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Graduating out of extreme poverty: who succeeds?[1]

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The graduation model: a pathway for the poorest

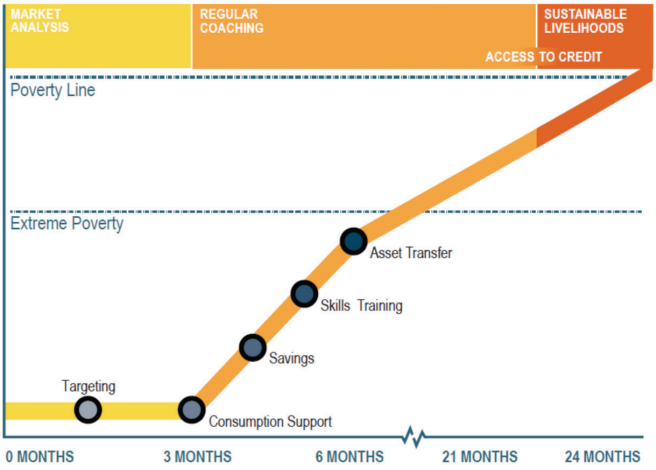
Extremely poor people around the world experience similar constraints that keep them trapped in cycles of deprivation. They live in areas prone to natural disasters. They do not have enough, or any, cultivable land, so they are unable to grow their own food, a particular predicament at a time of rapidly increasing food prices. Schools and health institutions are either missing, too distant, or too expensive to access. Socially, the extreme poor tend to come from the most marginalized groups. They are used to being excluded from using state services, where these exist. Gender distinctions further disadvantage women. Purdah in Pakistan (literally, "veil" or "curtain") curtails women's movement and economic opportunities; dowry in India often impoverishes girls' families; and frequent abandonment by male partners forces women in Haiti to single-handedly support their households. Their social resources are weak. During times of crisis, they rely on family members and wider social networks that are typically fragile, provide limited assistance, and are often exploitative.

Microfinance interventions have often bypassed or actively excluded these individuals, while social safety net interventions (e.g. cash and food transfers) have failed to address their particular constraints sustainably. Safety net programs can generally help people smooth consumption in the short-term, but a more nuanced, long-term solution is needed to tackle the complexity of extreme poverty. Microfinance programs work well for those with regular earnings, but rigid repayment structures and the emphasis on putting money aside to service debt (at the expense of immediate consumption) discourage extremely poor people (Hashemi 1997; Rahman and Razzaque 2000).

Tackling extreme poverty involves addressing three main things: meeting **minimum subsistence needs,** enhancing **access to key productive assets,** and ending **dependence on transfers** (Devereux 2003). Unless people are healthy and able to eat every day, they cannot invest in the future. Preoccupied with their own immediate survival, extremely poor people need to be pulled out of quicksand. They need viable livelihoods, specialist training to develop enterprise skills, and a safe place to save so they can be resilient against future shocks and stresses.

Since 2006 CGAP and the Ford Foundation have been exploring how a "graduation model" can be one possible pathway out of extreme poverty, adapting an approach developed by BRAC in Bangladesh.[2] The Graduation Program combines support for immediate needs with longer-term investments in training and business development so that, within two to three years, ultra-poor people are equipped to make a better living. The graduation model is built on the careful sequencing of five core elements: targeting, consumption support, savings, skills training, and an asset transfer (see Figure 1). Each participant is also assigned a field assistant (FA) who acts as a mentor. FAs help participants create milestones, a plan for realising their goals, and through this process, inculcate a sense of entrepreneurship.

Figure 1: The Graduation model



[1] This research brief is based on a qualitative research series produced by BRAC Development Institute on programs in Haiti, India, Pakistan and Ethiopia. The full research papers can be found at http://graduation.cgap.org/library

[2] See http://www.brac.net/content/economic-development-targeting-extreme-poverty

To test the effectiveness of this model in different country contexts, CGAP and the Ford Foundation have invested in pilot programs across eight countries and in partnership with ten organisations. Half of the organisations are now scaling up their operations, and have graduated 79 to 98 per cent of their participants into a sustainable livelihood. Evaluation results also highlight that program participants have increased the value of their enterprises and savings, acquired greater self-confidence, and improved their health-seeking behavior since joining the program (for more information, see Hashemi and deMontesquiou 2011).

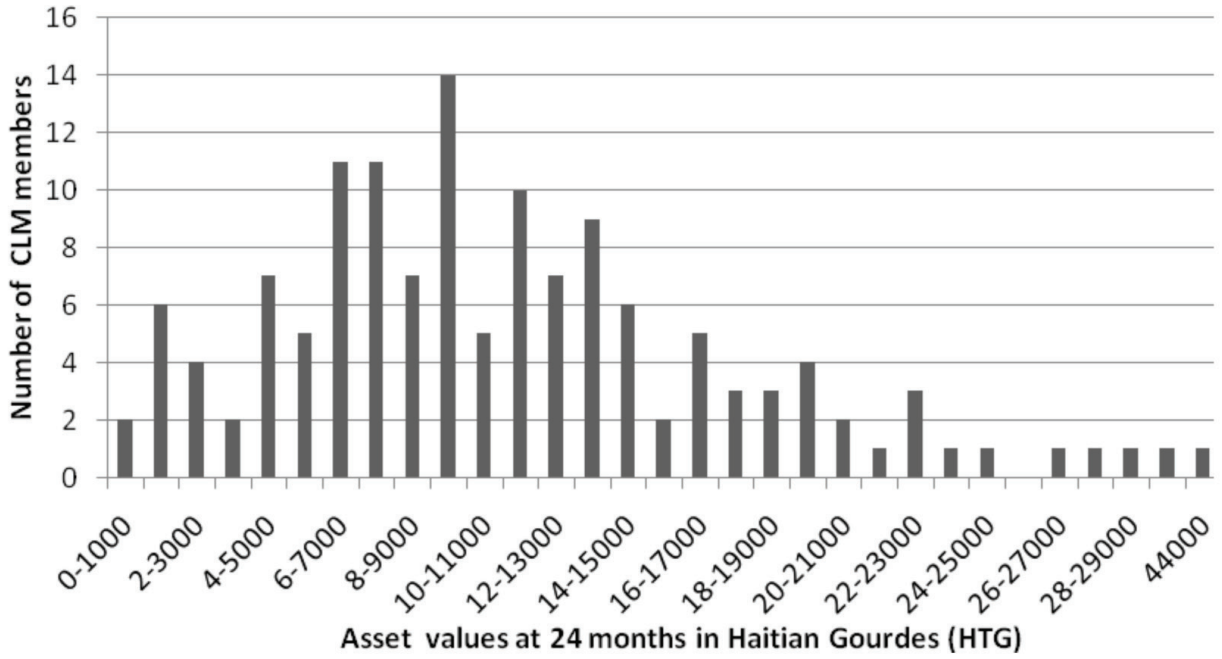
Although most participants managed to enhance and diversify their livelihoods, there were stark differences between the performances of individuals. Figure 2 depicts graduation program participants' asset ownership in Haiti at the end of the program, and shows that at the point of graduation, some had accumulated over 1,000 USD (~44,000 HTG) worth of productive assets, while others had less than the initial set of inputs given to them by the program (Huda and Simanowitz, 2010).

In this brief we discuss these differences. In spite of starting out from a similar context of extreme poverty and receiving the same basket of inputs, why have some individuals managed to flourish, while others have stayed stuck in a cycle of extreme deprivation? What are the factors and characteristics that influence individual success or failure?

What fosters success?

BRAC Development Institute (BDI),[4] a policy and research centre dedicated to promoting research, and building knowledge to meet the challenges of poverty, has been gathering life histories of graduation program participants in Haiti, India, Pakistan and Ethiopia in order to answer these questions. The research followed 20 participants (mainly women) from May 2009 to May 2010 in order to better understand the constraints they were under prior to entering the program; find out how they experienced the program; and ascertain the changes it had made, or failed to make, within their lives.

Figure 2: Asset ownership among graduation program participants in Haiti



Note:
1. CLM is the graduation program in Haiti. It stands for Chemin Lavi Miyo, or Pathway to a Better Life in Creole.
2. 1 USD= 40 HTG

[3] Fonkoze in Haiti was the first pilot program to be implemented and evaluated. Impact assessments for the other pilot programs are underway, and will be made available at http://graduation.cgap.org/research

[4] See www.bracdevelopmentinstitute.org/

The research revealed that respondents' individual trajectories prior to entering the program played an important role in their overall performance. While all participants may have been poor economically, they did not all start with the same resources and vulnerabilities. Some had experienced more "risks" than others, such as a bad marriage, a serious illness, illiteracy and a lack of enterprise skills. Such circumstances inhibited their progress, and caused them to be less dynamic performers who struggled to graduate.

Shireen in Sindh, Pakistan, is an example of someone who was less dynamic. Shireen was a sole income earner with nine dependants whom she supported by making baskets. The household had become impoverished after her husband hurt his back and could no longer work, which was followed by a series of family illnesses and deaths. Program inputs were not enough to transform her limited capacity, pool of expenses and growing debt. According to the field staff, "Her health expenses will always outweigh her earnings."

Others, however, had the good fortune of starting the program with more "resources" than risks. They had pre-existing circumstances that led to success: healthy household members, a cooperative spouse, more earners in the household than dependants, enterprise experience, and access to lucrative social networks. They also had a willingness to work hard and embrace the opportunity that the program presented, in other words, the ability to aspire – an intangible trait that proved essential to success. These individuals were the "fast climbers" who simply needed a "nudge" to realize their potential.

Sushila in West Bengal, India, was well poised to succeed from the beginning. When she was young, she and her siblings all attended school. Her literacy and numeracy enabled her to run a small shop, a lucrative enterprise that few have the skills to manage at the outset of the program. As an adult, Sushila was active in local politics and respected in her community, and her uncle is a village leader. This political connection enabled her to secure a coveted resource – government land. She was thus able to grow her own food, store grain during the "hunger" period, and she knew that she could rent the land out if faced with a severe crisis.
Although pre-existing traits are an important strand, program success is not solely dependent on them. Approximately half of the research respondents lacked the usual inherent success factors, yet still became fast climbers. At the point of graduation, they had a variety of income streams, savings, were food-secure, and had a plan for continuing their success. In these cases, strong program implementation was the driver of change. If program inputs are carefully designed to maximize participants' resources, and mitigate their setbacks, they can transform individual trajectories instead of simply reinforcing them.

Milliet in Ethiopia epitomizes this transformation. Milliet originally came from a well-off family, but they lost all of their wealth during the civil war and drought in the 1980s. When her husband left to fight in the war and never returned, Milliet was forced to support their son, relying solely on the government safety net program for survival. She had no prior experience with the enterprises that Relief Society of Tigray (REST)[5] was offering, but she chose petty trade. At first Milliet was struggling – she had never run a business before, the remote location of her household did not attract customers, her children were eating much of her stock, and her illiteracy kept her from calculating profit and loss. Milliet admits that she would have given up, had it not been for her field assistant who gave her "the skills, hope and advice to carry on." Her field assistant advised her to rent a small hut by the roadside to run her shop, and to sell items that were in high demand; he engaged her son in the business, and taught her basic accounting. Milliet is now earning a profit, saving regularly, and has plans to rent another room in the hut to expand her business. Most importantly, her steady ascent has transformed her self-confidence and goals for the future.

REST saw economic transformation as their primary goal, and designed their inputs to help participants realize this transformation. Milliet's example highlights that providing a lucrative asset, coupled with "personal coaching", are the key inputs that transform trajectories. A field assistant in Haiti aptly captured the nature of this accompaniment:

> At every stage, we asked members what they wanted to achieve. One member wanted a bed, so we helped her save enough to get her bed. Then she wanted to send her kids to school, so we had a plan to pay for tuition fees without selling off all her goats. By the end of the program, she wanted to build a cistern – so we planned that through her small loan, she would sell charcoal and in eight months, save enough to build a cistern. The only way to motivate them is to show them how to achieve each of their milestones.

The evaluation of the Haiti program reveals that 92 per cent of participants had "a close friend for the first time" through their FA (Huda and Simanowitz, 2010).

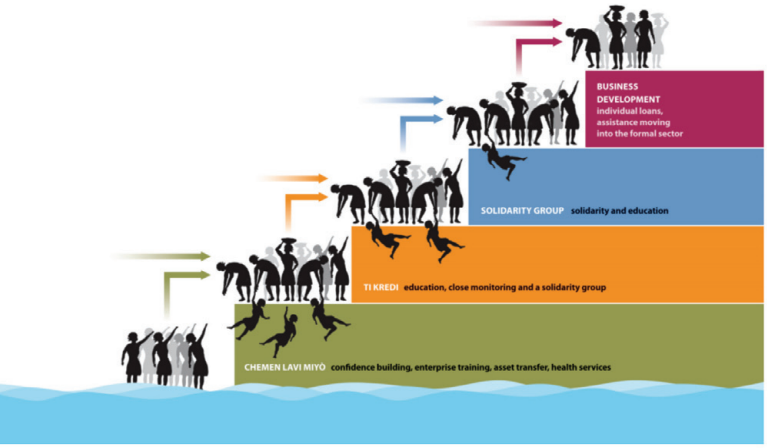
Sustaining a positive pathway: life after graduation

"Graduation" is the ultimate goal, as it signifies the ability to meet basic needs and weather shocks and crises. However, poor people do not move along a linear continuum – rather, they oscillate into and out of poverty. The possibility of "sliding back" always remains, although less so for graduation program participants, who have developed resilience against unforeseen events. According to the research respondents who sustained their achievements after the program, continuing on with the organization (typically as microfinance clients) proved vital. The program in Haiti was

[5] REST is the implementing organisation in Ethiopia

creatively designed as a multi-tiered "staircase out of poverty" (Figure 3). The graduation program CLM (see note on Figure 2) is intended to help members develop livelihoods, social networks, and necessary "life skills" over an 18-month period. Seventy-five per cent of members then graduate to Ti Kredi ("little credit" in Creole), a six-month introductory microfinance program where they are encouraged to take loans to expand and diversify their enterprises. Continued entrepreneurial assistance, encouragement and mentoring support helped the majority of participants stay on track. However, approximately a quarter[6] of research respondents from the Haiti program, primarily those who lacked the confidence to take a loan, slid back into destitution. By "dropping off" the staircase, they no longer had a mentor to push them, failed to further invest in their enterprises, and in a matter of time, slowly depleted their existing savings and asset bases.

Figure 3: Fonkoze's "staircase out of poverty"



Conclusion

In conclusion, ensuring that the majority of participants graduate (and not just a favored few) rests on two major tenets: firstly, program design and delivery; and secondly, retaining participants by creating "exit gates" out of the graduation program.

Well-designed livelihoods are essential to social and economic transformation

Building productive livelihoods remains at the heart of this initiative, and the design and delivery of inputs should meet this core objective. With increased income from assets, respondents in India and Haiti acquired further productive and non-productive assets, and paid for private healthcare. In Pakistan, respondents invested their increased household income in educating their female children. Across all four countries, respondents felt empowered at being able to provide more for their children through greater household earnings. Individual mentoring is a crucial complementary service to help participants stay on track and gain the confidence to become entrepreneurs.

It is important to identify early on people who lack the propensity to succeed

Those with few resources, feeble enterprise skills, limited external support, and burdened by illnesses within their households, enter the program on a weaker footing. They need additional hand-holding support in order to graduate successfully and transition into the next stage of the pathway out of poverty. Although fast climbers require less intensive support, continual supervision is necessary to ensure that a crisis or shock does not cause them to veer off course. If field staff are able to segment their client base early on in the program, they can provide assistance more effectively to each group as required.

Lastly, it is worthwhile to think creatively about graduation pathways besides credit

A shared goal across the pilots is to help participants sustain a viable livelihood for the long term. Some may wish to do this through taking credit, while others may prefer only to save for future investments and emergencies. Some may want to access micro-insurance and other services and products offered by the organization running their program. The more pathways offered to participants after they graduate, the greater the likelihood of them maintaining a positive trajectory well beyond the point of graduation.

[6] The BDI research team conducted life histories with 35 respondents for six to nine months after graduation (15 respondents in Haiti, and 20 respondents in India).

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