Poverty Outreach
Working Group

Economic-Strengthening Pathways for the Bottom Billion: Connecting the Dots

E-Consultation Discussion Synthesis

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Abstract

This report summarizes the main issues raised during the e-consultation, "Economic-Strengthening Pathways for the Bottom Billion: Connecting the Dots," sponsored by Poverty Outreach Working Group of The SEEP Network, May 17–19, 2011. A complete transcript of the discussion is available at http://tinyurl.com/2011econsult

The e-consultation brought practitioners from different economic development disciplines together in order to learn about one another's recent innovations in reaching the very poor and helping them move along an economic-strengthening pathway toward increased economic self-reliance and growth. By better understanding various dimensions of extreme poverty and identifying different segments within very poor populations, e-consultation participants started to lay a foundation for a common conceptual framework for economic strengthening. This framework reveals relevant entry points for different interventions and services along a pathway from extreme poverty to economic self-reliance.

Introduction

Economic strengthening refers to programs and services that seek to develop the economic capacity of individuals and households, ranging from direct interventions and services aimed at strengthening livelihood assets to systemic interventions and policies designed to bring about social and economic changes that positively impact the economic capacity of poor households. The economic capacity of individuals and/or households refers to the extent to which they have the assets and capabilities needed to protect and improve their livelihoods activities. Livelihood activities include agriculture (either for consumption or market sale), daily labor, petty trading, and bartering. Economic capacity is not only determined by tangible assets (e.g., savings and productive assets), but also includes intangible assets (e.g., good health, ability to work, self-confidence, skills, social relationships, norms). The Bottom Billion is not strictly defined, but for the purposes of this discussion it refers to very poor people, defined as those living on less than US$1.25 a day. Very poor households and individuals have economic capacity that is insufficient to satisfy basic needs, such as food, healthcare, water, shelter, and clothing. Economic-strengthening programs for the very poor aim to improve their economic capacity so that they increasingly become economically self-reliant.

Because the majority of e-consultation participants were microenterprise development (MED) practitioners, however, the discussion focused primarily on how to reach and serve the very poor through MED programs and services.[1]

Very poor people continue to be excluded from most such programs, in large part because their economic capacity is too weak to participate in them. Relief interventions and social assistance programs that focus on health, nutrition, and education have been more effective at reaching this target group. These interventions tend to temporarily stabilize consumption or income, but they do not by themselves increase the economic capacity of households (which improves their own consumption or incomes).

The dialogue that was initiated between Financial Services and Enterprise/Market Development practitioners on reaching the very poor is an important accomplishment of the e-consultation. The two "branches" of MED—microfinance and enterprise development—have different approaches to improving the outreach of economic-strengthening programs. Microfinance practitioners tend to focus on making financial services more cost efficient to reach very poor people and more relevant to their needs, sometimes adding non-financial services (e.g., health education, mentoring, skills training) to the same financial service delivery structure. Enterprise development practitioners look for ways to better include vulnerable people by focusing on interventions that take their needs and capacity for risk taking into account. This crosscutting learning event provided participants a better understanding of each other's approaches and challenges in reaching very poor people and opened the way toward a common framework that can allow for a coordinated approach to the economic strengthening of the very poor (i.e., financial services and enterprise market development, as well as employment and social assistance).

The remainder of this paper reviews the issues shared by the participants of the e-consultation, identifies some remaining challenges, and offers recommendations for future practitioner learning and collaboration.

1 Microenterprise development (MED) is referred to here in the broad sense to include microfinance (i.e., financial services such as loans, savings, payment services, and insurance), enterprise (and livelihoods) development (i.e., interventions and services aimed at improving household income-generating activities, including microenterprises created through business development services, market facilitation, and value chain development approaches).

Discussion Highlights

How do practitioners define, identify, categorize, and analyze extreme poverty or very poor households?

Most of the discussion participants are familiar with a definition of the very poor as those living below the $1.25 a day international (and absolute) poverty line. A number of microfinance organizations use poverty measurement tools (e.g., the Progress out of Poverty Index®, or [PPI®, and USAID's Poverty Assessment Tool, or PAT) to measure the depth of poverty outreach of their services.[2]

An alternative notion shared by some is to think of poverty in terms of vulnerability and the risk of falling into poverty, and to target different economic-strengthening activities to different degrees of household vulnerability.[3]

A World Bank publication defines vulnerability "as the risk of falling into poverty in the future, even if the person is not necessarily poor now; it is often associated with the effects of shocks, such as a drought, a drop in farm prices, or a financial crisis. Vulnerability is a key dimension of well-being since it affects individuals' behavior (in terms of investment, production patterns, and coping strategies) and the perceptions of their own situations."[4]

In this sense, vulnerability (not simply income poverty) seems to be a more conceptually sound basis for linking programs and services to poverty status; however, unlike income poverty, vulnerability presents more challenges in terms of measurement.

According to most discussants, few programs or organizations have a clear definition of extreme poverty, but some are in the process of developing a better understanding and definition of extreme poverty to ensure consistency in their strategic responses and alignment across different environments. Some programs or organizations (both in microfinance and enterprise development) define a poor or vulnerable target group on the basis of one common feature, such as gender, social status, HIV/AIDS impact, refugee status, or geographical remoteness. Such categories are often easily identifiable, but absolute poverty (and vulnerability) levels within a certain category can vary significantly and have different implications for the type of economic-strengthening activities that will be most effective.

Poverty also needs to be understood within context. An intervention may need to address not only deficiencies in the capacity of poor households (e.g., lack of skills, capital, or business acumen), but also relevant external or structural factors that keep people poor. The approach and/or objective of an intervention thus needs to follow a careful analysis of the local social and market context, as well as the enabling environment. A market assessment may, for example, serve to identify value chains with growth potential and opportunities for very poor people as a result of demand for their skills, services, or products.

It is crucial to realize that very poor people are not a homogenous group, even when they face the same overarching constraints. In fact, Brac Development Institute research on pilot projects of the CGAP/Ford Foundation "Graduation Program" points to certain "success factors" that position some households to do well. Households that lack these factors—such as more earners than dependents, no serious health

2 The PPI® is a statistical tool developed by the Grameen Foundation to estimate the likelihood that an individual household falls below a particular poverty line, including a variety of national and international poverty lines. The PPI is similar in design and application to the PAT of USAID, which is used to calculate the percentage of a group living below a number of national and international poverty lines.

3 Jason Wolfe, 2009, "Household Economic Strengthening in Tanzania: Technical Guidance for PEPFAR II Programming," PEPFAR (President's Emergency Plan For Aids Relief), Office of the Global Aids Coordinator, Washington, DC.

4 World Bank, 2005, "What is Poverty and Why Measure It?" in Introduction to Poverty Analysis, rev. ed. (August 8, 2005), World Bank Institute, Washington, DC, http://siteresources.worldbank.org/PGLP/Resources/PMch1.pdf (accessed November 28, 2011).

shocks, strong social networks, and cooperative spouses—are often the "slow performers" that require additional support in order to graduate (see box 1). These idiosyncratic differences within extreme poverty pose significant challenges to programs that seek to strike a difficult balance between customizing inputs to meet the needs of the extreme poor and standardizing these inputs to make an intervention scalable and cost effective.

Box 1. The "CGAP-Ford Graduation Program"

The BRAC Development Institute (BDI) is working in partnership with CGAP and the Ford Foundation to pilot the "Graduation Program." The program sequences productive assets, safety nets, and financial services to graduate the poorest into a sustainable livelihood. It targets individuals living in rural, urban, and peri-urban communities across diverse regions in India, Pakistan, Ethiopia, India, Yemen, Haiti, Honduras, Peru, and Ghana. The individuals targeted in this program were generally very resource poor, possessing few, if any, productive assets. They also lacked vertical relationships and tended to live in isolated areas with few natural resources that were far from markets, forcing them to depend on daily wages for survival. These factors made these individuals particularly vulnerable.

The goal of the program is to create ladders out of extreme poverty by providing this population both more stable livelihoods and financial services, particularly savings. The program involves carefully sequenced, intensive support for 18–24 months. Its main components include consumption support, financial services, the provision of a productive asset, enterprise training, direct field coaching, and health support. In each case, participants are offered a combination of short-term sources of income (e.g., petty trade) and medium- to long-term sources of income (e.g., animal husbandry). Activities varied based on local infrastructure, markets, environment, and cultural norms, ranging from beekeeping in Ethiopia to coffee production in Honduras. Participants worked directly with support groups and field assistants who provided direction and support when needed.

Two sets of common constraints have emerged from the various implementation programs: (1) overarching constraints, or obstacles that affect an entire population equally, and (2) idiosyncratic constraints, or obstacles that are generally unique to the most vulnerable among the target group. Common overarching constraints include inefficient governments, inflation, environmental factors, gender barriers, and social discrimination. Idiosyncratic constraints refer to individual limitations, including too few family earners, serious family health shocks, uncooperative spouses, and a lack of sufficient social networks. As expected, individuals who faced more of these constraints were often "slow climbers" within the program, while those with greater idiosyncratic resources were often "fast climbers" and able to take full advantage of the program.

For more details, see the CGAP/ Ford Foundation/ BRAC Development Institute "Graduation Program" case study prepared for this synthesis at http://www.tinyurl.com/bdi-case-study

How can programs or interventions ensure that they reach very poor people?

Any program that aims to improve the livelihoods of very poor people needs to have a clear strategy for reaching them. Because of the nature of extreme poverty, deliberate targeting is increasingly seen as essential, especially as an increasing amount of research shows that financial interventions have not sufficiently reached this group. Participants shared their experiences on how to cost effectively reach desired target groups, posing several questions: Are crude income-based measures adequate or are more refined tools required? To what extent can projects be designed into which the very poor are likely to self-select? Microfinance practitioners have responded to calls for reaching poorer strata of the population by measuring the poverty level of clients (using poverty tools such as those mentioned earlier) when they join a program or microfinance institution (MFI). Poverty measurement by itself does not, however, increase depth of outreach, but it can inform an MFI or a microfinance program whether the intended target group is being reached. Discussion participants identified different strategies for targeting very poor people.

Several poverty-focused microfinance-related programs embed the process of identifying very poor people into a multipronged targeting process. Particularly in livelihood programs that integrate microfinance elements—such as those piloted under the CGAP/Ford Foundation "Graduation Program," Trickle Up, Plan International, and the Grameen Foundation-The Livelihoods School's Livelihoods Pathways for the Poorest program — a rigorous, multilayered method of identifying the poorest people in a given area is critical to avoid the self-selection biases that exist in traditional microfinance (see box 2).

Box 2. Active Targeting of the Very Poor in "Livelihoods Pathways for the Poorest"

The "Livelihoods Pathways for the Poorest" is the first pilot program of Grameen Foundation and BASIX's The Livelihood School. Its goal is to test whether a single institution can provide integrated financial and livelihood development services, taking a holistic approach to serving the economic needs of very poor people while making sound business sense for the institution. The target group is comprised of very poor, rural residents of the Gaya district of the Indian state of Bihar. The participants in the case study all derived their income from seasonal daily wage labor, primarily in the agricultural sector, making them particularly vulnerable to geographic isolation, natural calamities such as drought, inconsistent income streams, food insecurity, and landlessness. This population faced such additional constraints as lack of productive assets and resources, social exclusion, and lack of confidence and aspiration.

A unique composite poverty assessment and targeting process was developed as part of the pilot program in order to facilitate the identification and selection of the poorest households in the project area. The process involved two high-level phases. In the first phase, selection criteria were defined for poorest households using a sample group; in the second phase, the criteria were applied to households in the entire target area in order to identify poorest households for the program. The process utilized three tools: Participatory Wealth Ranking, the PPI® (to determine the likelihood of an individual or household falling below a poverty line), and a household survey that captured additional household socioeconomic data. These three tools provided the data required to meet the program's selection criteria, using a contextual sample population that took into account the relative nature of participants' poverty. The selection criteria essentially served as multilayered filters. Once all three filters were applied, the final output was a list of the poorest households for inclusion in the project. This filtering process ensured that interventions reached households that were not only living on less than $1.25 a day, but were well below local definitions of poverty. Active targeting made it possible to easily identify the poorest people in a given community; gain an understanding of local poverty; and appropriately design products, services, and delivery mechanisms that effectively served client gaps and more accurately measured impact.

For more details, see the Grameen Foundation "Integrated Livelihoods Model for the Poorest" case study (India) prepared for this synthesis at http://www.tinyurl.com/grameen-case-study

The key to accurate targeting is combining different streams of knowledge, that is, using a composite poverty assessment and targeting methodology to facilitate the identification and selection of the poorest households in a project area. The first step is generally geographic targeting, followed by Participatory Wealth Ranking (PWR), which involves the categorization of members of a given community into socioeconomic groups (typically five) by community members themselves. This step is followed up by field staff who verify the PWR targeting and administer household poverty surveys, such as a food security index, the PPI®, or the PAT of USAID. Triangulating data from these different instruments can lead to effective targeting, but requires skilled facilitators. Even then, it remains important to carefully verify the results.

One discussant argued against employing direct, intensive targeting approaches, preferring instead to reach very poor people through careful product and service designs adjusted to their specific needs. The rationale is that interviewing and involving very poor people in the design phase, developing products and services that truly respond to their needs and interests, and making these products and services accessible by them in areas where they live and/or work is likely to result in a high percentage of very poor clientele.

Enterprise development practitioners in general do not rely on the deliberate targeting processes employed by certain pro-poor microfinance practitioners. While some programs build in a process to identify very poor people before actively targeting them, other poverty-based programs correlate greater poverty with specific populations, such as widows, refugees, HIV-affected households, and other groups considered disadvantaged. These programs then tailor their products and services to address these populations' specific constraints and needs. Once a target group is defined, clients or beneficiaries are self-selected for inclusion in a program. According to some MED practitioners, this process can ensure greater trust in the servicing institution from the onset, leading to a greater likelihood that individuals will succeed in the program. However, other practitioners argue that such informal inclusion criteria are not always effective in identifying and including the poorest residents of a given area.

How do economic-strengthening programs attempt to move very poor people out of poverty?

The challenge for economic-strengthening strategies that aim to reach people living in extreme poverty is that such people are also in need of noneconomic assistance in order to increase their incomes, whether this assistance is access to finance, livelihood diversification, employment, or microenterprise development. This reality leads to the question of how to sequence, balance, and coordinate multiple programs and services (provided by multiple development actors, including governments and the private and non-profit sectors). In order to facilitate very poor people's access to sustainable income activities, market-based solutions—including enterprise development, microfinance, and value chain development—attempt to reach down and "pull" people into new economic opportunities, whereas social assistance programs and asset building approaches—especially human and social capital building—attempt to "push" them towards increased economic opportunities.

In order to provide very poor people a sustainable path out of poverty, pull and push strategies are both needed, but it is difficult to coordinate these interventions. In particular, it is difficult to match appropriate programs to the dynamic needs and assets of households and individuals as they gradually move out of (and into) extreme poverty and vulnerability. Some programs start by addressing issues of extreme poverty and employing integrated push strategies, including food security, access to health services, savings groups, financial literacy, and the promotion of new income-generating activities via asset transfers and skills training (see box 3). Other programs focus on making systemic market interventions more inclusive by improving the enabling environment or developing value chains that take into account the needs and risk-taking ability of poor households. However, such pull strategies typically do not directly reach the very poor. A sustainable movement out of extreme poverty is possible only when elements of both push and pull strategies are combined and based on a better understanding of the systemic causes of extreme poverty as well as the specific needs of very poor people themselves. However, many challenges and questions remain, especially with respect to the cost-effectiveness and sustainability of such integrated interventions.

Box 3. Nonformal education on health, livelihoods, and family finances by Reach India

Reach Global's flagship program, Reach India, is a low-cost network of independent franchised trainers. These franchisees train local community organizations across east and northeast India to deliver nonformal education to the millions of women and adolescent girls who regularly come together in self-help groups to save, enjoy solidarity, and find solutions to their daily problems. Most of these women and girls are illiterate and landless and face a variety of cultural norms that exacerbate their vulnerability, including family and community pressure to marry as early as age 13 and have children soon after marriage. In addition, they are affected by political violence, poor infrastructure, insufficient employment prospects for rural youth, significant gender discrimination, seasonal drought, and food insecurity. In this region of India in particular, poor girls and young women lack the critical knowledge needed to realize their sexual rights and control their reproductive health.

Reach Global structures its program around three basic issues: health, livelihood, and family finances. The organization hypothesizes that if very poor women and adolescent girls are provided a systematic mechanism for saving and participate in dialogue-based nonformal education on health, livelihoods, and family finances, the program will achieve one or more medium-term outcomes. These anticipated outcomes include improved self-confidence, better health practices, greater use of vital health products, improved business profitability and/or income smoothing, better ability to cope with crises (e.g., drought, death of a breadwinner), greater capability to manage life-cycle events (e.g., weddings, funerals, ceremonies), improved ability to seize economic opportunities (e.g., a new business possibility), and increased social and political capital resulting from participation in a community group. Since 2007, Reach Global has extended this type of education to 940,000 adolescent girls and women in India.

For more details, see the Reach India case study prepared for this synthesis at http://www.tinyurl.com/reach-india-case-study

Pathways towards microenterprise or employment?

In several economic-strengthening programs, such as the "Graduation Program" of CGAP and Ford Foundation, the aim is to facilitate very poor people's access to finance and sustainable livelihoods. However, the BRAC program, "Challenging the Frontiers of Poverty Reduction, Targeting the Ultra Poor," also facilitates graduation pathways to employment (in BRAC's own social enterprises).

One participant asserted that very poor people in some regions (particularly South Asia) often obtain their main source of income from labor. They are thus often unable to use microcredit to engage in new productive activities because almost all their earnings come from casual labor and they frequently lack the appropriate skills for an income-generating initiative. Moreover, they cannot afford to engage in new livelihood activities because they risk losing or postponing the little income that they have. For these reasons, MFIs typically don't target very poor people, who often exclude themselves from such programs. Another discussant noted that some programs emphasize certain kinds of income-generating activities, such as petty trading, for very poor people, while failing to observe that such activities add only marginally to household income or simply replace one unproductive livelihood with an equally unproductive one.

Frameworks like those developed by LIFT and the "Pathways Out of Poverty approach" of ACDI/VOCA have yielded some interesting insights.[5] Often, there is no clear path out of poverty; instead, households jump backwards and forwards depending on the level of shocks that they encounter, the household members most impacted by these shocks, and the overall resiliency of the household. Often projects run the risk of keeping very poor households at the same poverty level because they continue to provide the same services, rather than designing new services that can move households to the next

5 The Livelihood and Food Security Technical Assistance (LIFT) Project is an Associate Award under the FIELD-Support Leader with an Associates (LWA) mechanism, intended to strengthen the capacity of US government programs, to integrate and support program design and implementation of livelihood assistance and economic strengthening activities to improve food security. The Pathways Out of Poverty approach is being developed by ACDI/VOCA under the USAID funded Accelerated Microenterprise Advancement Project—Business Development Services Knowledge and Practice II (AMAP BDS K&P II).

economic level. For example, enterprise, value chain, and finance projects often offer the option of high returns to households before other safety nets are in place and they are ready for higher-risk activities. For these reasons, it is important to create incentives and conditions for households to move into situations of less poverty by upgrading (or investing in) new skills, behaviors, and technologies. This imperative suggests that a better understanding is needed of how social safety net programs and social services function as integral initial steps toward future enterprise development.

Graduation concept

What kinds of support services do the very poor need in order to graduate from safety net programs and take part in the kind of economic programs and interventions usually tailored for less poor target groups? Graduation here refers to the result of a number of push strategies that prepare very poor or vulnerable people to participate in market development programs or financial services that would otherwise fail to reach them.

The CGAP/Ford Foundation "Graduation Program," presently being implemented by Trickle Up in India and Fonkoze in Haiti, is built on five core elements: targeting, consumption support, savings, skills training and regular coaching, and asset transfer. Pilot projects adapt the building blocks by prioritizing, sequencing, and shaping the elements to meet the priority needs of the poorest people in a given program area and the reality of the markets in that area (see box 4).

Box 4. "Graduation Program" Case Study: Fonkoze in Haiti

Fonkoze is implementing the CGAP/Ford Foundation "Graduation Program" in Haiti's Central Plateau. The pilot project targets ultra-poor rural women with dependents, no assets, and no other source of income. Participants are generally smallholder farmers with little to no land who survive by doing odd jobs and begging. These women face significant constraints, including lack of confidence, education, productive assets, and spousal support. The Central Plateau is a remote area with little, if any, access to health services, education, markets, or employment; participants in the program also tend to be socially isolated. The program seeks to enable ultra-poor families to take the first step out of extreme poverty by building women's social, financial, and physical capital for sustainable livelihoods through a comprehensive package of inputs. These inputs accomplish five main goals, seeking to:

- Build sustainable livelihoods through a cash stipend (US$7/week for 6 months) and the provision of productive assets;
- Reduce vulnerability by providing access to health services and savings mechanisms;
- Build skills, confidence, and agency through close support of a case manager who provides health, nutrition, and enterprise training, as well as advice and moral support;
- Improve social conditions through the provision of housing renovations, water filters, and support in lobbying schools to provide children access to education; and
- Strengthen social networks via social links with village elites through a Village Assistance Committee.

The first milestone on participants' pathway out of poverty is intended to help members develop resilient livelihoods, social networks, and the life skills necessary to have greater control over their destinies. The second milestone is to graduate to a six-month introductory microfinance program, where they are introduced to the discipline of microfinance and encouraged to focus on commerce, thus continuing to build a sustainable enterprise that can provide a reliable, regular source of income. At this point, the women can move to the main microfinance program.

For more details, see the Fonkoze "Graduation Model" case study (Haiti) at http://www.tinyurl.com/fonkoze-case-study

Another example of a graduation approach is the pilot project of the Grameen Foundation, in partnership with The Livelihood School, in the Indian state of Bihar. This "Livelihood Pathways for the Poorest" program integrates livelihood development and financial services for very poor beneficiaries, supporting households to graduate through several levels of programming, including: (1) the formation of self-help groups and savings practices; (2) confidence building and linkages to government welfare projects;

(3) access to a supplemental income-earning opportunities, accompanied by training; and (4) access to an entrepreneurial income-generating activity, coupled with financing. Throughout the 24-month time frame, individual participants are provided support and guidance by field officers. The Grameen Foundation is using the Indian project to pilot test what a potential business model might look like for implementing the "pathways" approach on a wider scale.

As noted earlier, several economic-strengthening programs aimed at very poor people are conceptualized as a graduation process or pathway out of poverty that sequences interventions and services to match different stages of poverty or vulnerability. These services are often focused on building the resiliency of very poor households as a necessary first step. But more is needed than simply building household resiliency or livelihood protection. Programs need to be equally concerned with efforts to enable poor households to take advantage of new value chain–motivated opportunities. These efforts are more directly linked to asset building (i.e., livelihood promotion) and require that some degree of livelihood security already be in place.

A pathways approach is very important because it allows a program to differentiate the type of intervention appropriate for people living at different degrees of poverty. Lumping all poor beneficiaries together can be quite dangerous, both in terms of the likelihood of achieving program outcomes and doing harm to some beneficiaries. While very poor people are unable to meet one or more of their basic needs, these unmet needs often vary from family to family. A family's ability to take advantage of opportunities also varies with its particular circumstances. A solution that works for one will not necessarily be effective for another. Yet organizations working to alleviate or eliminate the extreme poverty of hundreds of millions of people cannot provide a customized solution for each individual.

How can development organizations ensure that individual families—with their particular needs, assets, and opportunities—gain access to their specific missing resources while scaling up access to reach the hundreds of millions of very poor people? It seems that the best option is to offer some combination of household capacity building (enabling families to analyze their options and opportunities) and making available a range of services and resources designed to respond to some of the most common resource gaps or missing pieces (especially those related to food security, health, and education). Moreover, organizations need to become better at recognizing which combinations of services are most useful for which types of clients, families, and situations. A single intervention or combination of interventions will not work for everyone. It seems that improving organizational skills in creating profiles and matching service/resource packages to different profiles would result in a huge leap forward in terms of success rates. For example, helping the landless poor in rural areas might require a completely different set of resources and interventions than helping single mothers in an urban slum.

While some very poor people may be budding entrepreneurs that just need a bit of support to realize their potential, others will not be entrepreneurs, even when provided intensive support (e.g., assets, training). Programs need to be more creative in designing additional pathways out of poverty for this group, carefully considering the micro- and meso-level constraints that exist in a given area. In India or Bangladesh, for instance, it is possible to integrate poor people into the labor market and even create industries that employ the ultra poor (such as those of BRAC). But in Haiti, where infrastructure and opportunities are highly limited, such opportunities are rare. Multiple pathways accordingly mean that programming is not just a matter of getting someone to move up to a specific rung on a specific ladder, but that they are creating different kinds of ladders.

Research by BDI on the life histories of participants in the CGAP/Ford Foundation "Graduation Program" pilot projects reveal several intrinsic traits that enable some people to do better than others. For instance, having more resources than other participants (e.g., a cooperative spouse that earns a livelihood and helps out with the enterprise; social relationships with government officials or people of higher socioeconomic standing—usually as patrons; and, in the case of South Asia, more sons than daughters) play a role in helping some participants succeed in graduating. The "ability to aspire" is also a trait that some participants seem to have more than others. Their motivation, work ethic, and agency constitute an intangible trait that matters significantly when it comes to individual-level success. This means that using resources efficiently often requires embedding some flexibility into program design so that different levels of support can be allocated to participants according to their need and capacity.

What types of programs and services are most effective in helping very poor people graduate to "mainstream" MED services?

Due to time limitations, the e-consultation discussion did not address the entire spectrum of programs and services that assist very poor people to participate in MED services and programs, which are often available to less poor households. Instead, the discussion focused mainly on financial services for very poor people and building the life skills of this target group.

Financial services for the very poor

Most participants agree that microcredit is usually inappropriate and often harmful for very poor people. The poorest households are those with few to no productive assets that live at the margin, devoting most or all of their income and social capital to meeting survival needs, such as food, shelter, and, perhaps, education. For these reasons the poorest households are also the most risk averse. They are not inclined to divert income to something that may or may not pay dividends later because they can't reduce spending on current consumption any further, nor can they risk losing income by investing in something without a guaranteed return. A microloan only works when it can be invested in something that will generate larger returns than the interest it accrues. If any part of a loan is used for consumption expenditures, such as education, then the return on what is invested needs to be even greater.

One participant remarked that access to some form of microfinance is important for all very poor people to enable them to devise savings strategies and gain access to capital in times of crisis or for investment. Whether microfinance takes the form of an MFI, a bank, or a less formal set-up such as a savings group, varies a great deal depending on where a household is situated along the trajectory of livelihood development, as well as other individualized household characteristics.

Often village savings and loan groups become a default program for NGOs that work with populations that they have identified as highly vulnerable. The questions then become: Are savings groups integrated in such programs as a means to an end or an end in themselves? What drives poor people to participate in savings groups: financial outcomes or social capital? A better understanding of these questions is needed in order to look more closely at the reasons for incorporating such mechanisms into projects, as well as how to adapt them to the needs of the people being targeted.

Building life skills

The need to build the self-confidence and support networks of very poor people in order to overcome the psychosocial constraints they face has recently received increased attention from MED practitioners. This may be one of the most basic elements of helping people in extreme poverty begin to provide for themselves. The Grameen Foundation's "Livelihood Pathways for the Poorest" pilot project, being implemented in partnership with The Livelihood School, mobilizes selected clients into adapted self-help groups. These groups serve as a forum for promoting financial literacy and discipline—and possibly as platforms for dispersing loans, collecting repayments, and anchoring livelihood support mechanisms in a community. Changing the mindset of very poor people and responding to their negative, preconceived notions of savings and credit products is critical to ensure their uptake of services provided by programs for the ultra-poor.

Likewise, there are several components of the Trickle Up program in India that are intended to help build participants' self-confidence. One of these components is engagement in a self-help group, together with other participants, at the early stage of the project. Women in these groups realize that they have the capacity to mobilize funds for their own benefit. One key way of building self-confidence, reinforcing skills training, and helping women troubleshoot issues regularly faced by the very poor is through coaching provided by field workers of a local agency. The work of coaches is then supplemented by health educators, who visit each household monthly and self-help group meetings more frequently to inquire about the health of families, reinforce key health messages, and introduce families to government health services and health providers in their area. Women report that the very visits of these relative outsiders on a regular basis helps build their self-esteem. They also report that the planning process followed by the coaches—helping women think about their next livelihood options or next investment—helps them gain confidence (see box 5).

Box 5. Coaching Very Poor Households: The Trickle Up/Jamgoria Sevabrata Program in India

Trickle Up partnered with Jamgoria Sevabrata, a local nongovernmental organization, to work with women in the rural community of Purulia in West Bengal, India. The purpose of their program was to enable ultra-poor women to build sustainable livelihoods through a variety of means, including reducing vulnerability, increasing assets, and building critical links to support services in or near their communities. At program launch, the majority of participants engaged in agricultural wage labor. These women faced various constraints, including the likelihood of drought, a high incidence of food insecurity, limited access to markets, a significant number of disabilities, and social stigmas. Trickle Up and Jamgoria Sevabrata utilized health education and linkages to reduce their isolation and vulnerability and led skills trainings to reduce forced migration and engagement in "undignified" livelihood activities.

One of the major components of the intervention was field support. All participants in the program received intensive coaching throughout the three-year duration of the program. Field workers visited households weekly (and self-help groups regularly) to help build strong relationships, address crises as they emerged, reinforce training messages, support development of strong livelihoods through just-in-time learning, and ensure the development and refinement of livelihood planning and sound investment strategies on an ongoing basis. They also worked with the women to facilitate continued livelihood expansion following completion of the program. At the same time, health workers visited households monthly (and self-help group meetings regularly) to share important health messages; help families seek treatments, as required; and track the health of participants and their families. This coaching helped women build both skills and confidence and proved very successful in this model.

For more details, see the Trickle Up/ Jamgoria Sevabrata case study (India) prepared for this synthesis at http://www.tinyurl.com/trickle-up-case-study

The importance of regular coaching was also true for Fonkoze's work in Haiti. There, case managers visited their 50 clients on a weekly basis to discuss the latters' problems and engage in troubleshooting, review key social and health messages with them, and plan livelihoods decisions and paths to sustainable livelihoods. As in India, Haitian women in the Central Plateau reported that they felt like they were again part of humanity, as the attention they received from case managers and their supervisors made them feel important in their own eyes and in those of their community.

Remaining Challenges

The e-consultation fostered a wide-ranging discussion of the current challenges of microfinance and microenterprise development. This discussion centered around two basic themes: implementation challenges and strategic (and donor) approaches.

Implementation challenges

Questions related to the implementation of economic-strengthening programs for very poor people sought to determine how such programs could be more cost effective, sustainable, and achieve the most significant impact. Specific implementation challenges included:

- **Scaling up.** How can programs be cost effectively scaled up? How can programming achieve a balance between developing "standardized" services that can reach scale and more specialized services tailored to the needs of vulnerable poor people? How can the need to provide relatively intensive support tailored to the specific needs of very poor people be balanced against the need to standardize inputs for the purposes of replication and scalability?
- **Segmenting and targeting.** How can the nature and degree of the needs of very poor people be best determined in a way that allows reaching and segmenting groups according to these needs?
- **Indicators.** What common indicators are needed to measure results and compare approaches across different disciplines? How is progress measured in terms of improved livelihoods and the economic capacity of individuals, households, and/or communities? Are there universal indicators that can track and compare the progress of different approaches and program mixes? How do programs measure behavioral change (a critical component in many programs for the very poor)?
- **Improved evidence-based programming.** What types of information can implementers collect that would improve the evidence base for future programming? How can this information be made accessible to other practitioners and/or experts who could analyze the information and share their findings with a wider group?
- **Working at the community versus the household level.** How can programs operate at the community level to reduce household vulnerability while ensuring that the poorest people in those communities are reached with the support they need? How can programs strike a balance between strengthening households and strengthening communities—or know when it's best to work at the community level and when it's best to work at the household level?

Strategic (and donor) approaches

A range of additional challenges and outstanding questions that arose in the discussion focused on the creation of better donor awareness of realistic outcomes, as well as the need for a more comprehensive framework or strategy to guide and implement future programs. Specific issues raised by participants included:

- **Conceptual/integrated framework.** Several participants suggested that a universal, integrated framework and indicators are needed to guide and fine-tune programming, monitor progress, and evaluate how targeted program activities and systemic market interventions lead to reduced poverty and increased resilience among target groups. Many participants lamented the lack of a common language in the economic-strengthening field. Such a language would enable broader understanding of the field's diverse objectives and bring synergies to diverse strategies in a way that attracts more funding and resources.
- **Donor attitudes and practices.** How can donor demands for income and the creation of sustainable livelihoods be balanced against the need of extremely poor people for nonincome support? The latter type of support is not only more relevant to their immediate needs, it is required to build the foundation for livelihood development. Participants noted that donors often have expectations that require

far more people be reached or start businesses and earn high incomes in a time period than is either feasible or sustainable. The economic-strengthening field recognizes that a balance must be achieved between donors' need to report large numbers and the time required to build capacity and change the behaviors of very poor people.

Recommendations for Future Practitioner Learning and Collaboration

Economic strengthening for very poor people requires an integrated, collaborative approach among multiple service providers and facilitators. MED programs often fail to reach very poor people because they cannot address their needs and face many barriers. Social assistance programs are sometimes better suited to reach this target population, as they help beneficiaries meet their most basic needs and reduce their extreme vulnerability. However, such programs often create dependence instead of sustainable pathways out of poverty. For very poor people to move out of poverty, a concerted effort is needed on the part of multiple service providers who employ a mix of push strategies (building and protecting the livelihood asset base of very poor households) and pull strategies (making market approaches more inclusive of very poor people).

In order for such coordinated approaches to become more customary and expected, practitioners need to overcome the barriers and tensions that separate disciplines, both within the MED field (i.e., between microfinance and enterprise/market development) and beyond this field (e.g., between economic and social development). Similarly, development practitioners need to become better at exploring synergies with government and private sector programs in order to provide sustainable, scalable, and effective interventions that reach the very poor.

Based on conversations among POWG members following the e-consultation, the following initial suggestions are offered for a future learning agenda regarding the economic strengthening of very poor people:

1. Common conceptual framework and definitions

Develop a common conceptual framework to capture and integrate push and pull approaches to help very poor people become more economically self-reliant and move out of extreme poverty. Recently developed practitioner frameworks, such as those of the interventions "Pathways out of Poverty" and the "Graduation Program," could be merged to build such a common conceptual framework. This framework would allow for improved coordination and mutual understanding of different approaches among development actors and encourage partnerships to adopt a holistic approach to the design, implementation, and monitoring and evaluation (M&E) of economic-strengthening interventions, as well as facilitate linkages among multiple donors.

Elaborate consistent, practical poverty definitions and classifications that provide different service providers mutually understandable and comparable poverty indicators, poverty assessment tools, and targeting methodologies. These definitions and classifications would address the continuing gaps in understanding among practitioners and donors concerning variations in the nature and degree of poverty and vulnerability.

2. Proving and improving

Based on a common conceptual framework, develop common (cross-disciplinary) M&E indicators to facilitate the impact measurement of different programs in different contexts and accelerate much-needed rigorous collection of evidence from multifaceted interventions to reduce extreme poverty. This task should take into account the different starting points of people living poverty, recognizing that moving from the "provision" to "promotion" stage of economic-strengthening programs requires more time and resources for the very poor.

Encourage new opportunities for learning and collaboration between practitioners whose programs have the potential for economic-strengthening synergies. Cross-learning can be accomplished through multidisciplinary learning events, joint assessments, and program design opportunities; multidisciplinary action research; mapping economic-strengthening programs for very poor people; and sharing the documentation of case studies.

3. Training

Based on existing knowledge and new learning by practitioners, develop, adapt, and collate a training handbook on the economic strengthening of very poor people that follows the entire learning feedback cycle (i.e., design, implementation, M&E). Value-added training topics might include: understanding factors of poverty and multistakeholder program design, poverty assessment, value chain selection and analysis for reaching very poor people, financial services for the very poor, applying systems thinking to economic strengthening of the very poor, increasing the capacity of local organizations and people to facilitate an integrated approach to economic strengthening for the very poor, and leveraging cash transfer programs for economic strengthening.

Avoid prescriptive approaches, but recognize the need to understand the complexity of markets and other factors that determine poverty. Develop guidelines for customizing the design and approaches of economic-strengthening interventions (but include suggestions for developing standardized programs and services) within specific contexts, existing service providers and programs, and very poor people themselves.

4. Donor engagement and advocacy

Develop the means to communicate consistently and compellingly with donors and policymakers in order to raise their awareness of the needs of very poor people, drawing on clear frameworks, as outlined above, and a solid evidence base on the impact and costs of economic-strengthening programs aimed at the very poor.

Educate MED practitioners and donors about the diversity of effective economic-strengthening strategies that target different strata of very poor populations and encourage efforts by MED practitioners to expand their poverty outreach to poorer, very poor, and ultra-poor target groups.

Additional Resources

The case studies prepared for this synthesis can be found at the following URLs:

CGAP/ Ford Foundation/ BRAC Development Institute "Graduation Program" case study, multiple countries:

http://www.tinyurl.com/bdi-case-study

Fonkoze "Graduation Program" case study, Haiti:

http://www.tinyurl.com/fonkoze-case-study

Grameen Foundation – The Livelihoods School "Livelihood Pathways for the Poorest" case study, India:

http://www.tinyurl.com/grameen-case-study

Reach India case study:

http://www.tinyurl.com/reach-india-case-study

Trickle Up/Jamgoria Sevabrata case study, India:

http://www.tinyurl.com/trickle-up-case-study

The SEEP Network and the Poverty Outreach Working Group

The SEEP Network (www.seepnetwork.org) is a nonprofit network of over 120 international organizations that believe in the power of microenterprise to reduce global poverty. The Poverty Outreach Working Group (POWG) is a learning and knowledge exchange community led by SEEP members that focuses on innovative approaches to helping very poor people move out of poverty by providing them sustainable microfinance and microenterprise development services. The POWG hosted the e-consultation on Microlinks for practitioners of microenterprise development to share their experiences, knowledge of, and challenges with economic-strengthening approaches aimed at very poor people.

The POWG will spearhead a new initiative in 2012 called STEP UP—"Strengthening the Economic Potential of the Ultra-Poor"—which recognizes the power of microfinance and enterprise development to strengthen the livelihoods of very poor households and move toward SEEP's vision of a sustainable income in every household. The initiative is based on the belief that in addition to the "pull" strategies of making financial services and markets more inclusive, the poorest members of society also need programs and services that help "push" them out of poverty into sustainable pathways by improving their livelihood strategies.

seep
Powering connections

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