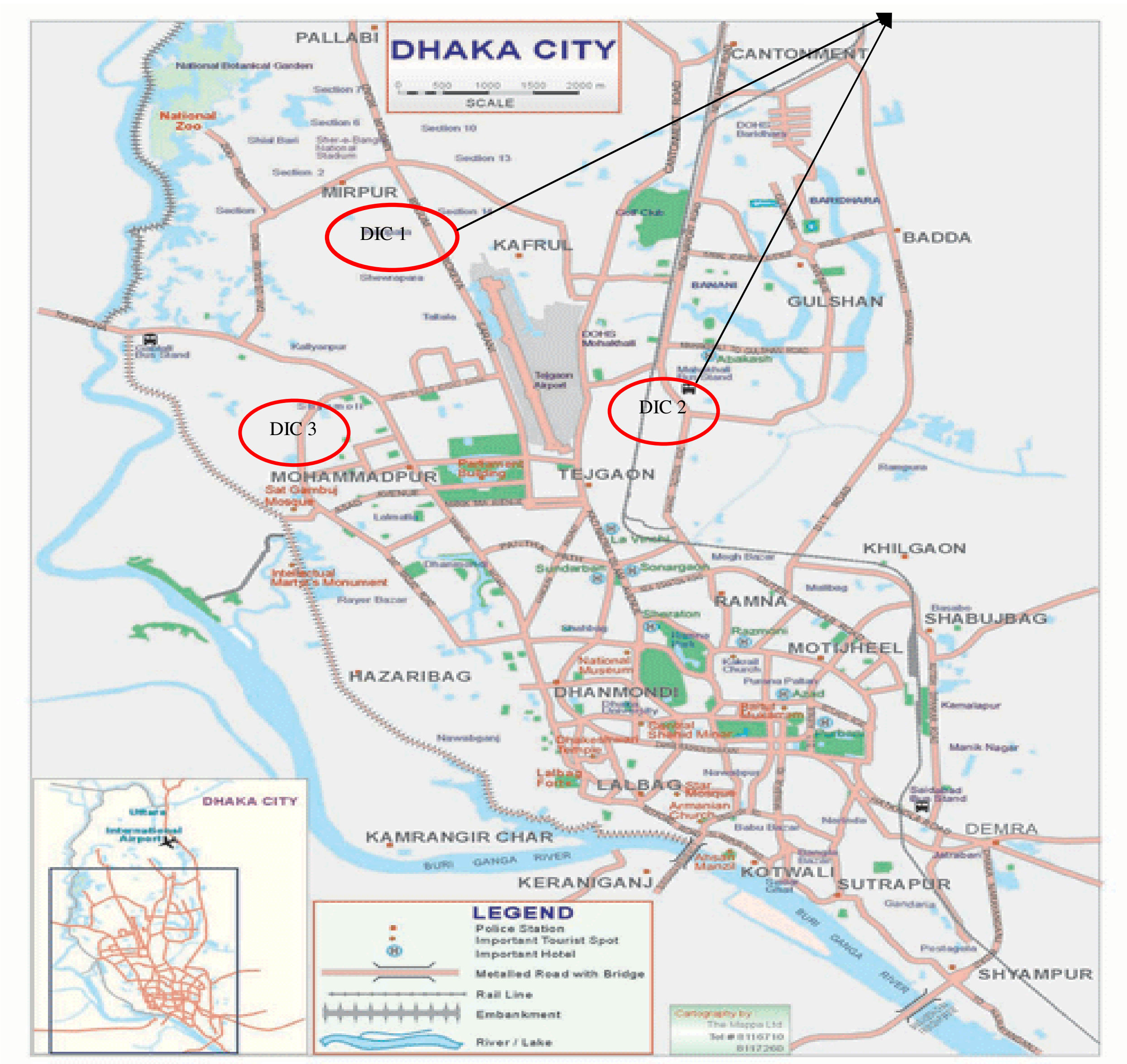
Sl.No	Name of the Project	Donor Agency
1	Appropriate Resources for Improving Street Children Environment (ARISE)	UNDP though MSW, DSS
2	An Innovative Advocacy Efforts Against Discriminatory Application of Laws of Women and Children in the Slum Area in Dhaka City	USAID through AED
3	Eradication Hazardous Child Labor in Bangladesh (EHCLB)	USAID through the Ministry of Labor and Employment
4	An Intervention Program for the Street Children on STD/HIV/AIDS	Padakhep own fund
5	An Intervention Program for the Street Children who are Most Vulnerable to Commercial Sexual Exploitation.	CONCERN Bangladesh
6	Action Against Trafficking and Sexual Exploitation of Children (ATSEC)	USAID through ATSEC Bangladesh Chapter

From Padakhep (2005)

Until now, Padakhep has delivered its services to approximately 15 000 children, through 3 drop in centres, 15 satellite centres, and 60 Centre based Schools/Open Air Schools.
Padakhep provides all those services through its 3 drop-in-centres: one in Mirpur area (DIC 1); the second, DIC2, in Kawran Bazar (Tejgaon area); and the third, DIC 3, in Mohammadpur area (near Padakhep head office).[91]

[91] The numbers attached to the DIC have no link with their creation date.

DIC under ARISE



http://www.discoverbangladesh.com

This map indicates how far those DIC are from each others. However, in terms of proximity with Padakhep head office, DIC 1 is better placed than DIC 2. But the latter is based in a particularly sensitive pocket area of street children, because it is close to a vegetable and a fish market, and to one of the most luxurious hotel of Dhaka city (Sonargaon).

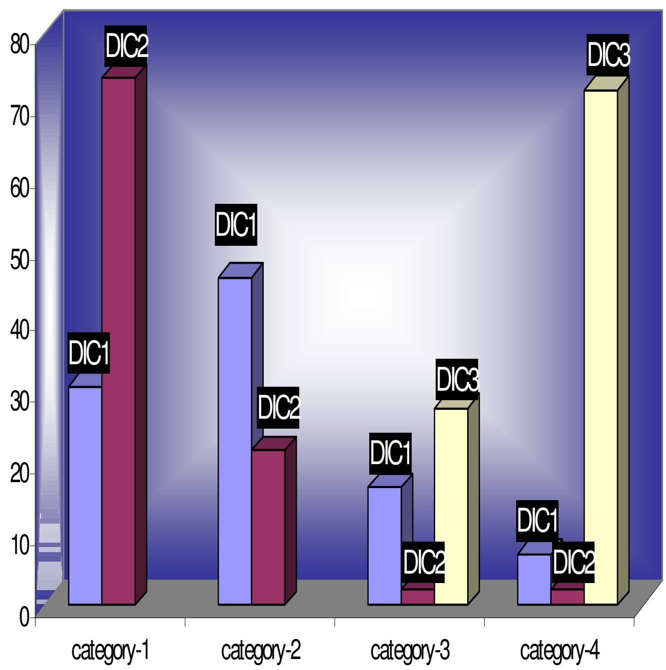
The following tables and figures indicate how many street children have transited through those DIC from January to December 2005 (classed by category).

> ***Remember…***
>
> *Category 1 SC – work and live on the street day and night without their family*
> *Category 2 SC – work and live on the street during the daytime and return to their family at night*
> *Category 3 SC – work on the street during the daytime and return at night to relatives*
> *Category 4 SC – work and live on the street and return to their family*

DIC1-Mirpur	Number of SC	Percent
Category -1	52	30,6
Category-2	78	45,9
Category-3	28	16,5
Category-4	12	7,1
Total	170	100

DIC2-KawranBazar	Number of SC	Percent
Category -1	136	73,9
Category-2	40	21,7
Category-3	4	2,2
Category-4	4	2,2
Total	**184**	**100**

DIC3-Mohammadpur	Number of SC	Percent
Category -1	0	0
Category-2	0	0
Category-3	253	27,7
Category-4	662	72,3
Total	**921**	**100,0**

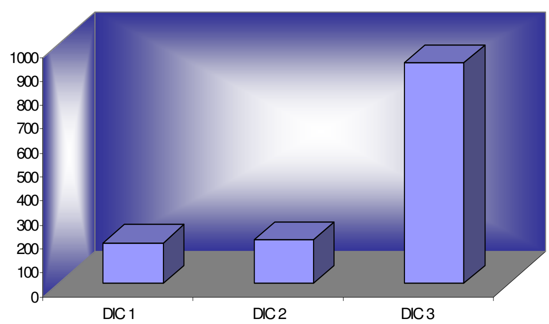


Analysed from Padakhep SPSS database

We see that DIC-3 (Mohammadpur) has a majority of category 3 and 4 street children, i.e. children who are living either with their parents or with some members of their families.

Regarding DIC-1 and DIC-2, things are a bit different. Indeed, DIC 2 has a majority of category 1 street children (i.e. the most vulnerable), and some children of category 2. DIC 1 (Mirpur) is largely dealing with category 2 street children, but has a larger "mixture" of categories than the other DIC.

Another interesting fact is the total number of street children enrolled in each DIC. DIC Mohammadpur has enrolled 72% of all children enrolled in Padakhep. This is due to many reasons. First, we must recall that DIC 1 and DIC2 is part of ARISE project (UNDP). This project emphasizes the most vulnerable children (i.e. category 1 and 2) and provides also night shelter.



DIC Mohammadpur has enrolled more street children, but on a less permanent basis as it does not provide night shelter. Moreover, as pointed out by Ms. Farhana Prity Islam, the program officer of Padakhep's child development division, the proximity to slums is one major factor explaining this high enrolment, as DIC Mohammadpur is welcoming children from 4 slums areas.

Regarding gender, the majority of street children enrolled during this year are boys. Here is the distribution of boys and girls among the 3 DIC.

	DIC 1	DIC 2	DIC 3
Boys	53 %	86%	67%
Girls	47%	14%	33%

Combining all these percentages, we find that 69% of the children enrolled are boys, and only 31% are girls. As pointed by Prity Islam, this small number may be due to the fact that Padakhep stopped providing night shelters to girls, as this has created some problems (between boys and girls) before.

E. Padakhep and microfinance for street children

As mentioned previously, Padakhep started its microfinance for street children program in the beginning of its activities with street children with a first focus on savings. Then, in 1999, credit was offered but the program was still small. Its expansion started with the CGAP's award fund in July 2001. The US$ 50,000 received has been allocated as followed:

Activities	Amount in US $
Revolving Loan Fund	38,000
Skill Development training	3,000
Food Supplementation for street children (2 years)	3,000
Staff Development Cost	3,000
Logistic support	3,000
TOTAL	50,000

This donation allowed a branch to start in *Mohammadpur* area, at 300 meters from DIC 3. This credit branch had double objectives: to provide street children with financial services, and to be the trigger of the urban microfinance program.

First, savings and credits facilities were **centralized** in the branch. However, as it was not very convenient for the children (which had to move from the DIC to the Branch office in order to deposit or collect their money, and then coming back to the DIC for other activities), and desiring to give the best incentives to them to save a maximum, the system was decentralized and the **savings facilities** transferred to the DIC in July 2004. However, this decentralization was partial. Indeed, credit facility keeps being managed by the branch.

When interviewing the staff about the reason(s) behind this, all pointed out the fact that they did not want to be in charge of credit services because they want to keep good relations with the children; and managing credit may create some tensions between them and the children.

This microfinance program, based in *Mohammadpur* and partially linked to the branch, can be characterized as the "formal microfinance for street children program", and even if based in *Mohammadpur*, the credit facility was accessible to all street children from the other DIC.

However, a problem appeared. Indeed, because of the long distance separating DIC 1 and DIC 3 from the branch office, children from those DIC had difficulty to come there in order to take a loan. Some staff members were first doing that for the children, but this was taking too much of their time and was not convenient at all.

Two solutions appeared to the DIC managers. First was to keep credit only for children of Mohammadpur area, but this was unjustified (and even injust) as the demand for credit of other children was quite high.

Second was to try to offer financial services to the children and to manage it "as best as they could", the revolving loan fund being taken from other budgets. This lead therefore to the progressive creation of an "informal microfinance for street children program, based in the DIC and without any link with the branch office

Our two next sub-sections are aimed at highlighting the main characteristics of these formal and informal programs.

▪ Formal program characteristics

Regarding the formal program, children are first organized in "groups" (called *"samity"* in Bengali). As part of a group, children can then benefit from the two financial products offered to them by Padakhep: savings and credit.

However, when discussing a bit deeply with Padakhep's management staff, we found that the group structure was not having a "real" function in the microfinance program. Indeed, children do meet in groups for awareness sessions, but do not discuss and manage savings and credit in group.

After being part of a group and if interested to enter the microfinance program, children must pay 5 TK ($US 0.05) as a registration fee to receive their savings passbook. After, they begin to save (in the DIC) and each transaction is being recorded in their passbook. In a parallel process, the DIC staff records those data in a register book for administrative reasons.

Padakhep has two types of savings products in their portfolio:

1. **Voluntary savings:** the children deposit and withdraw any amount of money "at anytime" (however, not possible after the staff leaves the office, i.e. 5 pm)
2. **Weekly savings** are compulsory savings. When the child receives a credit, he has to save at least 5 TK a week.

Padakhep was providing, until June 2005, 7% interest on their savings. They are now providing 6%.

As regards to credit, the approach is slight different from conventional credit operation. Considering the risk of this operation, Padakhep checks some criteria before disbursing the credit:

ELIGIBILITY CRITERIA

- Attendance of the child? (day and night time)
- Do they save money regularly?
- Did they pay instalments of their previous credit?
- Are they aware of the rules and regulations of the organization?Do they see their future IGA as profitable?

If the child meets those criteria, the credit is disbursed. Regarding the loan sizes, it does generally range from 1000 TK to 5000 TK. Generally, loan repayment time is 1 year, but many children repay it after 6 months and children return the loan fund with 10% service charge a year. The following table illustrates the process for a 6-month term credit:

Credit Amount	Types of installments	Amount of Service Charge	Total	Number of installments	Amount of installment	Amount remaining
1000	Weekly	50	1050	23	46	38 Tk
2000	"	100	2100	23	92	76 Tk
3000	"	150	3150	23	138	114 Tk
4000	"	200	4200	23	184	152 Tk

Children then invest the money in different income generating activities like vending tea, flower, dry food stuff; run small grocery hawking, shoe shining, etc.

However, one of the core elements of the formal microfinance program for street children is the linkage with the guardians of the street children. Indeed, the beneficiaries of the formal program are children of category 3 and category 4, which means that all of them are living in slums with their family or relatives. Considering this point, Padakhep chose to link the guardians of the street children who were too young to benefit from a credit, hoping that the benefits of the credit will flow from the guardians to the street children. The children concerned by this form of credit were aged between 8 and 12 years old. When the guardian wants a credit, the DIC refers him or her to the branch. The guardians can get from 1000 to 5000 TK, and even more, depending on the cost of his/her business project.

The following table summarizes all the products being offered by the branch.

Product Name	Amount (TK)	Term	Service charge	Eligibility criteria
Street Children & Guardians	1000-5000	1 year (46 weeks)	10% a year for the SC 12.5% a year for the guardians[92]	see supra
Urban microcredit	5000-20000	1 year	12,50%	Poor people (slums area) ; not necessarily the guardians
Microentreprise	20000-200000	1 year	12,50%	Business men

[92] Since July 2005 before the rate was at 15%.

▪ Informal program characteristics

The informal microfinance program, managed by DIC Mirpur and Kawran Bazar, has its own characteristics.

The savings facilities are also centre based, the children depositing their money whenever they want (here too, up to 5 PM). Concerning interest rates, DIC Mirpur is providing an interest of 7% on deposits, whereas DIC Kawran Bazar is providing no interest. The recording system is different from the one of Mohammadpur. Indeed, children do not have a personal saving passbook. As explained by the DIC managers, children did not want to pay 5 TK for a passbook which will have a high probability to be lost in the street. So, the recording is being made in a global register book by the register officer.

Regarding credits, the two DIC are managing it with their own funds (i.e. with the money taken from vocational training budgets). The terms and conditions are different:

- DIC Mirpur is taking 10% a year of service charge on the loan amounts; DIC 2 (Kawran Bazar) is providing free interest loans. The loan conditions are quite "abstract" and rely mainly on the way staff perceives the children. This whole issue will be discussed in our next section.
- Concerning the loan amounts, DIC Mirpur provides the same range of loan amounts than the formal program (i.e. from 1000 TK to 5000TK), whereas DIC Kawran Bazar is providing much smaller loan amounts, as those loans are more related to seasonal business creations rather than long term business.

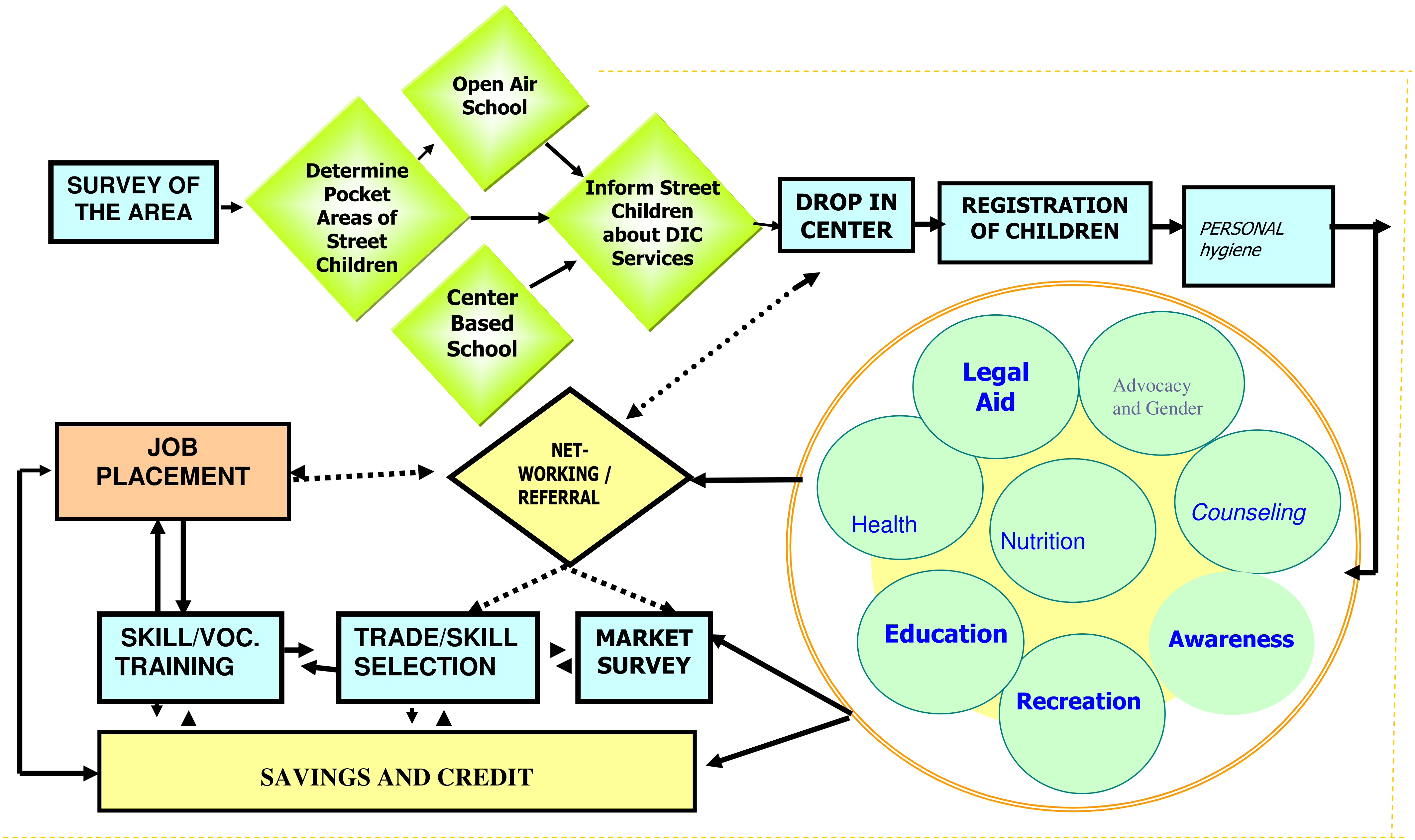
Therefore, we could say that DIC Mirpur program has quite similar characteristics than the formal program, the only differences being the passbook for savings, and the independence towards the credit branch for providing credit.

▪ Microfinance for street children program and our comprehensive microfinance plus framework

Seemingly, Padakhep follows our comprehensive microfinance plus framework: they provide financial services, vocational training and social services. However, this statement is rejected if we take a closer view on each component and their relationship. First, financial services are provided in an unorganised and differentiated way. First, the product design is inadequate and varies among DIC. Second, the eligibility criteria are either incomplete (for the formal program: no connection with vocational training), either abstract or inexistent such (for the informal program: no clear criteria). Moreover, the credit disbursement is poorly linked to vocational training.

The following figure does illustrate Padakhep's holistic framework, and highlights an unclear flow of activities regarding savings, credit and their link with vocational training.

SUMMARIZING PADAKHEP STREET CHILDREN INTERVENTION
(from Padakhep, nd (a))



2.4.2. Program Effectiveness

Now that we know the profile of Padakhep's microfinance program, and that we have highlighted that this does not follow our model, we need to move to our second step of analysis, namely the program effectiveness.

In order to be rigorous and complete in our analysis, we will evaluate both the formal and the informal programs, by trying, for each of them, to highlight the effectiveness of financial services provision.

1. Methods

In order to evaluate the effectiveness of the intervention, we practiced individual in-depth interviews. As pointed in our methodology section, the children who did receive a loan were selected from the focus group discussions. In total, we proceeded to 19 individual in-depth interviews, among the 4 categories of children in the three DIC. The finality was not to make a comprehensive impact assessment, but just to capture the diversity of impacts.

2. Research questions

- **Regarding savings**

Our demand analysis underlined that street children need savings in order to better plan their personal and/or family future expenditures which are of three kinds: life-cycle, emergencies and opportunities.
As a consequence, a saving program will be effective if it helps them accumulate large lump sums of money in order to meet those future expenditures. In order to do so, a saving scheme must be reliable, convenient and flexible in order to attract street children to set-up saving deposits. This statement leads therefore to ask three questions whenever analysing the effectiveness of Padakhep' street children saving scheme:

1. **Do street children use the saving services made available to them?**
2. **Does Padakhep program help the children accumulate large lump sums of money?**

Those two questions will enable us to analyse whether Padakhep program provides reliable, convenient and flexible deposit services to street children.

- **Regarding credit**

Our demand analysis highlighted that some street children do need credit for their own income generating activities (IGA) or for their families IGA. The question to be addressed in terms of effectiveness measurement is whether access to credit has protected the child from hazardous economic activity and gave him/her the opportunity to launch a successful business.

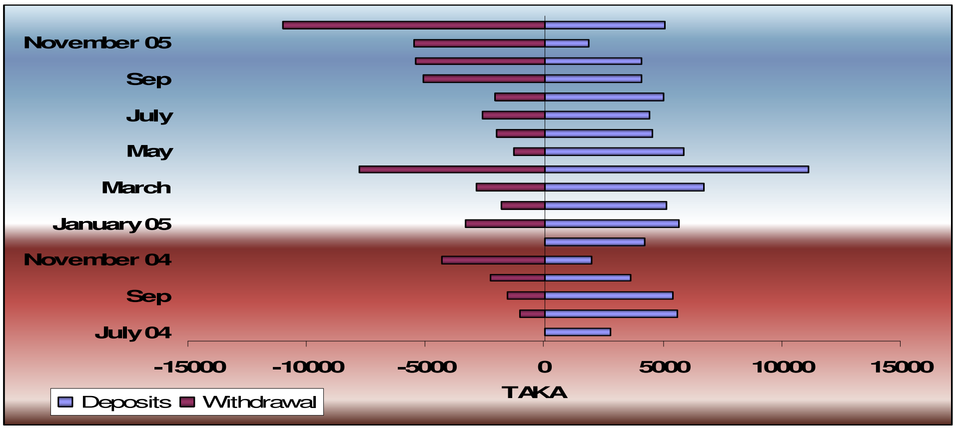
3. Data analysis

3.1. Do street children use savings services?

Shreiner (1999) points out an interesting thing: "*if they (customers) do not use it (saving services) repeatedly, they must be doing better elsewhere. For customers, good performance is measured by repeated use*". This means that if street children do not use savings services made available to them, the program is simply not matching their demand. Let us therefore analyse it for each of the DIC.

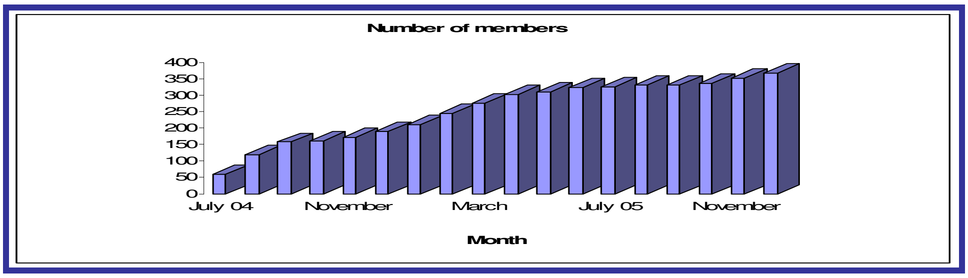
A. DIC Mohammadpur (FP)[93]

In order to assess whether street children are frequently using savings services, we need to make a zoom on the total saving deposits and withdrawal. The following table shows monthly deposits and withdrawal at the DIC from July 2004 to December 2005[94].



It demonstrates that street children use very actively the saving scheme, deposit and withdraw money whenever needed. This is a clear indicator of how street children value those services.

The program accounted, in December 2005, a total of 381 members (including 53 guardians) and this number has been in constant growth since July 2004 (a growth of 157%, from 60 to 381 members).[95]



[93] FP means formal program.

[94] As pointed in our program profile, savings services have been decentralized (from branch to the DIC) since July 2004. The DIC is therefore keeping the total data since this date.

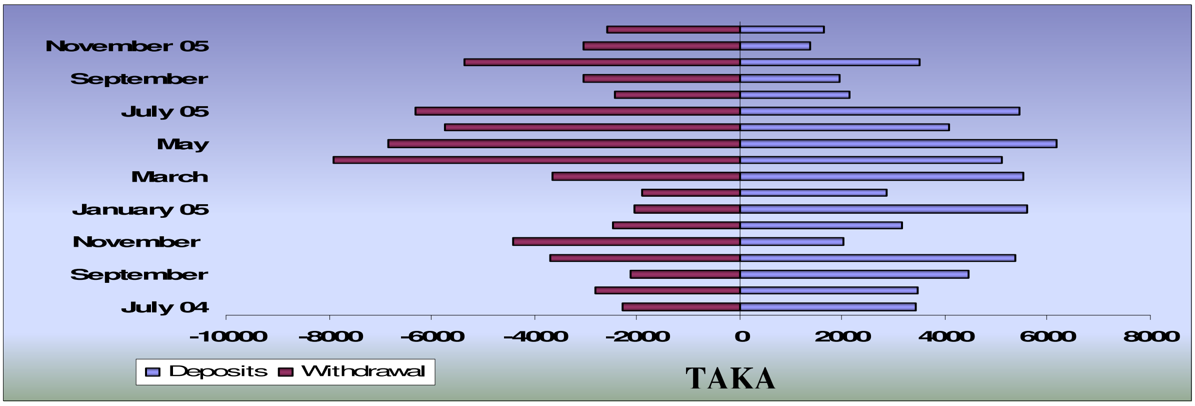
[95] A « member » is different from a « saver ». If a person expresses his/her interest to enter the saving program, Padakhep "opens a saving account"; but this person may start saving some months after. So, all members do not deposit money; but it show that they value such services.

Those two indicators underscore how street children value saving services. Moreover, this satisfaction is highlighted further, qualitatively through our different participative sessions, where children pointed out how useful and needed was this service for them.

B. DIC Mirpur (IFP)[96]

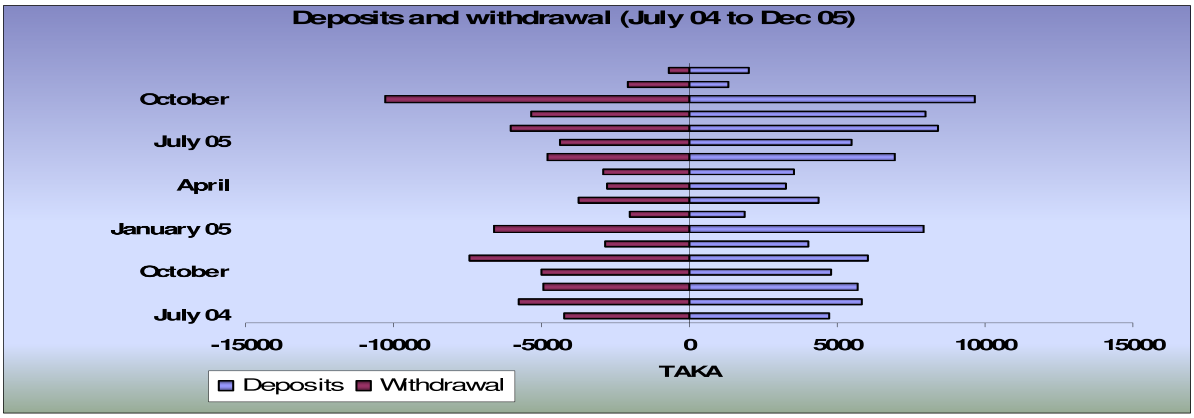
Street children of Mirpur do also use savings services made available to them. The following figure does illustrate it but tends to show that, even if children deposit and withdraw money whenever they want, the withdrawal seems to be higher than in Mohammadpur DIC. Indeed, the total deposits between July 2004 and December 2005 has been equal to 67,360 TK (990 US$) and the total withdrawal equal 68616 TK (1010 US$), which leads to a loss of 1256TK (20 US$). This deficit is, of course, due to the interest rate of 7% provided to street children on street children deposit accounts.

Deposits and withdrawal (July 04 to Dec 05)



C. DIC Kawran Bazar (IFP)

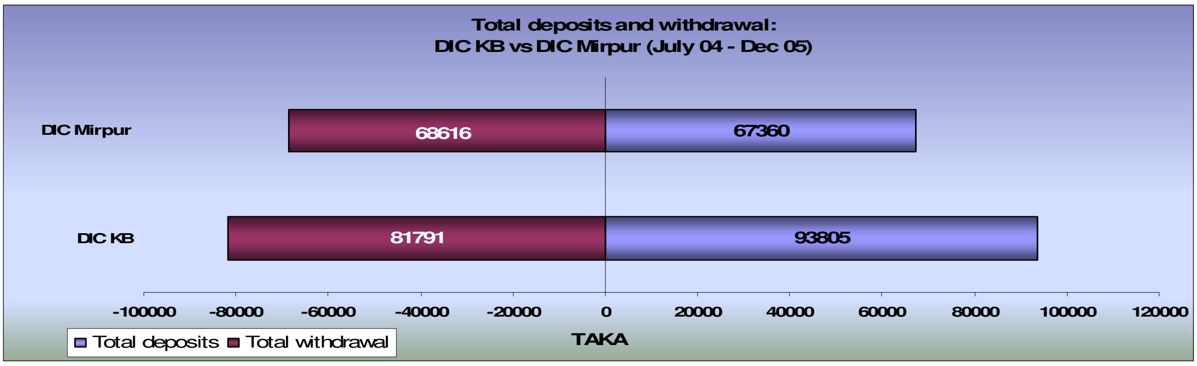
This program is also attracting savings, children depositing and withdrawing money frequently. Children have deposited, from July 2004 to December 2005, a total of 93,805 TK (1380 US$) and withdrawed 81,791 TK (1200 US $). The cumulative number of savers is equivalent to 402, all of them being boys.
The following figure illustrates the total frequency of deposits and withdrawal.



[96] IFP means Informal Program

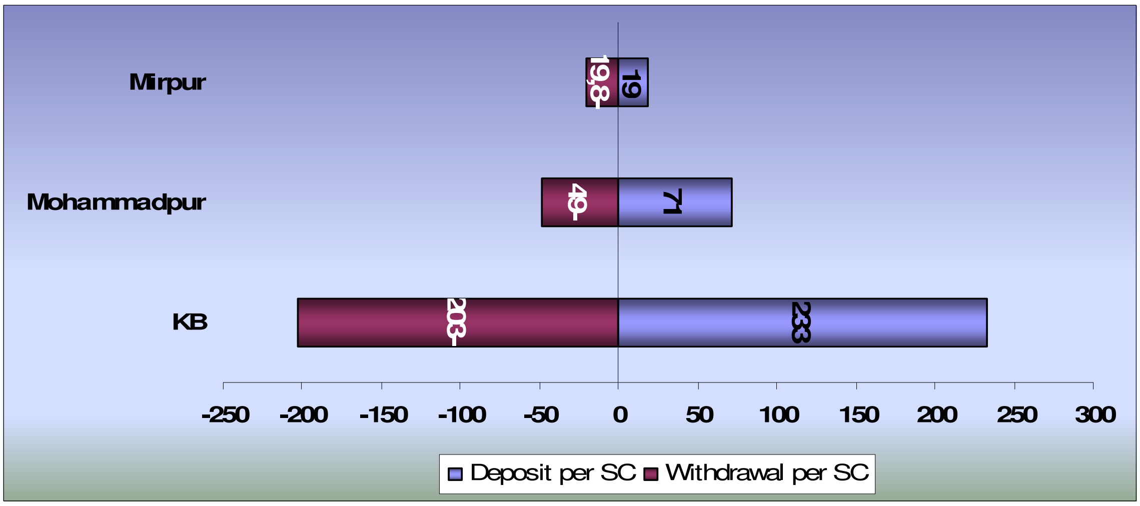
D. Consolidated analysis

Let us now compare those 3 DIC. Our next figure shows that street children of Kawran Bazar DIC are the ones who deposit the more money, but also the ones who withdraw the most. We must recall here, whenever talking of DIC Kawran Bazar, that this IFP is not providing interest on saving, but is still in first position in terms of saving collection.



However, as this could be due to a higher number of savers, we found interesting to segregate those data and analyse the average deposit and withdrawal per street child.

From July 04-Dec 05	Deposit per SC (TK)	Withdrawal per SC (TK)
KB	233	203
Mohammadpur	71	49
Mirpur	40	40



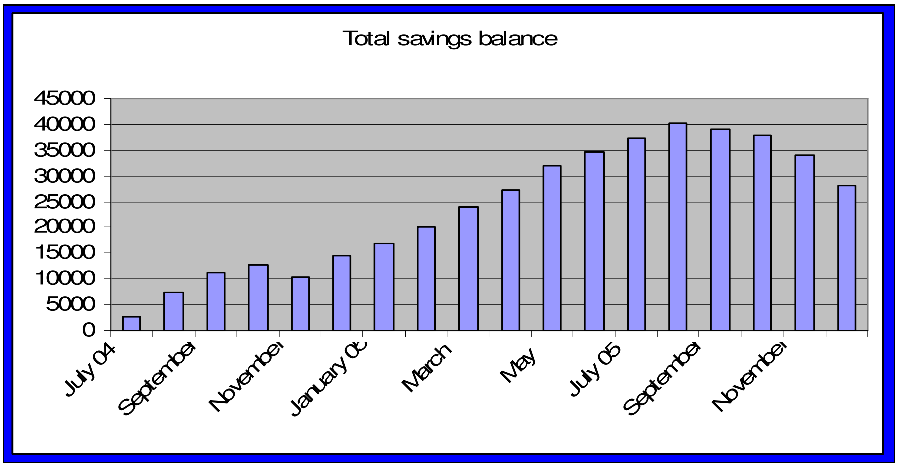
The figures are clear: street children of Kawran Bazar (welcoming a majority of category 1 street children) have the most frequent use. In other words, those children deposit frequently money, but withdraw it also frequently. Finally, all those data do show that street children are using frequently their saving accounts, sign that Padakhep is offering them reliable, convenient and flexible savings services. Centre-based savings allows them to deposit some amount of money whenever they need it. However, as we did point in our section 2.3., monetary returns do not seem to be of considerable importance to street chidren, as DIC Kawranbazar, providing no interest, is the first program in terms of deposits collection.

3.2. Do street children accumulate large lump sum of money?

Our previous point indicated how street children use repeatedly saving services made available to them, a clear indicator of how they value such service. However, one of the core objectives of Padakhep saving scheme is to help street children accumulate large lump sums of money in order to plan their future expenditures (i.e. life-cycle, emergencies and opportunities). This section aims at enlightening this, by looking at two indicators: the evolution of the savings balance of the programs, and the personal saving accounts of the children.

A. DIC Mohammadpur (FP)

Regarding the total savings balance, the following figure demonstrates that this balance is in constant growth since the beginning of the program, with a slight reduction since September 2005[97].



However, even it shows that more money is being accumulated in the savings accounts of children (and their guardians), we need to examine in depth the saving pattern of the street children in order to get a more precise idea on how children do accumulate these large lump sums and in order to try to look whether this increase in the saving balance is not only due to an increase in the number of members.

The savings books collected give a diverse picture on the amounts saved:

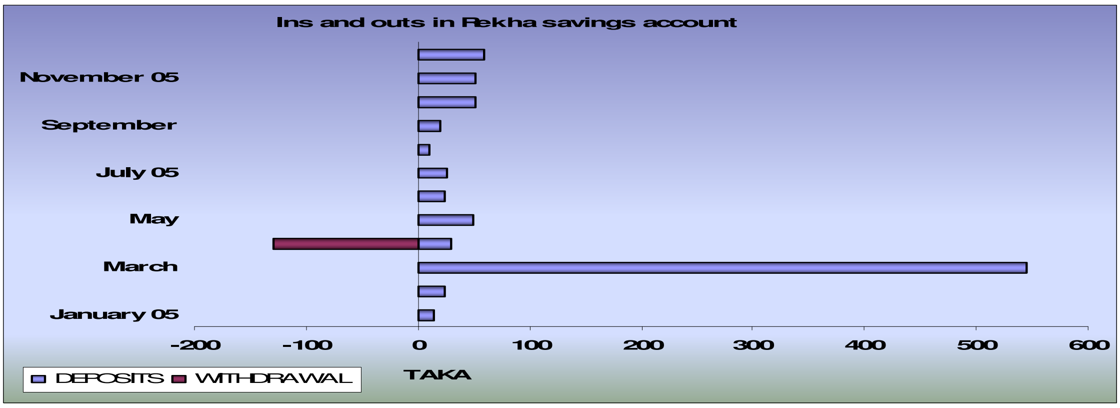
Name	Saving balance (Dec 05)
Shumon	330TK
Rekha	966TK
Raju	525TK
Toma	199TK
Gewel	533TK

Let us now make a zoom on two of those children to see how they did accumulate those lump sum of money.

[97] One of the reasons of this reduction may be due to the two Eid festivals: one in October 2005 and the second in January 2006. The staff members highlighted how children withdrawed money in order to buy gifts for themselves and their siblings.

▪ Case 1: Rekha

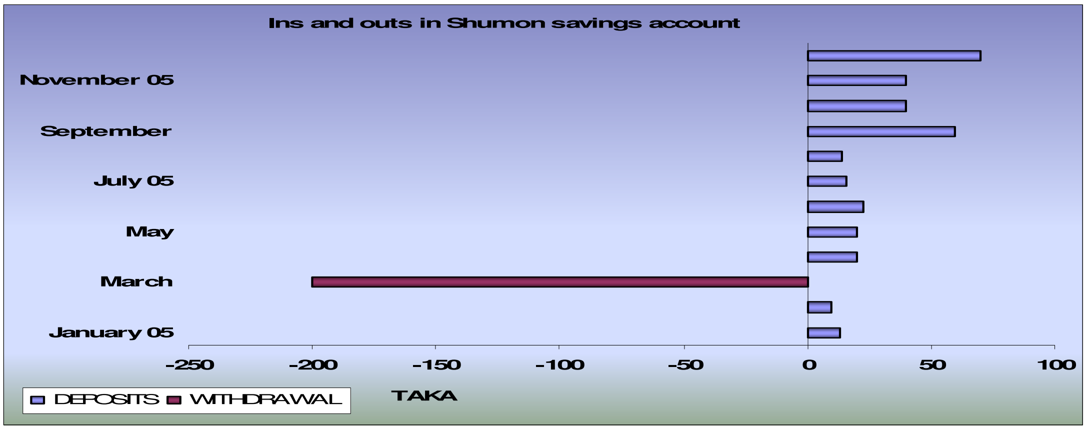
Rekha, a girl of 13 years old, left her village with her parents when she was very young. Her father wanted to find a job in Dhaka city and started to work as a rickshaw puller. Besides, her mother found a job as a domestic helper. However, their combined salary was still very small (+- 30 to 40 Tk daily) and their economic condition was therefore very difficult. At the age of 7, Rekha entered Padakhep and soon later she got admitted in the non formal education program of Padakhep. In 2004, as her father increased income, Rekha started to receive weekly some money from her father. However, Rekha does not forget the difficult situation in which they are living and saves this money in order to support her family whenever they face any problem. Moreover, Rekha knows how important it is to save money for her own well-being and saves therefore money in order to start secondary school. Finally, Rekha added how her participation to some cultural events organized by Padakhep and their partners, allowed her to save more and more money (see March deposit, where Rekha got a prize and saved it). The following figure illustrated ins and outs of Rekha saving account.



▪ Case 2: Shumon

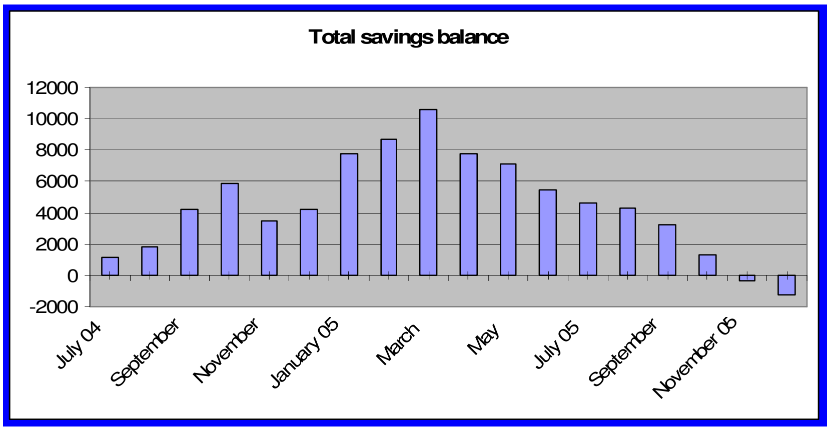
Shumon is a young boy of 14 years old who lives in the slum of Bizli Mohalla, in Dhaka city, with his parents and his 4 siblings. His father has a small grocery shop in the slum area and is the only person who supplies income to his family. In order to support his family, Shumon works in the family's shop.

In the beginning, Shumon was going to school but he finally had to stop when he was 12 years old in order to help his father. Shumon saves some money in Padakhep for two reasons. First, in order to help his family when they face any kind of problem; and second in order to open his own business in the future. This money is being given by his father. The monthly ins and outs of Shumon saving account are illustrated below. (starting with a balance of 212TK in Jan 05)



B. DIC Mirpur (IFP)

The savings balance of DIC Mirpur is far to be equivalent to the one of DIC Mohammadpur. Indeed, we see a particularly high decline since March 2005, many children withdrawing their money.



The following table enlightens this decline:

Month	Deposits (TK)	Withdrawal (TK)
April	5101	7919
May	6192	6836
June	4089	5750
July	5451	6304
August	2144	2443
September	1940	3039
October	3491	5375
November	1382	3034
December 05	1637	2581

This lead to a quite dangerous situation, in which the DIC is now in "deficit" with a negative balance.

The savings books collected from 5 street children give a diverse picture on the total saving balance in December 2005.

Name	Saving Balance (Dec 05)
Golapi	400 TK
Munna	300 TK
Chowdhurry	580 TK
Bahrul Islam	280 TK
Shafikul Islam	620 TK

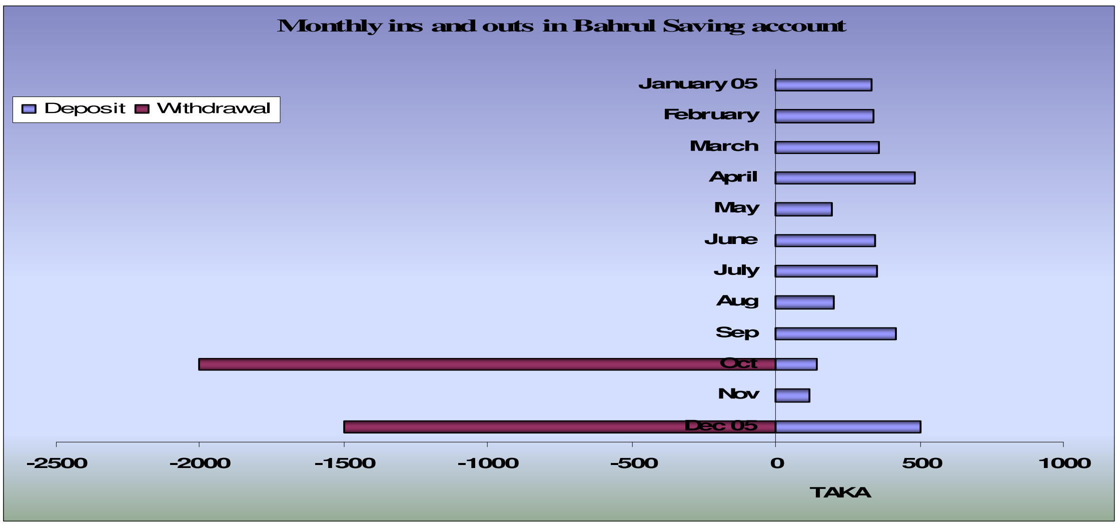
However, the saving balance does not inform about the evolution across time of their savings. Indeed, we need an in-depth analysis of the saving accounts of children. Let us do that with some children.

- **CATEGORY 1:** Bahrul Islam - a boy building up a large lump sum of money for his family

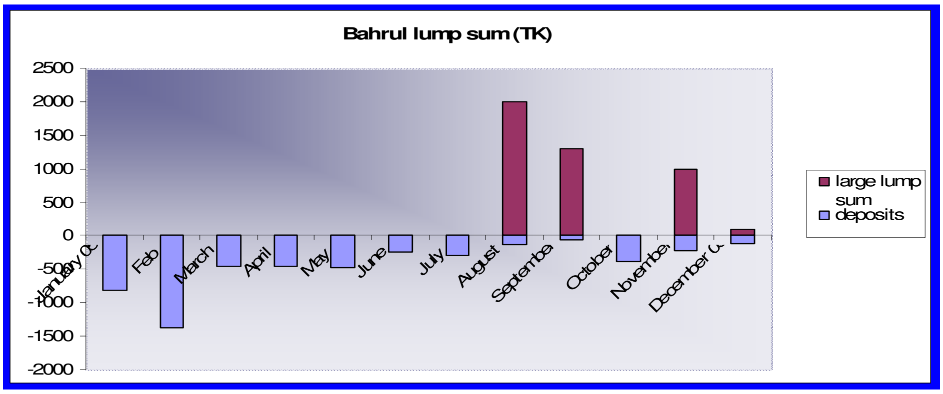
Bahrul Islam, now 13 years old, left his house 2 years ago because he had to bear some expenses for his family (educational expenditures of his 3 brothers & 1 sister) as his father was insane and his mother did earn little amount of money as a domestic worker. He arrived in Dhaka with his uncle. He first lived in his uncle's house but his aunt mistreated him.

He therefore left his uncle's house and went to live with some other children he knew in the street. Sleeping in the street near the National Stadium, he was always harassed by people stealing money from him, and by mosquitoes.

At the beginning, he used to collect some wastage and then he was interested to do cycle rickshaw servicing. He learned only by observing and then got a loan which allowed Bahrul to start his activity. The money he was earning was put in his saving account until he built a large lump sum of money that he sent to his home village through a trustable person working as a bus driver. The following figure shows how Bahrul save money until he had enough to withdraw 2000 TK and 1500 TK.



The next figure shows the deposit amount as negative values, because the child takes money from his available income and deposits on his account, until he will build a large sum of money.



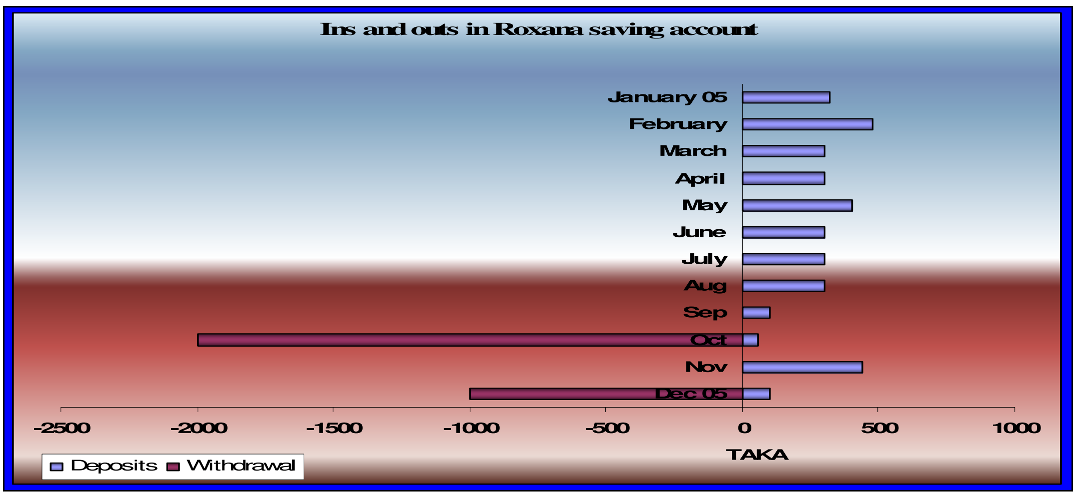
▪ **CATEGORY 2:** Roxana – a 12 year old girl building up a large lump sum for herself [98]

Born and brought up in a slum with neglect and in absolute poverty, Roxana faced many difficult circumstances in her life. When she was 6 years old, her father, a taxi driver, died in a car accident. Soon after, her mother received 5000 TK (74 US$) from the car company in order to help maintain her family, composed of 1 other sister and 3 brothers; and her mother invested it in a small cake business. Then, she got married with a man who had already 3 wives and was allegedly only interested by her mother's business. Beginning to take the revenue of her wife' shop, her business went bankrupt.

Because this man was always ill-treating her and her siblings, Roxana decided, one day, to leave home with her siblings and to go living with her grandmother in a place with no water supply and only ugly toilets.

But after one month, Roxana had to fin a job in order to help financially her grandmother and her siblings. She therefore began to work and to collect some vegetables in some market places, as well as wastages. But, whenever collecting wastage, the worst happened: a man abused from her sexually. She then changed place and got involved in Padakhep's program.. Until that time, she never lost contact with her mother and now she is living with her.

At Padakhep, Roxana is saving some money in order to buy things for her in good occasions. She therefore withdrew, in October and December 2005 (Aid El Fitr and Aid El Adha festivals), 2000 TK and 1000 TK, with which she bought some nice dresses and other things. The monthly ins and outs of Roxana is being illustrated in the following table:



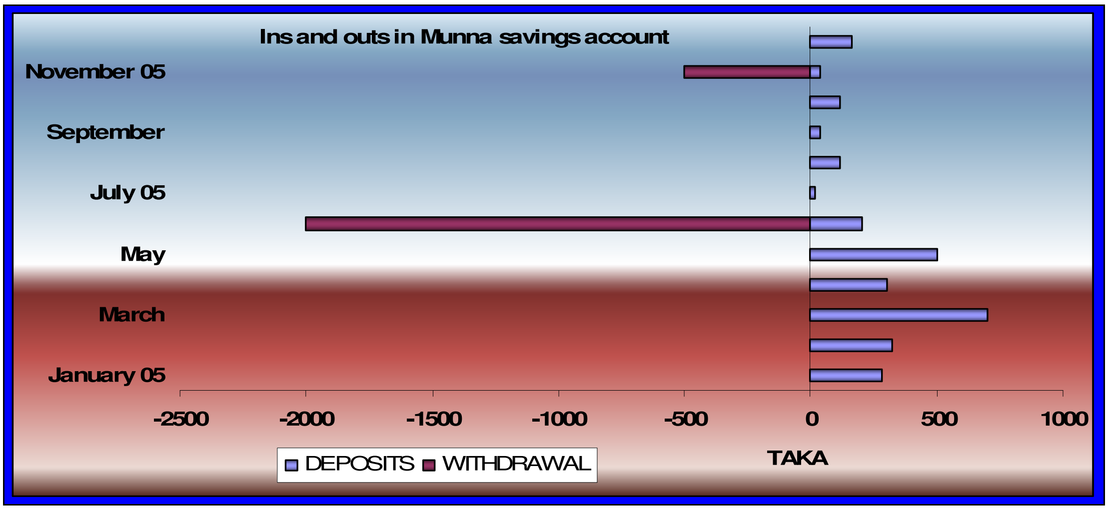
[98] Roxana is a pseudonym. Indeed, due to the difficult circumstances the girl faced, we prefer not to mention her true name in order to respect her intimacy.

CATEGORY 3 : Munna – a 16 years boy building a large lump sum for his grandmother and himself

Munna, a 16 years old boy, was a child living peacefully in Sherpur, his home village. When his mother died, Munna was 6 years old. His father got a new wife, but his stepmother ill-treated him and his 2 brothers. To shun these physical and psychological harassments, Munna came to Dhaka city when he was 10 years old with his 2 brothers and stayed with his grandmother.

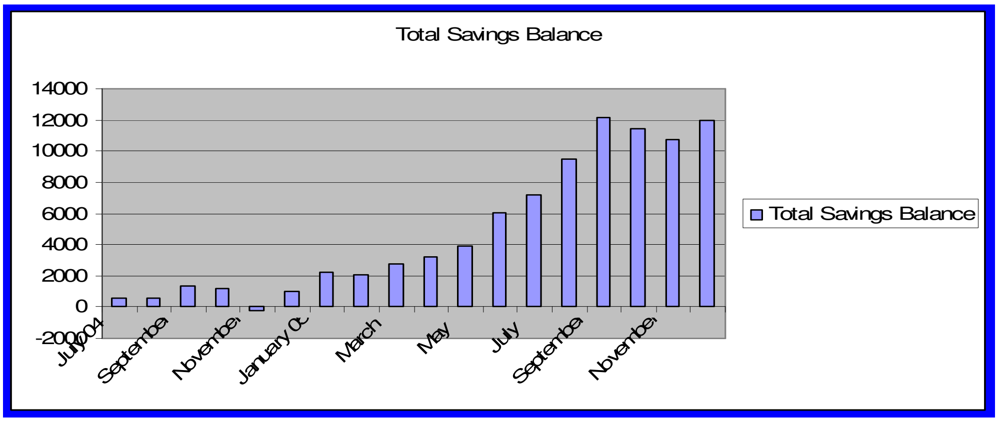
Then, his life suddenly changed. Because he spent most of his time in the streets of Dhaka, he became drug addicted and got involved in "*Mastaans*" group.

Hopefully, after some time, he met Padakhep's staff and entered in 2002 in DIC Mirpur. Therefore, in order to afford his basic needs and to help his grandmother and young brothers, he found some hazardous jobs (scavenger collector, etc). But soon later, Munna opened his own business and saved some money in Padakhep in order to better help his grandmother and his siblings whether an emergency would arise, as well as for his own future. But Munna does not send money to his home village, as his stepmother is still there.



C. DIC Kawran Bazar (IFP)

Our previous point did highlight that street children of this DIC deposit but also withdraw very repeatedly. However, the total savings balance at the DIC is growing (with a slight decrease in October – Aid festival), which means that more and more money is being stored.



Unfortunately, we have not been able to collect detailed savings data from the register. But our discussions did indicate that they have been able to accumulate large lump sums.

Name	Saving Balance (Dec 05)
Swapon	3000 TK
Gibon	75 TK
Kanchan	300 TK
Md. Ibrahim	500 TK
Rafik El Islam	800 TK

Let us now discover Swapon saving activities.

CATEGORY 1

Swapon, a 16 years boy saving for meeting emergency

At the age of 12, Swapon, whose father died some years before, left his mother because she ill-treated him.

He then discovered the street life, before Padakhep welcomed him in his DIC and offered him with various services. In order to survive, Swapon collects some vegetable in Karwan Bazar market and sells it. He buys it 8 TK a kilo, and sells it at 9 TK. This small profit enables him to meet his present expenditures. But Swapon knows how the future is uncertain and saves therefore some money in order to meet his future expenditures. One day, Swapon made an accident in the street, and needed to make a leg operation urgently. Fortunately, Swapon had already saved at that time 3000 TK, which allowed him to pay for the operation cost.

D. So, do street children accumulate large lump sum?

It seems clear from these figures that street children do accumulate large lump sums, and mainly withdraw it at a precise time for meeting a particular expenditure. However, this tends to demonstrate that Padakhep's saving scheme, based in the drop-in-centre, is reliable, convenient and flexible. Moreover, it shows that interest rates are of little importance, DIC Kawran Bazar being the first in deposits collection, without providing any interest.

3.3. Does access to credit improve street children life?

Answering this question is essential. Indeed, after having highlighted that the different DIC provide some credit to street children and that many of those children do repay it without facing any difficulty, we need now to evaluate the impact generated by those credits on them.
In order to do so, we need to approach the 4 categories of street children separately, by drawing on some case studies collected from our individual-in-depth interviews.

A. CATEGORY 1

"... who work and live on the street day and night without their family"

As pointed in our program profile, two DIC welcome category 1 street children: DIC Kawran Bazar and DIC Mirpur. Those DIC provide different types of credits. Comparing the two programs in terms of "impact" will therefore enable us to capture valuable learning.

- **DIC Kawran Bazar**

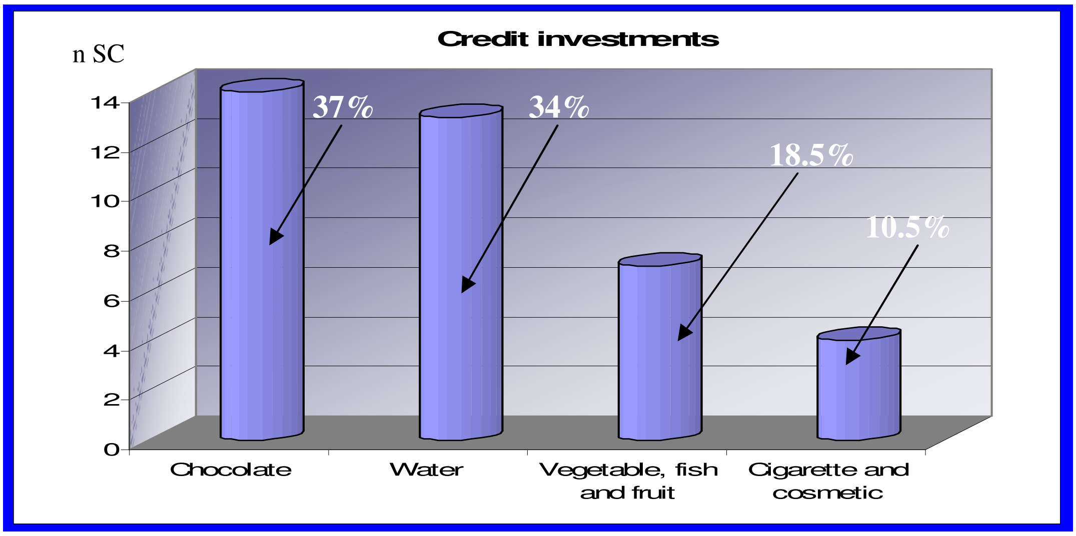
This DIC is providing street children with free interest loans of relatively small amounts.
The following table provides the loan disbursements of the DIC from January to December 2005, and the investments made by the street children.

Name	Amount (TK)	Sell	Name	Amount (TK)	Sell
Bakul	70	Chocolate	Tuniz	100	Water
Juwel	200	Beet and cigarette	Sagur	70	Chocolate
Sumon	100	Food	Alam	70	Chocolate
Forkan	100	Water	Helel	100	Chocolate
Jahangir	110	Water	Jibon	200	Water
Rana	100	Vegetable	Parbaj	100	Water
Yunus	400	Fish	Shamim	100	Vegetable
Razu	70	Chocolate	Sumon	100	Beet and sigarette
Ruhul	400	Sigarette	Sujon	70	Water
Kamrul	400	Water[99]	Sohel	300	Fruit
Safiqul	70	Water	Suzan	100	Water
Noor Mohammad	50	Chocolate	Naim	100	Chocolate
Rahim	100	Chocolate	Kanchan	100	Water

[99] Water was a particularly lucrative activity for children during Ramadan: indeed, those children were selling water for "iftar" (at sunset time)

Zakir	100	Water	Halim	70	Chocolate
Aakas	100	Vegetable	Sohel Shamsul	78	Chocolate
Al Amin	100	Chocolate	Rubel Shamsul	78	Chocolate
Rubel	70	Water	Mohidul	70	Vegetable
Raihan	100	Water	Billal	300	Cosmetics
Ibrahim	100	Chocolate	Shajahan	200	Water

The street children credit investments can therefore be classified in 4 categories (see below)



n. SC = Number of Street Children

Those credit investments are seasonal businesses that are made in some specific occasions (such as Aid festival). Let us Sujon and Kanchan explain it to us.

Case 1: Sujon and his two credits

- **Credit amounts:** 1st loan - 30 TK; 2nd loan - 70 TK
- **Purpose:** Seasonal business
- **Repayment:** Completed
- **Description:** Sujon is a boy of 13 years old. He was living in a village nearby Dhaka with his father and mother. As his father used to beat him, Sujon decided to leave his village and to go to Dhaka. When he arrived in the city, Sujon has been welcomed by Padakhep and started to work in the vegetable and fish market of Kawran Bazar (as a "Minti"). He earned a daily income of 40 to 50 TK (0.60 to 0.70 US$).
  He spends a part of it (+- 25 TK daily) and saves the remaining amount in case he faces any emergency.
  The first credit he received (30 TK) was to buy chocolate and sell it near the road signal, in Kawran. He was making a daily profit of 15 to 20 TK, which allowed him to repay his loan after 4 days..
  The second credit he received (70 TK) was to buy some water and sell it during Ramadan for iftar. Thanks to it, he made a total profit of 50TK (60% of the loan amount), and repaid his credit after 3 days. Parallel to this, Sujon was still working regularly at the market as a Minti, but planned to start a business…without knowing which one exactly though.

Case 2: Shahin and his three credits[100]

- **Credit amounts:** 1st loan - 400 TK; 2nd loan – 300 TK; 3rd loan – 100 TK
- **Purpose:** Seasonal business
- **Repayment:** Completed
- **Description:** Kanchan is a 15 years old boy who lived the worse. His father died and his mother was, alone, keeping them on their feet. Whenever playing football in his village with other children, some "Mastaans" came and offered them biscuits, which were unfortunately "poisoned". They felt sense less and were kidnapped by those criminals. They brought them near Dhaka city. There, they stayed 7 days, locked in a small room, with fear and without any food. Hopefully, they finally found a way to escape and arrived near Tejgaon railway station. There, Kanchan was found by Padakhep's staff and joined the program. But Kanchan was so much terrorized that he needed many psychological counselling sessions before restarting to live "normally".

  After a while, Kanchan took a loan from Padakhep (400 TK) in order to buy chocolate bars and to sell them on the streets.

  He was earning 50 to 60 TK daily, and was putting all this money in his savings account in order to repay his loan. But while selling those chocolates at the signal**, police men were threatening him and he had to change place**. After having repaid the loan, he took a second credit of 300TK in order to sell sugar cane and was earning daily 100 TK. He therefore repaid the entire credit amount within 5 days.

  His third credit was 100 TK, during Ramadan, in order to sell water for Iftar. After 1 month (end of Ramadan), he repaid the entire loan amount without difficulty. A major part of all the earnings generated by these investments have been deposited in his saving account, which had a balance of 300 TK in January 2006. Now, Kanchan is not working and uses his saving money. When talking about the future, Kanchan says he wants to open a grocery shop.

- ### DIC Mirpur

DIC Mirpur is also addressing category 1 street children, but at the difference of the previous DIC, does provide credit of larger amounts to them. Those are generally paid in 23 weekly instalments (6 months) and may or may not be linked with the vocational training received.

[100] As for "Roxana", we decided not to use the true name of the child, considering the hard events he experienced.

Case 1: Shafikul Islam

- **Credit amount:** 2000 TK
- **Purpose:** Electrical material
- **Repayment:** Completed
- **Description:** Shafikul is a boy of 16 years old who left his home village after his father went away and got married with another woman. He therefore needed to support his mother and his siblings. As soon as he arrived in Dhaka, he met in the street a staff member from DIC Mirpur and entered the program. He had to find a job, and started to work as a "Ferry Walla"pourquoi tu rajoutes un "h" à la fin, lol (i.e. carrying some goods and selling it to other shops). He was buying goods in credits and repaid the informal credit (from the MOHAJAN) when he sold all the goods. He saved, from his earning, 20 to 30 TK daily.
  In June 2004, Shafikul got a job at Padakhep as peer educator and earned monthly 1000TK.
  In November 2004, Shafikul got some vocational training at Dhaksania Mission (one of Padakhep's partner) in electrical technics. Soon later, he received a loan in January 2005 of 2000 TK in order to buy electrical material. He joined therefore an electrical shop where he worked there from 5 PM to 7 PM and gets 10 TK a day. Sometimes, he also uses his instruments to do some "personal" reparations. He finished the repayment in 23 weeks. Now, he is a little bit worried about his future and wants to establish his OWN grocery shop (electrical) in the future.

Case 2: Chowdhurry

- **Credit amount:** 2000 TK (30 US $)
- **Purpose:** Vegetable shop
- **Repayment:** Completed
- **Description:** Chowdhurry, a child of 12 years old, is originating from Noakhal. In order to support his family which was living in hard poverty, Chowdhurry decided to leave his home village when he was 9 years old. He left with his cousin and went to Dhaka city. First, his cousin found for him a job as a domestic worker, but he was ill-treated and usually tortured by the house lord. After 2 months of work, Chowdhurry left the house and "arrived" in the street. Hopefully, he met one child who told him about Padakhep and entered the program.
  In January 2005, he received a credit of 2000 TK in order to start a vegetable shop. But, as soon as his older brother heard about that, he left the village, came to Dhaka and took the control of the shop.
  First, they were both working in their new vegetable shop, but soon later some problems appeared between them and Chowdhurry had to leave the business. He then found another work in a **cement factory,** where he has been working since October 2005 9 to 10 hours a day. "Hopefully", his brother did pay the loan installments, and felt problems only 2 times, where Chowdhurry did pay for him. When talking about the future, Chowdhurry says that he wants to leave his present job (which he does not like) and start his own vegetable shop

- **Summary points**

Those cases, as well as our different discussions with street children, highlight different interesting facts about category 1 street children:

1. DIC Kawran Bazar allows children to start some seasonal businesses. They do it, but many of them do want to start their own permanent businesses which require larger loan amounts.
2. Those small seasonal business are only a survival strategy, and does not allow the child to plan for the long term.
3. DIC Mirpur does demonstrate that the ones who receive large loan amounts in order to start their own permanent businesses face some difficulties, such as intrusion of a family member or low profit margins.
4. Some, like Shahin, may face some problems with their businesses because of external factors

B. CATEGORY 2

"... who work and live on the street day and night with their family"

Those children are present in DIC Kawran Bazar and Mirpur, though in higher number in Mirpur. Let us therefore zoom on two of children, one in each DIC.

Case 1: Jibon (DIC Kawran Bazar)

- **Credit amount:** 1st loan – 200TK; 2nd loan – 500 TK
- **Purpose:** Seasonal business
- **Repayment:** Completed
- **Description:** Jibon is a 14years old boy living with his parents on the streets of Dhaka. He is the older boy of the family. In order to support better his family, Jibon works in the DIC as a peer educator and receives monthly 1000 TK (15 US $). However, Jibon knows how profitable it is to start some seasonal businesses. He therefore received a credit of 200 TK (3 US$) during Ramadan (October 2005) in order to sell water for Iftar. After repaying back the money, Jibon took another loan in January 2006 of 500 TK (7.50 US$) in order to sell some snacks near the Parliament house before Aid El Adha festival[101]. Thanks to this second loan, he earned a daily profit of 200 TK. At the end of the 4 days, Jibon was able to collect 800 TK as profit and to save a large part of it for his personal future expenditures. When talking about the future, Jibon says he wants to start his own permanent business.

[101] Aid El Adha is the second Muslim festival where the believers sacrifice generally a sheep, following the tradition of Abraham .

Case 2: Roxana and her cake business (DIC Mirpur)

- **Credit amount:** 2000 TK (30 US$)
- **Purpose:** Cake business
- **Repayment:** completed
- **Description**: We all remember Roxana, this young girl of 12 years old who faces so many difficulties. In October 2005, Munna received a credit in order to start a cake business along the street. It was quite profitable, until her mother came back and started to make pressure on her. Her mother was urging Roxana to go for working, everyday, and was usually beating her. Roxana felt too much under pressure and, moreover, she did not like going to work as the business was dirty and she did not like the activity. As a result, the business is now running just some days, when Roxana has no mean to escape working, and the clients are few. When talking about the future, Roxana says she wants to escape from her mother, who ill-treats her too much, and to start a tea stall or a grocery shop, which give better working conditions than her cake business

- **Summary points:**

1. Jibon tries to maximize his profits by engaging in different seasonal businesses. Even if this is a short-term survival strategy, it does not provide him with a long term perspective
2. Roxana does also show us that family intrusion can be dangerous. Her mother involvement in the business was the cause of "failure".

C. CATEGORY 3

"...work on the street during the daytime and return at night to their relatives"

Munna and his successful investment

- **Credit amount:** 4000 TK (60 US $)
- **Purpose:**_Tea stall
- **Repayment:** Completed
- **Description:** We remember Munna, who is supporting his grandmother and his siblings thanks to his savings. In June 2004, Munna took a loan of 4000 TK to open a tea stall in Mirpur. He repaid it after 6 months without facing any difficulty. Munna values a lot his business which generates high profit margins and enables him to support his grandmother, his siblings and himself! When talking about the future, Munna is very confident and says he wants to expand more and more his business.

D. CATEGORY 4

All category 4 street children are part of Padakhep formal microfinance program, located in DIC Mohammadpur and in the branch. Because of the importance such program has in the mind of Padakhep, we will highlight here 5 case studies, and seek the learning points we could get from them.

Case 1: Rekha and her cake business

- **Credit amount:** 2000 TK (30 US$)
- **Purpose:** Cake business
- **Repayment:** Not yet completed
- **Description:** Rekha is not unknown to us. Remember our previous section where we described Rekha saving strategy. In October 2005, Rekha received a loan of 2000 TK (US$29) in order to start her cake business. Thanks to this loan, Rekha has been able to buy some basic inputs for her street business and to sell cakes (i.e. handmade panckakes). After now 3 months, she has already repaid half of the amount (1000 TK) and her business is running well. The Now, Rekha got admitted to secondary school and will work part-time in order to be able to go to school.

Case 2: Shumon and his father's grocery shop

- **Credit amount:** 5000 TK (74 US $)
- **Purpose:** Parents business
- **Repayment**: completed
- **Description:** Our savings section talked about Shumon, who was saving money in order to help his family and to open his own business. Apart from the support he is providing to his parents business, Shumon took a loan of 5000 TK in January 2005. This credit has been totally invested in his father grocery shop, and Shumon repaid it in June 2005 thanks to the money he received from his parents. Now, Shumon is usually working in his father's shop and wants to open his own business in the future.

Case 3: Gewel and his grocery shop

- **Credit amount:** 5000 TK (74 US $)
- **Purpose:** start a grocery shop
- **Repayment:** completed
- **Description:** Born in Dhaka (Barichal district), Gewel, a 17 years old boy, always lived in slums. Beginning to discover little by little the street world, he got involved in a "mastaans" gang (see chapter 2 for a definition). But he slowly got out from this vicious circle when discovering Padakhep. He began to save money and, in June 2004, Gewel took a loan of 5000 TK (US$ 74) in order to start a grocery shop. He paid back his loan after

45 weeks without facing any major difficulty. Concerning his future, Gewel is very optimist and wants to take another loan to expand his business, just after completing secondary school.

Case 4: Shahida and her father's potato business

- **Credit amount:** 2000 TK (30 US$)
- **Purpose:** Parents business
- **Repayment**: completed
- **Description:** Chahida, a girl of 17 years old, is living with her parents in a slum of Dhaka city. Her father was disabled and therefore could not maintain her family. As she is the older child in the family, she worked in a garment factory in order to support her parents and her younger siblings. She heard after of Padakhep and entered in June 2003. There, at Padakhep, she received various types of services and because of her high capacity in dealing with other street children, she was proposed a job in Padakhep as a peer educator and was earning 1000TK a month. She began to save a part of this amount for two purposes: to get her secondary school certificate, and to have access to credit. She did this and got therefore 2000 TK as credit. As she knew that giving money to her parents is not a sustainable solution for her, she gave this credit amount to her father in order to start a potato chips business at home, as he is disabled. She managed to work in the same time in her father's shop, and her father gave her the weekly instalments which allowed her to repay the loan after 6 months. When talking about the future, Shahida wants to get her secondary school certificate and to start working with children.

Case 5: Raju and his training

- **Credit amount:** 2000 TK (30 US$)
- **Purpose:** Mobile materials for his training
- **Repayment:** one instalment remaining
- **Description:** Raju is a young boy of 13 years old who lives with his parents and his 3 siblings in a slum of Dhaka city. His father is a mason helper and earns daily 50 to 60 TK, whereas his mother is a housewife. Raju has one passion: mobile phones. He knows how to repair every mobile phone. In January 2005, Raju took a loan of 2000TK in order to invest it for buying mobile reparation material for his cousin's mobile shop. However, Raju is still a trainee and does not get any income from his activity. However, he repaid the loan thanks to some small reparations he is doing besides his traineeship and to some seasonal businesses. When talking about the future, Rau has one desire: to open his own mobile shop.

- **Summary points**

1. Shumon and Shahida did invest the credit in their families businesses. Shumon does want to start his own business and Shahida does not want at all to have a business.
2. Gewel made a successful investment which allows him to support his family and to meet his own expenditures.
3. Raju, even if he benefited from a credit in order to buy mobile material, did only find an unpaid traineeship and is paying back his loan thanks to other activities.

4. Learning points: program effectiveness

The various programs do show a mitigated picture on the effectiveness of the intervention.

⌖ Regarding savings

The different savings schemes seem to be reliable, convenient and flexible, the street children using those savings services intensively, and being able to accumulate large lump sums. Moreover, it appeared that providing interest rate is of little importance to the children, demonstrating therefore their high needs to save money and maybe the option for a microfinance program for not providing interest rate, reducing therefore their costs and impacting positively their sustainability. Placing savings services in drop-in-centres is surely the key of their success, which confirms the proposition of our comprehensive microfinance plus framework.

⌖ Regarding credit

On one side, when children are being given small loans (for starting seasonal businesses), those loans do not guarantee a long-term perspective to the children.
On the other side, when children are being given larger loans, their businesses seem often far to be a way towards empowerment: the family intrusion does usually inhibit their businesses, or the child faces some difficulties in managing it in a profitable way.

When describing our microfinance model for street children in our section 2.3., we pointed out the necessity to combine the provision of financial services with training (production or service; entrepreneurship and management). Beyond some positive impacts of Padakhep's intervention, we witness different risky factors in Padakhep's program:

- ✓ Some street children receive production training but no entrepreneurship and management training
- ✓ Start a service oriented business (such as a grocery shop) without getting a service oriented training, entrepreneurship and management training
- ✓ Some children, like Raju, pay for their production oriented training with the credit amount received; even if he repaid his loan, his gain is limited and, moreover, it creates uncertainty for his future.
- ✓ The families businesses seem to be successful, but the question of the impact on the child is mitigated
- ✓ Linking the guardians to the program might be negatively impacting the children

So, here, both the question of financial services (design and delivery) and of training appears to be the great missing point of Padakhep's credit point, and needs to be strengthened.

2.4.3. Program sustainability

Our previous microfinance model highlighted two dimensions of program sustainability: minimizing costs, and the ability and commitment to pursue the activity in the future. On these two dimensions, we find that Padakhep's microfinance program for street children is poorly sustainable. Let us analyse each of them.

1. Minimizing costs: repayment rate

A. DIC Mohammadpur (FP)

Unfortunately, Padakhep was not keeping up-to-date data. Having received the CGAP Fund in 2001, the MFI was only keeping some data for detailing the use made of the awards fund. In order to check the validity of those data (which stated an astonishing 98% recovery rate), we decided to collect raw data from the branch office, which was keeping data from July 2003. These data allowed us to check the reliability of the informations reported in the CGAP report.

	July 2003 – June 2004	July 2004 – June 2005
Borrowers (Number)	75 (35 Boys, 40 Girls)	26 (9 Boys, 17 Girls)
Loan disbursement (Tk)	300,000	120,000
Loan recovered (Tk)	210,000	30,000
Loan outstanding (Tk) –	90,000	90,000
Number of active borrowers (i.e. borrowers with outstanding loans)	18	20
Service charge earned (Tk)	1,500	11,400
Average loan size (Tk)	4,000	4,615

Exchange rate: $US 1 = 68 TK

Those data indicate a particularly mitigated picture of the microcredit program. Indeed, the program clearly demonstrates, first, a major decline in the number of street children who benefited from microcredit. Second, it shows how the loan recovery is low. For example, between July 2004 and June 2005, only 25% of the loan disbursed has been recovered. Padakhep made therefore a provision for loan loss equal to 50% of the total amount (up to 1 year). After June 2006, this will be transferred to a provision of 100% in case the children do not repay. Unfortunately, all indicators tend to show that the children will not payback the loan, as the majority of them dropped out because their slum has been evicted by the government, and have therefore completely disappeared (as their family changed location). Supposing this, it means that Padakhep has lost the equivalent of 180,000 TK ($US 2650) between July 2003 and June 2005.

As pointed above, Padakhep did receive an award of $US50,000 from which $US 38,000 has been used as revolving loan fund. One question is therefore remaining: are those $US2650 of loss part of the award fund or is it a direct loss that Padakhep needed to finance from its own funds?

In order to answer this question, we need to capture the data from the first CGAP reports in order to see if Padakhep was still, in 2003, using the award funds as a revolving loan fund.

Before doing so, we must recall that the award funds have been distributed as loan funds to street children and their guardians. Let us now review the initial data:[102]

	July 2001 – Dec 2001			Jan 2002 – June 2002			Cumulative		
	SC	Adult	All	SC	Adult	All	SC	Adult	All
Borrowers (number)	162	168	330	307	257	564	469	425	894
Loan Disbursement (US $)	4,832	16,832	21,664	9484	9459	31144	14,316	26,291	40,608
Loan Outstanding (US $)	2,511	3,076	1,0718	5080	18486	18486	7,591	21,562	29,153
Recovery rate							100%	100%	100%

Following these figures, a total of US$ 40,608 has been disbursed between July 2001 and June 2002. This means that the US $ 38,000 of the CGAP have been disbursed in less than one year.

Concerning the recovery rate, Padakhep points out that the recovery rate is equal to 100% However, being a bit surprised by those statements, some complementary meetings with the executive staff teached us that this recovery rate is not directly related to the loan amount recovered by the children and their guardians, but is related to the amount of loss recovered by Padakhep's own budget. This means that some loss happened.. Unfortunately, these loss amounts do not appear in CGAP reports, and no data have been kept in Padakhep's own reports. Our next section will highlight the major problems that lead to such a low recovery rate.

B. DIC Mirpur (Informal program)

DIC Mirpur started to provide credit facilities in December 2003. Since this date up to December 2005, a total of 41 street children -21 girls and 20 boys- have been provided with microcredit for investing it in different income generating activities.

The cumulative loan disbursement is equal to 41,400 TK (US$ 609), with an average loan size of 1000 TK (US$ 15). The DIC has recovered 87% of its loans, 5 street children having dropped out from the program

In order to understand practically the loan recovery process, let us focus on Shafikul Islam, whose previous section demonstrated how an active saver he was.

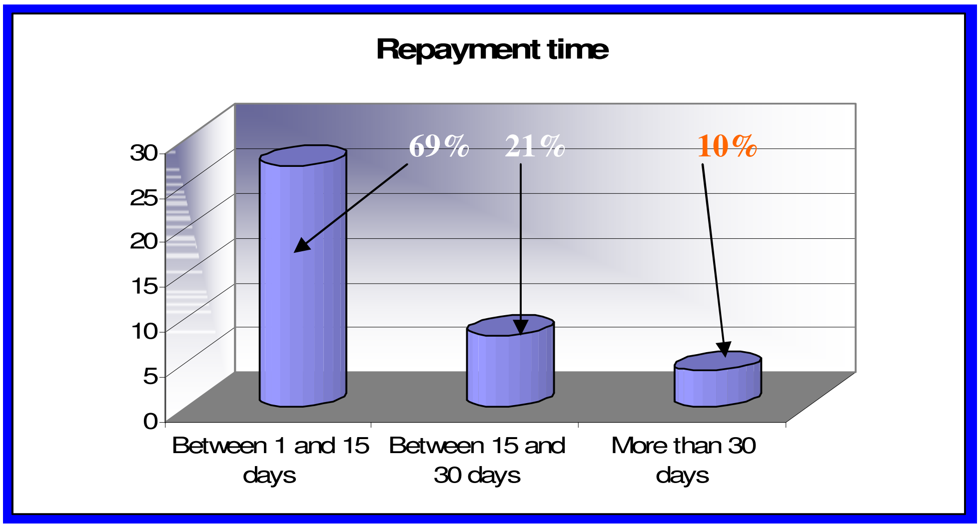
Bahrul Islam bought some cycle rickshaw servicing material in order to repair cycle risckshaws transiting in Mirpur. Having taken the loan in January 2004, he has been able to reimburse it in May 2004, respecting his weekly repayment schedule.

[102] 1 US $ = 58 TK at that time

C. DIC Kawran Bazar (Informal program)

This DIC has disbursed, from July 2004 to December 2005, a total of 5852 TK (US$ 86) of credit to 44 street children (all boys), with an average loan size equal to 133 TK (2US $). Out of this, 38 street children have repaid their loans and 6 street children were not able to repay it because their business investments were not successful. However, as pointed by the DIC Manager, those street children have not disappeared and they have promised to do their best to repay it.

The following figure captures the loan repayment time of the 38 street children, classified in three categories



It demonstrates the quick repayment behaviour of street children. Indeed, only 10 percents have repaid after 1 month, half of them having done so because the loan amounts were bigger than the average (i.e. equal to 400TK)

2. Ability and commitment to pursue the activity in the future

Our different discussions with the staff showed a separated picture between microfinance section and youth section. On one side, the microfinance staff seemed to have few concerns about street children, but a high competence on microfinance. On the other side, the street children staff had a high commitment to serve street children, but few competences on microfinance. Beyond this question, some other elements affect the sustainability of the program. They are highlighted below:

- **Who is responsible of what?**

The microfinance for street children program is partly managed by the microfinance section, and partly by the child development section, creating therefore problems in terms of management and, hence, in terms of viability. Everybody seems therefore to "reject" the responsibilities on others. This shows how the lack of coordination is important.

- **Where are the data?**

A big issue impacting the sustainability is the data record. The system of record is far to be efficient, especially for credit. For savings, it seems to be more efficient.

- **Where is the staff?**

As pointed by the Executive director of Padakhep, the high staff turnover is a big problem. Indeed, working with street children is challenging, and the staff tends quickly to move on.

- **Formal and informal program**

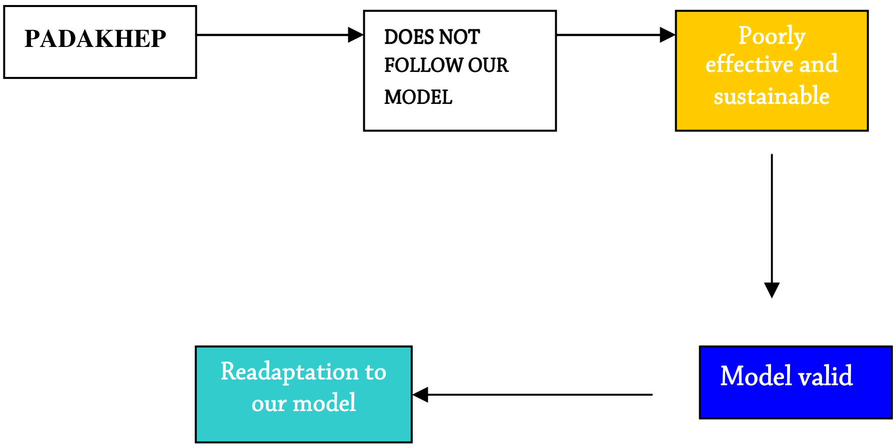
The presence of a formal and an informal program jointly is clearly a big problem in terms of sustainability

2.4.4. A cross-cutting issue: Outreach vs. Effectiveness vs. Sustainability

We have pointed out how Padakhep started officially its microfinance activity by making a business (credit) plan. This plan was aimed at setting objectives in terms of outreach: each year, more street children had to be reached. However, this credit plan, because of the absence of a good framework surrounding it, had e negative impact on "sustainability" and "effectiveness": Indeed, in order to reach the targets, credits were delivered: in terms of effectiveness, some street children who did not really need it were provided with credit; and the street children who needed it were not accompanied in the process of disbursing credit; in terms of sustainability, the recovery rate was low, and because of the lack of a clear management, it impacted the ability of the organisation to deliver such credits, reducing their outreach. We see how trying to reach the maximum of street children without setting up a good microfinance framework can lead to serious impacts in terms of effectiveness and sustainability.

2.4.5. Some recommendations

If we come back to our case study framework, those two previous points helped us to test the validity of our model, and helps us to make recommendations to Padakhep:



First, we learned that our model is valid. However, among all the elements proposed in our framework, one proposed activity seems problematic: linking guardians. Indeed, this appeared as a problematic issue in our paper; and a program that seeks such involvement must carefully analyse all the risk parameters before doing so.

Following this figure, Padakhep must try to readapt its framework of intervention to our comprehensive microfinance for street children program proposed before. This means concretely:

1. <u>Uniformize the Informal and Formal Programs, and create one single program</u>
   We have seen how keeping two different programs is inadequate. Those two programs must therefore be merged in an effective and sustainable way, creating a single and uniform program, settled on clear rules and regulations.
2. <u>Savings</u>*:*
   Those services are reliable, convenient and flexible; however, convenience can be enhanced by a computerized registering system and costs can be reduced by not providing interests on savings (as highlighted previously)
3. <u>Credit:</u>
   a. Loan access criteria must be settled clearly according to our proposed model, in order to avoid providing credit to children who do not need it and who are not able to manage it effectively, enhancing therefore their vulnerability.
   b. Linking the guardians is a difficult task, and must be considered with precaution.
   c. Small loans for seasonal businesses can be useful in the very short term, as a first aid, but do not provide viable long term perspectives to street children. Although stopping providing directly those seasonal credits may not be appropriate in the short term, the program needs

progressively to integrate a global perspective on start-up businesses, with the help of the microfinance section.

d. The "Revolving loan fund" must not be taken from other budget; a separate budget for that must be provided for each DIC.

e. Focusing on group-lending may be a viable solution in order to enhance effectiveness; although this demands a high investment of the staff to coordinate such activity.

f. One of the key issues of Padakhep seems to be vocational training. Indeed, credit MUST be directly linked to the vocational training, following our process. Providing small credits for seasonal businesses might be useful in the short-term, but can harm the child's well-being and does not provide a better future. Following all the steps of our comprehensive microfinance for street children framework is essential to guarantee an effective and sustainable intervention.

4. **Management:**

a. ***Management structure:*** Our question of provider did point out two possibilities of delivering "a microfinance for street children program": YSO focus; or YSO/MFI Partnership. Here, very interestingly, the second provision model might be the most adequate one: the Child section of Padakhep must be the main manager of the program, from savings to credit, but needs to be helped by the Microfinance section. This is, indeed, a way to limit the costs (training, etc) and hence to increase the sustainability. Finally, the difficult coordination between the child development section and the microfinance section is an illustration of the difficulties that a non-well designed partnership can face.

b. **The staff:** An important issue is the staff. The high staff turnover created negative impacts to the program and will still create if no solutions are found in terms of incentives.

c. ***Data:*** Keeping data is essential for evaluating the program. In order to do so, a uniformized system among the three DIC must be settled.

d. ***Outreach:*** trying to reach a maximum of street children must not be the objective. Although in terms of savings, his may not be a problem, in terms of credit this can be problematic. The key objective is the long term well-being of the child.

5. **Marketing :**

Give a name to the program (in consultation with street children), in order to ensure an appropriation of the program and the knowledge diffusion of Padakhep's microfinance program for street children across the country.

FINAL WORDS:
CONCLUSION AND FUTURE PERSPECTIVES

This paper tried to analyse whether microfinance can be an appropriate tool to address the street children issue and pointed out several findings:

1. On the demand side:

Street children do highly need financial services. Mainly working for meeting their own and their families' present and future expenditures, street children find difficult to meet those expenditures and face two main obstacles.
First, the street life insecurity makes their environment highly unsecured, pushing them to spend quickly their money in order to avoid somebody stealing it from them, which can make the child enter into a vicious circle, and hence increasing his/her vulnerability. This calls therefore for the need of savings, structured around three pillars: life-cycle needs; emergency costs and opportunities.
Second, some street children have been found to very active in harmful and hazardous jobs, which give them e few income and increases their vulnerability, and needed therefore to be proposed a protected working opportunity which could both increase their income and empowers them. This calls therefore for the need of credit, in order to gain access to capital which could allows them to start their desired business activity and, hence, improve their future.

2. On the supply side:

Several findings have been highlighted:

1. Although the street children demand is high, our findings tend to demonstrate that the supply is still too low, and mainly concentrated on some youth serving organisations.
2. Microfinance, as a process of producing and delivering financial services to poor people, can be an effective tool in addressing the street children issue if the financial services are carefully designed and delivered, and if, first, vocational training is provided to street children. Moreover, in order to be operational, this framework has to be completed with social services. It is only such comprehensive framework which could be effective and sustainable in addressing street children, if managed with accuracy. This is costly to administer though and those holistic programs can hardly be financially sustainable. However, if it tries to minimize the costs, and to maximize the ability and commitment of the organisation to deliver those services in the long, the program can be sustainable and minimize the amount of subsidies needed in order to be viable in the long-term.
3. From a delivery perspective, this paper argues that the most effective and sustainable way to provide such programs would be the youth serving organizations, but that some forms of partnerships with microfinance institutions can be profitable for both organisations. However, this partnership needs to be well designed and settled, in order to avoid problems of coordination, and to loose time and money

4. Our case study did enlighten several elements:
    - ✓ It demonstrates that an MFI which wants to start such activity in an independent way must have a "core competence on street children". Padakhep is, in this regards, like "two organisations in one". However, if such competence does not exist (which will be most probably the case), partnerships (discussed above) can be a good solution.
    - ✓ It demonstrates the difficulties that a partnership MFI/YSO can face, if considering the "youth section" and the "microfinance section" of Padakhep as two different entities.
    - ✓ It demonstrates how important it is to have a uniform program, with a clear design and logical sequencing of interventions, with an appropriate design and delivery process of "financial services", "vocational training" and "social services".
    - ✓ It demonstrates the necessity to frame such a program completely part of the youth development program, centralizing the level of management and decision **in the youth program,** in order to ensure a long-term viability, as well as a good management and follow-up.

One of the main outcomes of this paper is the design of a microfinance for street children program taking into account the multidimensional aspects that are part of the street children., which is essentially aimed at stimulating further debates about the future.
Moreover, this future will need to be oriented around 6 axis of attention:

1. Our model, although aimed at maximizing the effectiveness with a minimum amount of subsidies, is not financially sustainable. This calls therefore to the necessity, for donors and governments, to mobilize their funds for investing in such programs, in order to empower street children and to fight against the street children predicament. Without this financial help, such programs can hardly be effective.
2. Our model has been thought from the specific context of street children in Bangladesh. This calls therefore to the necessity to redesign and readjust this model to the street children characteristics and demand drivers in other countries.
3. The previous point calls therefore to the necessity to assess, by using participatory tools, the demand drivers of street children in other parts of the world, in order to check similarities and differences between contexts, and to design programs tailored to their needs, and not to the "adult conceptions of street children needs".
4. The YSO can face reluctance in providing financial services to street children and one of the core reasons might be the organisation's working philosophy. So, considerable awareness has, in our view, to be raised to change the working paradigm of youth serving organisations.
5. One particular issue facing organisations desiring to start such activities is the "regulation process". Lobbying governments in order to find ways to redesign their regulation legislations may be needed in some parts of the world.
6. Beyond the question of street children, this papers is aimed at opening the scope of interventions, research and debate for "youth" and "at risk youth" in developing countries, to assess how they can benefit from microfinance. Chemonics International, under USAID, is the first to have start such programs. Other agencies must therefore initiate such researches.

Finally, although “Microfinance for street children” appeared in this paper to be an appropriate tool to address the street children issue, it remains an intervention tool for children already in street situations. This calls therefore to the imperative, for governments and international organisations, to raise concern about the street children issue in order to prevent children turning to the streets, and hence
improve their children’s and society’s well-being.

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SOME PICTURES OF OUR PARTICIPATORY SESSIONS WITH STREET CHILDREN