

## RESILIENCE AND SUSTAINABLE POVERTY ESCAPES: IMPLICATIONS FOR PROGRAMMING

Poverty is a dynamic phenomenon; while some people remain in poverty for long periods of time, over the same period others escape poverty, others fall into poverty and yet others escape poverty and fall back into it. In other words, **poverty reduction is not a one-way street.**

An understanding of the nature of poverty trajectories is important, as different trajectories (see Box 2 below) require different programmatic responses. In addition, if poverty reduction efforts will ever be successful in the long term, escapes from poverty must be sustained over time. To explore these dynamics, USAID conducted research to examine the extent and nature of sustainable poverty escapes, as well as the sources of resilience that help predict sustainable poverty escapes, in three countries. See Box 1 for more information on this work.

This brief draws on lessons from the country-level research to propose implications of a poverty dynamics approach for policies and programs (visually summarized in Figure 3 at the end of this brief) in order to better support conditions in which poverty escapes can be sustained over time. Building on these lessons, this brief makes the following arguments:

- i. **Analysis of context-specific poverty dynamics** should be a foundational component of any policy or program design, inform the theories of change that guide investment, and be an element in evaluating impact. Data that enables this can be resource-intensive (and thus a more appropriate investment by donors at the policy level). Implementer-level M&E systems can also incorporate collection of data for analysis of poverty dynamics to re-inform programs.
- ii. **Adopting a portfolio approach** – designing, programming, overseeing and evaluating multiple projects and activities (each with a unique focus), unified through an overarching theory of change – better responds to the complex, serial nature of risks and shocks, as well as the cross-sectoral nature of resilience capacities as drivers of poverty dynamics.
- iii. In development of these portfolio responses, the following **four areas need much greater attention and investment** because of their documented influence on sustaining poverty escapes:
  - a. **social assistance and social insurance**, particularly to protect assets against health shocks
  - b. **the rural non-farm economy**, which plays a role in risk diversification and more resilient economies
  - c. **rural labor markets**, both farm and non-farm driven; and
  - d. **safe, fair migration** - rural-rural, rural-urban, international and internal - for its catalytic impacts

### BOX 1: RESOURCES ON POVERTY DYNAMICS

This brief is part of a suite of products produced by the USAID-funded [Leveraging Economic Opportunities](#) project to explore sustainable poverty escapes. Country-specific research findings were published for rural [Bangladesh](#), rural [Ethiopia](#) and [Uganda](#), along with a [synthesis](#) of findings across all three case studies, a [methodological note](#) on conducting poverty dynamics research, an [infographic](#), and a paper examining multidimensional aspects of poverty. This research, led by the Overseas Development Institute, involved analysis of panel data with at least three waves for each country, field work to conduct qualitative life history interviews and focus group discussions across multiple target rural areas, as well as extensive engagement from relevant USAID missions and the Center for Resilience at USAID. To access these publications, visit [www.microlinks.org/leopovertydynamics](http://www.microlinks.org/leopovertydynamics).



These four areas of portfolio responses (a-d above) are highlighted because they are largely neglected in current funding priorities. As explored below in Section I, there are other areas, which emerged from this research as also critical. These include: family planning; education; women's empowerment; affordable health care; savings and access to financial services; livestock markets; and competitive agricultural markets. These areas, however, are already relatively well-funded - albeit not always programmed as part of a portfolio response in which analysis of poverty dynamics has played a fundamental role (hence, the first two implication arguments above). In addition, there are other important factors not captured by this research, but likely influential, such as psychosocial factors.

Box 2 gives more information about a number of key poverty trajectories and how they relate to USAID's resilience agenda,<sup>1</sup> which is increasingly becoming an organizing concept for economic growth and poverty reduction efforts more broadly, moving beyond a simple categorization that is only applied to conflict and disaster-prone areas.

## **BOX 2: POVERTY TRAJECTORIES**

**Impoverishment** refers to the process whereby a poor person or household becomes poorer, or where somebody who is non-poor slips into poverty. **Transitory poverty escapes** refer to individuals or households that used to live in poverty, succeeded in escaping poverty, and then subsequently fell back into poverty i.e. they became re-impovertised. Households are considered to make a **sustained poverty escape** if they are able to escape poverty and remain out of it over the medium-term (e.g. at least for five years, although the time period applied may vary according to available data). Other poverty trajectories include the **chronic poor**, who remain living in poverty at all points in time and **churners**, who fluctuate at a level around the poverty line over time.

For the purposes of this work, we view **resilience** as a set of capacities enabling households to remain out of poverty over the long term, even in the face of shocks and stresses. In other words, the capacity to be resilient means an individual or household is ultimately able to avoid becoming impoverished or experiencing a transitory poverty escape.

## **I. SUMMARY OF FINDINGS FROM COUNTRY-LEVEL RESEARCH**

The implications outlined in this brief derive from the key findings of the mixed-methods research conducted in rural Bangladesh, Uganda, and rural Ethiopia, and described in Box 1. This research provided great insight into sources of resilience - or, why some households are able to experience sustained escapes from poverty while for others the escapes are transitory. The full findings are summarized in a [synthesis brief](#)<sup>2</sup>, and include:

- Per capita expenditure, productive assets and livestock all increase likelihood of escapes being sustained in all three case studies;
- Smaller households are more likely to experience sustained escapes across the case studies.
- Households where the head has completed primary education are more likely to experience a sustained escape than an escape from poverty which is transitory. This likelihood increases further if the head completes secondary education;
- If the household head is engaged in salaried work, the household is more likely sustainably to escape poverty;
- Land is associated with sustained escapes, though in this research, this was only seen in rural Bangladesh and Uganda, not rural Ethiopia. The latter finding may be because of the difficulties

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<sup>1</sup> USAID (2012) defines resilience as the ability of people, households, communities, systems and countries to mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth.

<sup>2</sup> ODI, *Resilience and Sustained Escapes from Poverty: Highlights from Research in Bangladesh, Ethiopia, and Uganda*, 2016. Available at [www.microlinks.org/leopovertydynamics](http://www.microlinks.org/leopovertydynamics).

of smallholder farmers in Ethiopia gaining reliable access to affordable, improved inputs whilst engaging in rain-fed farming in a context of climatic variability;

- In Uganda and rural Bangladesh, if the household head is engaged in a non-farm enterprise (e.g. petty trading, transport, running a small shop) then the household is more likely to experience a sustained escape. For rural Ethiopia this is the case where the household head is engaged in the non-farm economy (whether self-employed or employed). In contrast, where the head of a female-headed household in Uganda is engaged in a non-farm enterprise then an escape from poverty is more likely to be transitory - perhaps due to their engagement in non-capital-intensive enterprises;
- Remittances contribute to sustaining poverty escapes for female-headed households in rural Bangladesh and Uganda. In the areas studied under this research, remittances in rural Ethiopia were not a common transfer;
- A series of shocks in relatively quick succession is an obstacle to sustaining poverty escapes. In rural Bangladesh, a series of health shocks emerged as an important driver of transitory poverty escapes (falling back into poverty over time). In rural Ethiopia and Uganda environmental hazards, including drought and irregular rainfall, are important shocks that drive transitory poverty escapes.

These research findings also highlight the importance of the enabling environment within which households survive and thrive. In particular, the research revealed how; (i) the state of the labor market; (ii) protection of the natural resource base; and (iii) access to quality education are all crucial sources of resilience for escapes from poverty to be sustained over time.

## **II. IMPLICATIONS FOR POLICIES AND PROGRAMMING**

As introduced above, these findings revealed a number of implications for policy and programming, each of which are explored below.

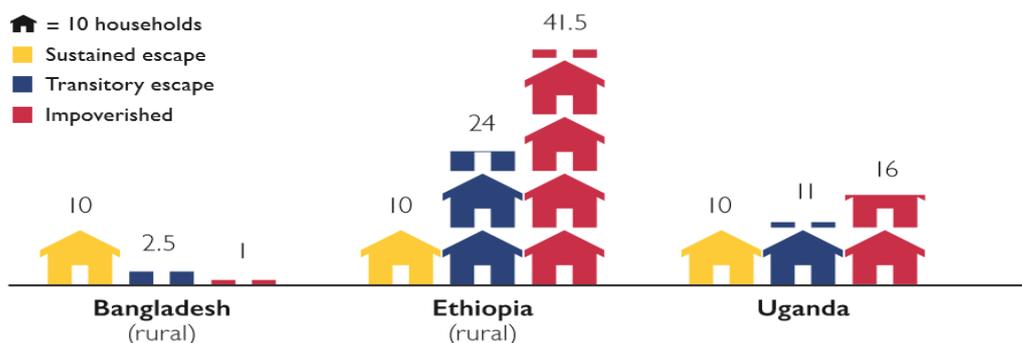
### **A. Utilize context-specific poverty dynamics analysis to inform designs**

Incorporating poverty dynamics in country strategies and within programs implies a different analytical approach than the traditional static characterization of ‘poor’ and ‘non-poor’ that often underlies our theories of change for inclusive economic growth. For example, across the case studies profiled in our research, the patterns of poverty dynamics vary. Analysis of which poverty trajectories are predominant can provide an initial guide for the focus of poverty reduction efforts. Understanding the heterogeneity of poverty trajectories also allows for more precise targeting and matching of different activities to different sub-populations that face distinct types of challenges and opportunities.

As Figure 1 illustrates, analysis of panel data collected in 12 districts of rural Bangladesh found that sustained escapes predominate over trajectories of impoverishment and transitory escapes – i.e. for every one instance of impoverishment, there are ten instances of sustained escapes. However, in rural Ethiopia and Uganda the opposite is the case. For example, on average across the 15 woredas analyzed included in the panel survey for rural Ethiopia, at least two households fell back into poverty for every one that sustainably escaped it. Bangladesh therefore requires a continuity in policy frameworks as well as some additional focus on ensuring that escapes from poverty are sustained – this may involve programming that targets the ‘less poor’, or support to health insurance and savings, as health shocks emerged as a key driver in pushing people back below the poverty line. Rural Ethiopia and Uganda meanwhile, need more focus on making escapes from poverty more sustained over time – investments, for example, in social protection (as explored in Section II.B). In addition, resilience involves dealing with both idiosyncratic (e.g. sickness of the breadwinner, loss of a job) as well as covariate (e.g. widespread drought, regional conflict) shocks – the relationship between common poverty trajectories and the predominance of these two categories of shocks will also implicate unique policy and program strategic responses.

Figure 1: Poverty trajectory ratios by country: insights for intervention priorities

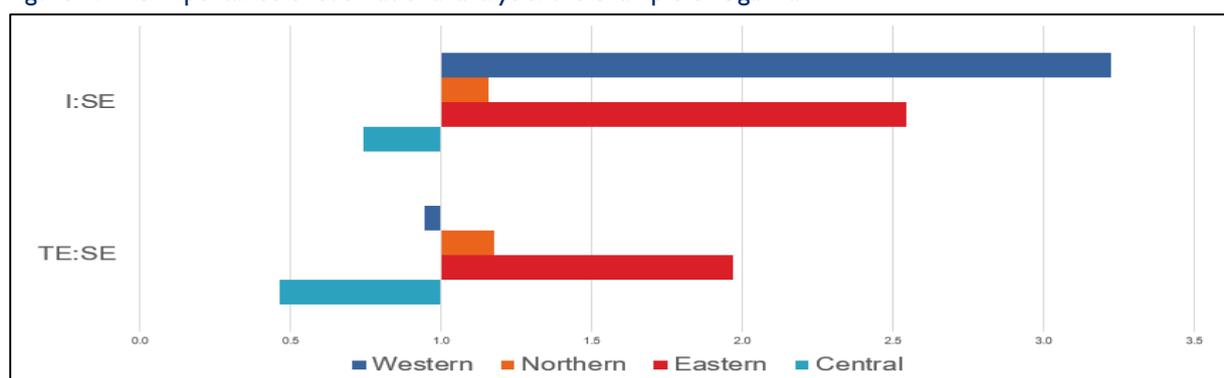
Contextualizing poverty dynamics: comparing poverty trajectories through ratios of sustained escapes to impoverishment and transitory escapes\*



\*Numbers are rounded to the nearest 0.5 decimal

Given the regional differentiation that is evident in many countries, it is worth carrying out this analysis at sub-national level, as illustrated by Figure 2 comparing ratios between sustained escapes and impoverishment and temporary escapes in different regions of Uganda. Escapes are far more sustained in the Central region, for example, than in the rest of the country; and in the Western region, families are becoming impoverished at much greater rates than they are sustaining escapes out of poverty - but when they do, those escapes are more likely to be sustained.

Figure 2: The importance of sub-national analysis: the example of Uganda



I: SE Impoverishment: sustained escapes ratio  
TE: SE Temporary escapes: sustained escapes ratio

Where nationally representative data is available, or data representing urban or rural areas, the analysis is likely more efficiently and effectively done by governments or donors rather than individual implementers. To aid this process, a [methodological note](#)<sup>3</sup> is available on how to undertake this type of analysis and research. It also includes details of where household panel data<sup>4</sup> can be found in order to undertake the type of analysis presented above.

This type of contextualized analysis could inform the development of country strategies and the underlying theories of change used to rationalize programming and to measure success or failure.

As well as a poverty dynamics perspective having analytical implications for donors at the stage of designing strategies and setting priorities, it also has **implications for implementers developing program monitoring, evaluation, and learning (MEL) systems**. In particular:

<sup>3</sup> <https://www.microlinks.org/library/methodological-note-conducting-poverty-dynamics-research>

<sup>4</sup> Panel surveys return to households at more than one point in time.

- Create a panel at the baseline stage by building on a previous survey;
- Carry out participatory and other qualitative work at the baseline stage to generate a pre-baseline timeline and to understand how people have got to where they are (trajectories);
- Conduct quality follow up surveys and interviews at appropriate intervals (3-5 year intervals may be appropriate for outcome monitoring; annual is too often) so that data is analyzed and absorbed;
- Undertake mixed methods evaluation design to identify drivers of poverty trajectories, sources of resilience, and the barriers for beneficiaries to sustain and further improve their situation.
- Incorporate resource tools to enable longer-term projects (e.g. five years and longer) to understand and track multi-dimensional poverty indicators for a target population over time (such as Grameen's Progress out of Poverty Index) and understand and analyze household income portfolios (such as Household Economy Analysis).

## B. Take a portfolio response

A key implication of incorporating a poverty dynamics perspective is that **portfolio responses are required to address not just single shocks but a series of shocks, and to draw upon a multi-sectoral, portfolio approach to do so.**

One major distinguishing feature of a portfolio approach (from, for example, a donor mission that has separate investments in health, agriculture, financial services, and nutrition) is the overarching theory of change that unifies the logic of these various programming efforts, drives the 'why' behind prioritizing certain investments over others, and influences how this portfolio of programs are coordinated, sequenced, managed, and evaluated for successful impact. Some additional considerations regarding portfolio approaches are:

- A portfolio response demands **coordination at many levels** – amongst donor and governmental staff, between implementers, and amongst technical staff inside a single project activity, to name a few. Coordination takes resources (time and funding) to do effectively, and must be appropriately prioritized with incentives put in place to reward it. It requires an understanding not just of the opportunities, but also the constraints, to joint programming in each implementing structure. USAID's recent emphasis on [Collaborating, Learning, and Adapting \(CLA\)](#) and revised program operational guidance in [ADS 201](#) both provide a supportive framework for such coordination. The Partnership for Resilience and Economic Growth<sup>5</sup> is one example of a portfolio response in USAID.
- **Entry points for programming need to be identified and prioritized.** Identifying the holistic nature of poverty is not the same as saying that responses to reduce poverty sustainably have to be holistic. Rather, sound implementation remains critical and to do this requires focusing on, and prioritizing, those points of coordination which can lead to catalytic change. This requires undertaking the type of context analysis that enables prioritization.
- Operationalizing a portfolio response can mean **layering, sequencing or integrating** approaches. *Layering* means that within a geographical area households are able to benefit from multiple interventions simultaneously (e.g. those for family planning and those for livelihoods development). A *sequencing* approach starts with those interventions which address the initial binding constraints and then further interventions are later added (e.g. the poorest households first receive grant-based support before then gaining access to appropriate microfinance or market-oriented initiatives). *Integrated* approaches involve cross-sectoral support within the framework of one program.
- Utilize a range of measurement methodologies and techniques (e.g. RCTs, small scale surveys, qualitative approaches, action research, phased 'design and implement' awards, etc) to test out effectiveness and impact of joint programming.

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<sup>5</sup> For more information on PREG, visit [www.usaid.gov/documents/1860/partnership-resilience-and-economic-growth-preg](http://www.usaid.gov/documents/1860/partnership-resilience-and-economic-growth-preg).

Challenges, of course, exist and it is important to incorporate the lessons learnt from the era of Integrated Rural Development.<sup>6</sup> This includes:

- Avoid setting up special time bound agencies and incentives which create sustainability problems.
- Accept the need for a long term perspective – probably 10 to 15 years (envisage multiple phases).
- Avoid a narrow technical production focus which saturates markets – marketing perspectives are as important as production perspectives.
- Ensure interventions are based on good knowledge of local agricultural and economic systems.
- Build institutions which can contribute to sustainability of the interventions. For example, local groups need support structures and links to wider systems in the eventual absence of the project intervention. This needs to be built in from the start.

### C. Support social assistance and social insurance initiatives

Robust markets, along with other social and contextual conditions, provide the quality and diversity of economic opportunities that allow households to make better lives for themselves. Yet this research (see Box 1) repeatedly underscored, across multiple countries and economic enabling environments, the detrimental impact of shocks both for those who are poor and those living just above the poverty line. Therefore, social protection, incorporating both *social assistance* (non-contributory programs including cash transfers) and *social insurance* (contributory schemes) are important components of a portfolio response and can be an importance source of resilience for sustaining poverty escapes<sup>7</sup>.

Life cycle approaches to social protection are one approach which countries (such as Bangladesh) are using when developing national social protection policies. These policies acknowledge that households face risks across the life cycle from which they need to be protected. There can often, though, be **a gap with regards to social protection provisions for the working poor or more widely the working age population**. Social assistance for this group can be particularly politically unpopular. Public works are one response in social protection strategies to help the working poor to manage risk. Social insurance can be an alternative, potentially more fiscally viable and politically-accepted response.

Lessons on **social cash transfers** include the importance of<sup>8</sup>:

- adequate transfer size (though unlikely to be sufficient in the face of a major health shock);
- indexing against inflation so that the value of the transfer is maintained over time;
- regular and reliable transfer (so that people can plan their household expenditure around it).

Existing social **cash transfer programs can also be made ‘shock-responsive’**; providing support to people in the event of a covariant shock, such as an environmental hazard - i.e. to provide an element of insurance (e.g. food insecurity following drought). Experience shows that it can be easier to increase the amount of support for existing beneficiaries than to incorporate new beneficiaries into the program, with the latter requiring an up-to-date registry of potential future beneficiaries. Policy level support for making cash transfers more shock-responsive includes early warning systems to forecast the shock (particularly for climate-related events) and earmarking funding to enable rapid disbursement.

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<sup>6</sup> Integrated Rural Development Projects were common in the 1970s through to the 1990s: they were area based, focused on raising incomes and standards of living through co-ordinated multi-sector interventions.

<sup>7</sup> One interesting resource is the recently launched ILO/World Bank Global Partnership for Social Protection, which is collecting case studies on best practices to achieve universal social protection.  
[http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_525544/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_525544/lang--en/index.htm).

<sup>8</sup> For more information, see: Bastagli, F.; Hagen-Zanker, J.; Harman, L.; Sturge, G.; Barca, V.; Schmidt, T. and Pellerano, L. (2016) Cash transfers: What does the evidence say? A rigorous review of impacts and the role of design and implementation features. London: Overseas Development Institute.

<sup>9</sup> For more information, see: Oxford Policy Management (2016), 'DFID Shock-Responsive Social Protection Systems research: Literature review', February, Oxford Policy Management, Oxford, UK.

Social assistance-related lessons from graduation model programs, as developed by BRAC in Bangladesh, and integrated social protection program, as adopted by Ethiopia's Productive Safety Net Programme on ensuring that escapes from poverty are sustained over time include<sup>10</sup>:

- Households graduate *into* other forms of support, rather than just *out of* social protection.
- Priorities for what beneficiaries graduate into will vary according both to context and to the type of household. These may include other forms of social protection (e.g. social health insurance, crop or livestock insurance or for some households such as those comprising elderly members into receipt of long-term cash transfers) or services beyond the sphere of social protection (e.g. microfinance and other forms of financial service or to agricultural extension)

One major issue is how to promote insurance in countries with poorly developed insurance markets.

**Index-based insurance for crops and livestock** offer a potential option. Lessons here include<sup>11</sup>:

- Premiums for the poorest will need to be subsidized. This implies the need for continued government involvement in the scheme;
- Lack of understanding of the product is a real barrier to uptake – programs need to include cost-effective methods of communicating about the benefits and costs of the product;
- Innovating with the index: to reduce basis risk (or the likelihood that the claim does not closely relate to the loss) and to enable *ex ante* responses. However, there is a trade-off, as using multiple indices (double checking) can increase the time before the pay-out is made;
- Ensuring rapid pay-out through having appropriate structures for making payments in-place and money available in bank accounts earmarked for this purpose.

Insurance though, is only an appropriate tool for low-frequency, high-impact events (e.g. severe flooding). So, insurance needs to be part of a suite of risk-management/resilience enhancing initiatives, including those which address high frequency low-impact events (e.g. veterinary care to reduce exposure to particularly prominent diseases; promotion of drought-resistant varieties).

In some contexts, particularly those where health shocks play a major role in driving impoverishment, **social health insurance and health savings products**<sup>12</sup> can be an important policy tool. Extending eligibility beyond formal workers can take several forms including; allowing informal workers to contribute to schemes designed for formal workers; requiring informal workers with sufficient means to contribute to formal sector schemes; and establishing separate voluntary schemes for people outside the formal sector. As with index-based insurance, increasing access will also involve subsidies, or waivers, of the premiums for certain groups, such as the poorest. Meanwhile, large scale investments in health care services are needed to ensure service quality in the face of increased demand.

## D. Promote the rural non-farm economy

Smallholder agricultural market development is part of the story of sustained escapes in the three case studies and this needs continued emphasis. What specific emphasis to put may be context specific, but market-driven strategies, supported by tackling underlying environmental sustainability problems are two well-understood aspects that are reinforced by this research. Underlying land policy frameworks need to be supportive too – people need to be able to buy and sell, as well as rent out land securely (without threat of losing it) so that there is mobility in the system.

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<sup>10</sup> See also Mariotti et al. (2016) *Sustainable escapes from poverty through productive inclusion: A policy guide on the role of social protection*.

<sup>11</sup> For more information see Bastagli, F. and Harman, L. (2015) *The role of index-based triggers in social protection shock response*. ODI Report April 2015. London: Overseas Development Institute.

<sup>12</sup> For more on this from CGAP, visit [www.cgap.org/blog/user-centered-financial-services-build-household-resilience](http://www.cgap.org/blog/user-centered-financial-services-build-household-resilience)

Support to the agricultural sector, though, needs to be balanced with that to the rural non-farm economy (RNFE),<sup>13</sup> defined in the footnote and including areas like retail trade, small-scale manufacturing, tourism, mining, and transport. Smallholder agriculture development often generates demand for RNFE products and services through multiplier effects<sup>14</sup>; but this may be insufficient for a viable rural non-farm economy. Alternative sources of demand for RNFE products and services could be local urbanization, tourism, and social transfers. In addition, and of particular importance, is the need for greater comprehensive investments in non-farm sectors present in rural areas; while the markets may be different, policy and program designers can start by applying similar frameworks used to analyze agricultural systems, understanding end markets, the local players and influencers, the norms and rules that govern trade and determine benefits.

Supportive policy frameworks for the RNFE are rare across developing countries and this is an area where policy innovation is needed. One examples of a policy framework is the Latin American Territorial Development movement (Box 3). Despite some improvements in the Latin American RNFE, however, there are still gaps in social and economic infrastructure between rural and urban areas, and these translate into productivity and wage gaps.<sup>15</sup>

### **BOX 3: TERRITORIAL DEVELOPMENT IN LATIN AMERICA**

Territorial development in Central and Latin America is another case where lessons about rural development, growth, poverty and inequality can be learnt. A series of 20 case studies in rural territories in 11 countries led to the conclusion that the likelihood of inclusive and sustainable economic growth depended on the structure of access to and use of land and other natural resources, connection with cities, productive structures, their interaction with markets, and the nature of public spending and investment. Fifteen years of territorial development projects seeking to redress regional inequalities have thrown up a wide diversity of experience, but the core focus has been on family farming and micro-enterprise development. This has limited impact on employment and poverty. A stronger approach would require harnessing the bigger private sector, making stronger links to private sector strategies, and working to improve coordination especially across government.

Sources: Julio A. Berdegúe, Anthony Bebbington and Javier Escobar (editors) (2015) *Growth, Poverty and Inequality in Sub-National Development: Learning from Latin America's Territories*. World Development, Volume 73

Some policy factors which enable the RNFE to grow include improving 'ease of doing business' indicators such as a low level of corruption, and rapid expansion of electricity. As illustrated in Box 4, such programs can also focus on access to electricity as well as grid and off grid development. Local government support for SMEs and informal firms is often critical, and local governments can be important partners in improving the policy environment. Getting rid of unnecessary restrictions and regulations (e.g. anti-informal economy rules), and reducing petty corruption are areas for focus.

At the program level, business promotion efforts are generally designed to suit households with some savings, some social standing and credit-worthiness, which tends to strengthen those above the poverty line and enable sustained escapes from poverty. They can also be designed so that poor households can participate (Box 5).

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<sup>13</sup> 'The rural non-farm economy (RNFE) may be defined as comprising all those activities associated with waged work or self-employment in income generating activities (including income in-kind) that are not agricultural but which generate income (including remittances etc.) in rural areas. In some contexts rural non-farm activities are also important sources of local economic growth (e.g. tourism, mining, timber processing, etc).' (Davis, J (2003) *The Rural Non-Farm Economy, livelihoods and their diversification: Issues and options*. London: Natural Resources Institute)

<sup>14</sup> See Snodgrass' *Agricultural Transformation in Sub-Saharan Africa and the Role of the Multiplier*, 2014 for more on multiplier effects. [www.microlinks.org/library/agricultural-transformation-sub-saharan-africa-and-role-multiplier](http://www.microlinks.org/library/agricultural-transformation-sub-saharan-africa-and-role-multiplier)

<sup>15</sup> [http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_532665/lang-en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_532665/lang-en/index.htm)

#### **BOX 4: RAPID EXPANSION OF RWANDA'S ELECTRICITY COVERAGE**

Electricity expansion occurred from 2009, and reached 16% coverage of households by 2012, with 70% the target for 2018. This rapid pace of expanding connections should help spur a further expansion of the RNFE, though appliance uptake and electricity consumption have remained low, and impact on poverty limited as yet. Key factors in the rapid roll out have been the coordination provided by a sector stakeholder group, the focus on connecting households within 5 km of the existing grid, including a lot of low consumption households, reduction of connection costs and staggering of connection payments, which is critical for low income households.

Sources: Baringanire, P., Malik, K., and Banerjee, S. (2014) *Scaling Up Access to Electricity: The Case of Rwanda*. World Bank, Livewire, No 22; Anicet Munyehirwe, Jörg Peters, Maximiliane Sievert, Luciane Lenz, (2015) *Does Large Scale Infrastructure Investment Alleviate Poverty? Impacts of Rwanda's Electricity Access Roll-Out Program*. USAEE Working Paper

#### **BOX 5: ADAPTING FINANCIAL INCLUSION AND BUSINESS DEVELOPMENT SERVICES TO REACH THE POOR**

Micro-, small and medium business promotion efforts commonly focus on financial inclusion and business advisory services. On the financial inclusion side, the poorest households are best served by the existence of savings and insurance opportunities, with links between local savings groups and the formal financial system; and the development of financial inclusion components of social protection programs. Mobile money systems also have significant potential. Creating the conditions for existing (mostly small, informal) businesses to expand also requires business development services, access to electricity, and improving the business environment especially tackling harassment and petty corruption. These same interventions are also relevant to promote self-employment among the poorest people, although these need to be tailored to their specific needs. The terms at which they are provided must be feasible for the poorest, which often means a transfer component (in the form of cash and/or asset transfer). So social protection – especially integrated social protection focusing on measures to reduce risk as well as save and invest – is also an important intervention to promote the diversification of the RNFE.

Sources: Chronic Poverty Advisory Network (2015) *Getting to Zero: Tackling Extreme Poverty through Private Sector Development. Policy Guide*; Chronic Poverty Advisory Network (2016) *Sustainable escapes from poverty through productive inclusion, Policy Guide*

## **E. Strengthen rural labor markets**

This research underscored the importance of increases in employment and improvement in labor terms and conditions – including the quantity of work created, the quality of that work, and gaining access to work opportunities. This is an even less common area for programming than the RNFE, and includes on-farm, off-farm, and non-farm labor markets.

*Quantity of work:* Growth with job creation is the key – so support for labor intensive industries is important as well as agriculture, which still generates the lions' share of work opportunities in many contexts. Cut flowers and horticulture have been common labor-intensive successes in rural areas or small towns, such as in Colombia, Ecuador, and Kenya - often employing women. Although typically concentrated in urban areas, the garments sector has been a notable success in some countries (e.g. Bangladesh, Cambodia) in providing significant employment opportunities that draw in rural workers. Such industries, along with light manufacturing, require labor markets where there is a plentiful supply of adequately trained laborers. It has been challenging to find labor intensive industries to support employment generation in Africa, despite some concerted efforts in countries like Ethiopia and Rwanda. Whether or not the rural labor market is 'thick' or 'thin' will influence the opportunities – for example, it may be easier to develop manufacturing or other labor-intensive sectors in smaller urban areas, pulling from nearby rural areas, in countries where there is a relatively dense rural population and 'thick' labor markets (i.e. India, Indonesia) and necessarily harder in less densely populated regions. This suggests that we need to

adapt consideration of appropriate sectors for investment to match the density of the labor market. Macro-economic policy is also critical – avoiding currency over-valuation, for example, which may come from heavy investment in capital intensive natural resource extraction industries.

*Quality of work:* Large scale formal industries offer opportunity for policies which support better terms and conditions of work. However, losing competitiveness is a risk, so the speed of reform is critical. Box 6 on Cambodia illustrates some of these themes.

Farm wage work often provides the lowest wages: social protection initiatives, public works and employment guarantees, effective worker and farmer organizations and expanding RNFE wages can help lift wages at ‘the bottom’. Minimum wages can help, sometimes extended incrementally to occupational groups (e.g. domestic workers, construction workers). This helps implementation as resources can be concentrated on particular groups to establish new norms.

Labor market tightening is a broader approach to increasing wage levels at the bottom of the distribution – through increasing demand for labor but also reducing the supply. This can happen through family planning, social protection which takes people out of the market whose health and wellbeing is undermined by having to work, and keeping children in school for longer, delaying the age of entry to the labor market. Bangladesh has made progress on many of these areas. Combined with the extensive creation of several million accessible jobs in the garments industry, pulling mainly low income women out of rural areas, these are the kinds of improvements which have driven casual and agricultural wages up in Bangladesh and Cambodia.

Some additional programming recommendations include:

- Invest in labor-intensive industries and conduct analyses that fully explore the structures and underlying forces that govern supply and demand of labor, aggregation points, the flow of market information, power and negotiation capacities of various actors, and gender dynamics, among others.
- Even in those less labor-intensive industries, beware the often ‘invisible’ role of workers in the value chain and/or within the family’s economic portfolio, and conduct market and household-level analyses that explore this reality and its influence on program goals and outcomes.
- Support ‘layering’ of services for workers such as access to health services, savings, education and skills training, access to existing government support schemes, and awareness raising of workers’ rights.
- Educate employers about the links between the quality of worker treatment and higher productivity.
- Consider (and monitor the impact of) investments in related services or sectors – e.g. transport, financial and ICT services that enable remittances, market information and communication services, child care, education, and family planning – which can support a more enabling economic and social environment for positive engagement in labor markets.
- Partner with firms to improve and consider incentive schemes that promote the links between the various components of decent work (wages, occupational safety, reliability of work, benefits, training).

In 2015, LEO produced a broadly-consultative [evidence review on the role of wage labor within rural market systems](#), focusing on the link between labor markets and poverty reduction. LEO also co-sponsored a multi-week [technical forum](#) to vet and elaborate on these findings (drawing out themes of structural transformation, migration, and M&E), engaging over 220 practitioners, economists, and donor representatives from 37 countries. A major driver for investigating these linkages is the growing recognition of the role wage work plays in the income streams and resilience of the poor – especially the poorest, who often rely on work for the majority of their income, but also for rural farming families, who complement income from crop sales with on-farm, off-farm, and non-farm employment. Some findings are incorporated in this brief; access the full evidence review and an infographic at: [www.microlinks.org/LEOwagelabor](http://www.microlinks.org/LEOwagelabor).



- Support improved market information systems for wages and employment (including effective delivery methods, using mobile networks or aggregation points; and monitoring) to enable workers to know where the jobs are and employers to reach workers directly (not through middlemen).
- In using data for design, research, or as inputs into baseline or results measurements, complement official statistics with more qualitative and specialized surveys, given that wage labor is systematically under-reported in national statistics.<sup>16</sup>

### BOX 6: CAMBODIA'S RISING WAGE LEVELS

In Cambodia, the increase in income from wage labor has been a critical driver of poverty reduction in rural areas. Income from wage labor in rural households increased by 9.5 percent per year between 2004 and 2009 and it continued to increase in the two following years (World Bank, 2013). This was the result of three combined factors: increase in number of working people in each household, longer working hours, and increasing wage rates. The increase in wage rate seems to have been particularly beneficial for the poorest people: a decomposition analysis found that wages for the bottom 20 percent of the rural population increased by 69 percent. **However, the largest increase for all rural households did not come from higher wages but from the increase in the number of paid employees at the household level (54 percent).** This illustrates the combined importance overall of generating more jobs (quantity) and improving wage levels (quality).

Rising rural wage rates were driven by tightening labor markets resulting from out-migration, children spending longer in schools, and smaller families. Cambodian daily wage rates more than doubled in rural areas between 2007 and 2012, and in particular a sharp increase was recorded between 2007 and 2008 - faster than inflation. This helped landless workers to face increasing food prices. The daily wage rate increased through 2012, because of the rising cost of living and an increase in cost of labor in neighbouring countries, to which many Cambodians migrate (World Bank, 2013).

There is now a debate about whether this level of wage increase is sustainable. As the ILO noted in 2015, 'As wages gradually increase, it is important for the industry to improve overall productivity, and for garment buyers to examine their purchasing practices. Cambodia's minimum wage was raised to \$140 a month in 2015, less than unions were demanding, but following years of strikes and annual negotiations, compared to Bangladesh's \$38, where there are also poorer working conditions but a growing protest movement at such conditions.'

## F. Support safe and fair migration

Although complex and often controversial, migration (in all its forms, large and small: rural-rural, rural-urban, regional, international, seasonal, long-term) is an undeniable global phenomenon and an ever-present reality in many of the poorest parts of the world. For instance, over the ten-year period from 2005 to 2015, an estimated 5.5 million Bangladeshi workers migrated overseas for work<sup>17</sup>. Figures for internal migration are more difficult to pin down but, in Bangladesh, are likely to be much higher. This research revealed how migration can be an important element in sustaining poverty escapes – for example, in rural Bangladesh and Uganda, our research found that female-headed households that receive remittances (typically from male household members who have migrated both domestically and internationally for work) were more likely to experience a sustained, than a transitory, poverty escape. Box 7, below, explores this in Tanzania.

However, at the same time, migration is not without its risks and failed migration can contribute to some escapes from poverty being transitory. Though this can be a tricky issue for donors and governments alike, instead of avoiding it altogether, this brief posits that we should support ways to make migration

<sup>16</sup> For more on the paucity of data, and ways to improve this, see Section III in *Wage Labor, Agricultural Economies, and Pathways out of Poverty: A Stocktaking of Evidence*, USAID 2015. Available at [www.microlinks.org/leowagelabor](http://www.microlinks.org/leowagelabor)

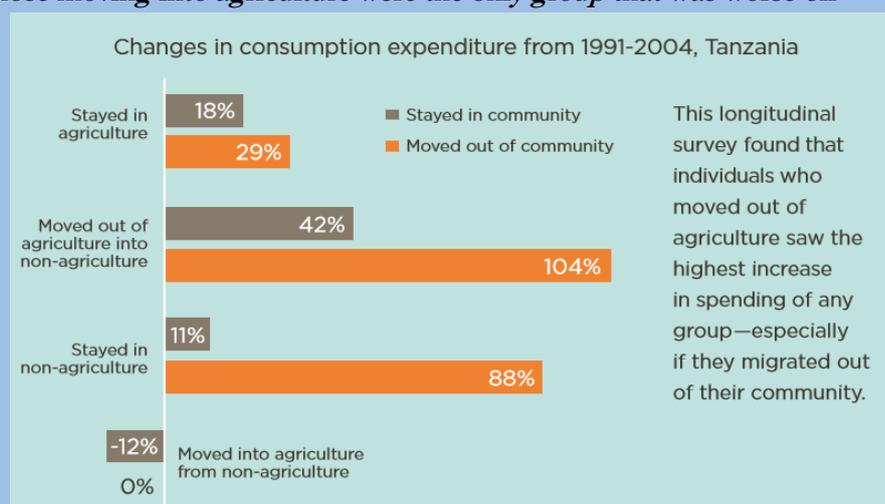
<sup>17</sup> This figure may be higher - the Government of Bangladesh currently says they have 9 million overseas workers - but tracking this information is difficult. Source: Labour Migration from Bangladesh 2015: Achievements and Challenges. Refugee and Migratory Movements Research Unit. January 2016. Dhaka: RMMU.

safer, fairer and more beneficial, and thereby better enable households both to diversify income sources and risk factors through taking advantage of migration-related opportunities.

### BOX 7: MIGRANTS AND ECONOMIC MOBILITY IN TANZANIA

An innovative tracking survey in Tanzania’s Kagera region, which has followed individuals between 1991 and 2004, found that economic mobility was strongly correlated with spatial mobility. The below figure unambiguously shows that

- mobile respondents consistently were able to increase their consumption disproportionately*, regardless of the sectors involved, but
- particularly *those moving out of agriculture gained the most*, and
- those moving into agriculture were the only group that was worse off*



Source: illustration by Mueller based on Beegle et al. 2011

In addition, it was found that the type of migration matters and that the further anyone moved, the greater their chances to move out of poverty – those moving out of Kagera region had the lowest initial poverty headcount of 30% in 1991, but also reduced it the most to only 7% in 2004. Those who stayed in the same village reduced their poverty headcount only from 36% to 32% in the same period.

Source: Beegle et al. 2011, cited in Mueller and Chan, *Wage Labor, Agricultural Economics and Pathways out of Poverty* 2015 IISAIID [www.microlinks.org/leowagelabor](http://www.microlinks.org/leowagelabor)

Migration, either internal or international, is explicitly or implicitly controlled through policy frameworks. In addition, attitudes towards migrants in receiving areas are often negative, complicating support on both ‘ends’ of the migration channel. **The media can play a role in changing attitudes to, and regulations for, migrants in receiving areas.** Controls on migration include migrants, both internal and international, losing normal ‘citizenship’ benefits, such as entitlement to social security, health care and other benefits, which in some countries are explicitly linked to formal residence. **‘Portability’ of social protection** is therefore an important component of fair migration.

**The role of labor contractors also needs to be regulated.** An example of appropriate regulation is China’s 2008 New Labour Contract Law which makes labor contractors the legal employer and so responsible for compliance with labor laws for workers which they recruit. In Israel, meanwhile, both the end-user employer and the manpower agency are jointly liable for compliance with labor laws. Enforcement though, is important here as many countries have formal entities to manage labor recruitment, but little ability to follow through on subsequent violations, particularly in cases of international migration.

Programming to support safe and fair migration can involve a range of cross-sectoral interventions:

- Provision of information to ensure potential migrants are aware of the potential risks and potential rewards of migrating. This includes information on rights; legal support; dealing with harassment; negotiating wage rates; market information; remittance channels; accessing social security and services including housing and skills training;

- Access to appropriate finance, independent from labor contractors, to support migration and services that enable remittances;
- Regulation of labor brokers and recruiters;<sup>18</sup>
- Health (covering general and sexual) programming targeting migrants; Making linkages with private sector employers at the receiving area to promote their ability to recruit migrants directly, where possible, as well as to set up codes and standards for labor brokers where they use them - just as they would for their suppliers – to make sure they aren't enabling unethical recruitment and possibly human trafficking.

### III. ADDITIONAL REFLECTIONS AND CHALLENGES

Many of the recommendations in this brief have implications for all stages of a program cycle – design, analysis, start up, intervention design and implementation, monitoring and evaluation. There are also implications on our upfront and routine analyses, beneficiary targeting (poor vs non-poor and the mix therein), adaptive management practices and learning agendas, partnerships, and staffing. The focus of this brief, however, is on the more macro-level policy and program areas that deserve greater attention in our policies and programs.

It is also important to acknowledge some of the challenges inherent in taking a more dynamic poverty approach within programming. For example, many donors have an almost exclusive focus on agriculture, with results frameworks, staff competencies, incentive structures, and procurement documents that complement this, along with a focus only on farmers as the beneficiaries. This makes expanding interventions to support the rural non-farm economy and support rural labor markets difficult, despite their influence on achieving high-level, shared goals like poverty reduction and economic growth. In addition, mandates for research and data analysis around this area are sparse, and there is rarely a whole-of-household approach to programming or tracking impact over time. These are realities that can constrain adoption of a stronger poverty dynamics lens in practice. Nevertheless, as resilience concepts begin to feature more and more at the forefront of donor strategies and mandates, many of these underlying constraints may start to relax, providing more space for innovation and application into practice of key lessons learned from this research.

### IV. CONCLUSIONS

Resilience is inherently a systems approach, and systems approaches lead us to break out of our traditional silos and design for complexity. Yet there is no one-size-fits-all solution – at the macro, meso, or micro level. The same strategy or set of resources can increase resilience for some households, in some economies, and in relation to certain shocks and stressors, yet negatively impact others; this can be for a myriad of reasons, some factors a program or policy can influence and some it has no control over (happenstance, etc.). This is why contextualizing poverty dynamics research (explored under Section II.A) as well as embracing portfolio responses (explored under Section II.B) are so critical, as are giving more attention to areas such as the rural non-farm economy, rural labor markets, social assistance and protection, and fair migration. The implications of this for sustaining poverty reduction efforts are well-substantiated by the research.

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<sup>18</sup> For international discussions regarding what constitutes fair recruitment see [http://www.ilo.org/gb/GBSessions/GB328/ins/WCMS\\_532389/lang-en/index.htm](http://www.ilo.org/gb/GBSessions/GB328/ins/WCMS_532389/lang-en/index.htm)

Figure 3: Summary graphic of implications highlighted in this brief



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