

# An end in sight for ultra-poverty

## Scaling up BRAC's graduation model for the poorest

Can we end the worst forms of human poverty? Falling poverty rates are now observed in every region of the world. In April, World Bank president Jim Yong Kim announced 2030 as the global target date to end “extreme poverty,” defined as living on or below the equivalent of \$1.25 per day. Media have taken the rhetoric seriously, pointing out that the percentage of people living at that level has halved since 1990, from 43% (or 1.9 billion people) to 21% (1.2 billion), and that if current trends hold, the global poverty rate may well fall to single digits in as soon as 10 years.<sup>1</sup> The Brookings Institution and the World Bank published separate reports in 2013 analyzing the prospects of bringing the rate close to zero by 2030.<sup>2</sup>

It would be a mistake, however, to treat those below the \$1.25-a-day threshold as a homogeneous pool. A unique set of interventions is required for those in the lower half of the group, the “ultra-poor,” who live on 60 to 70 cents a day or less. Trapped in the direst forms of

### Summary

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- ▶ Even below \$1.25 a day, the poor are not a homogeneous group.
- ▶ The very poorest can “graduate” from ultra-poverty with a set of carefully sequenced, tailored interventions. Adaptations of BRAC’s methodology have seen 75-98% graduation rates.
- ▶ BRAC is ready to leverage its experience by working with others in a global strategy to end the worst forms of human poverty.

destitution, the ultra-poor often do not benefit from market-based interventions like microfinance. Development and growth tend to leave them behind; they are unable to break free from poverty’s clutches despite their hardest efforts. Policymakers and development groups,

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## Who is ‘ultra-poor’?

- ▶ Definitions of “ultra-poor” include those who are living at less than half the \$1.25-a-day poverty line, and those who eat below 80% of their energy requirements despite spending at least 80% of their income on food.<sup>3</sup>
- ▶ The majority tends to be landless rural women. They are the most vulnerable, lacking the skills, confidence, and future-orientation needed to lift themselves to the bottom rung of the economic ladder.
- ▶ In Bangladesh, BRAC uses 10 indicators to determine whether a household has “graduated” from ultra-poverty. These include having three to four income sources, an ability to eat two meals a day, a kitchen garden, short- and medium-term income generating assets such as livestock or poultry, a sanitary latrine, a solid roof, and school-going children.<sup>4</sup>
- ▶ According to a 2007 report from International Food Policy Research Institute based on 2004 data, about 162 million people live in ultra-poverty, defined as living on less than 50 cents a day, with an additional 323 million living in “medial poverty,” defined as living on between 50 and 75 cents a day.<sup>5</sup>

including microfinance institutions, need to put extra effort into this hard-to-reach demographic. The ultra-poor have been left behind by economic growth and most development interventions, and poverty will not be eradicated without giving them the opportunity to lift themselves out of the trap. BRAC’s experience suggests a way to do this.

Policymakers and development groups, including microfinance institutions, need to put extra effort into reaching the ultra-poor, for poverty will not be eradicated without giving them the opportunity to lift themselves out of the trap. BRAC’s experience points to a way to “graduate” people out of ultra-poverty using an intensive, household-

to-household methodology that gives them the confidence, skills and assets they need to reach the bottom rung of the economic ladder. To be sure, other solutions are needed in tandem: To succeed, such graduation programmes will require macroeconomic growth and stability, employment opportunities, infrastructure, functioning markets, safety net programmes and other conditions. The approach described here is but one important part of the equation.

### Targeting the ultra-poor

Founded in Bangladesh in 1972, BRAC creates opportunities at scale for those living in poverty, using tools that include microfinance, education, healthcare, legal rights and women’s empowerment. But it has found that these interventions often fail to reach the ultra-poor and uproot the worst forms of poverty. Even as it grew to become the largest nongovernmental organization in Bangladesh – and indeed, by most measures the largest in the world – the organization found “there were people so poor, so weighed down by ignorance, ill health, and fear, that they were unable to join a BRAC group or any other,” according to author Ian Smillie.<sup>6</sup> After decades of trial and error, starting in 2002 BRAC began deploying a set of carefully sequenced measures tailored to the unique set of challenges faced by the ultra-poor.

The results have been astonishing. Using intensive training and support deployed over 24 months, the ultra-poor can “graduate” from ultra-poverty. Research from BRAC’s Research and Evaluation Division has shown they remain on an upward economic trajectory even

four years after the programme ends. More than 95% of participants leave a rigorously defined category of ultra-poverty (see box, “Who is ‘ultra-poor?’”). More importantly, they sustain their success four years later, long after they stop receiving direct support.<sup>7</sup> Most go on to become microfinance clients.

BRAC has found that basic entrepreneurship, when introduced together with other measures, can transform the economic lives of the poorest. From 2007 to 2011, scholars from London School of Economics, University College London, and Bocconi University in Milan joined researchers from BRAC to test this thesis using a randomised control trial. The findings reveal a dramatic shift toward self-employment among programme participants. Four years after the intervention period began and two years after it ended, the portion of participants entirely self-employed had risen from 30% to 47%, a number that changed little for a control group of non-participants; the percentage relying solely on wage labour dropped from 26% to 6% during the same time period, while non-participants again saw little change.<sup>8</sup>

Moreover, thanks to the participation of others in the community, including local elites, those who were once completely marginalised are now part of the social fabric of village life. One participant in Mymensingh, Bangladesh, told an interviewer: “People invite me to their houses, because they see that things have changed for me.”<sup>9</sup>

The evidence suggests that these interventions may have finally begun cracking the nut of ultra-poverty. The programme costs \$320 per participant

for the two-year cycle in Bangladesh, while the cost of pilots in other countries ranges from about \$330 (in parts of India) to \$1,900 (in Haiti) per participant.<sup>10</sup>

### The BRAC approach: social networks and economic opportunity

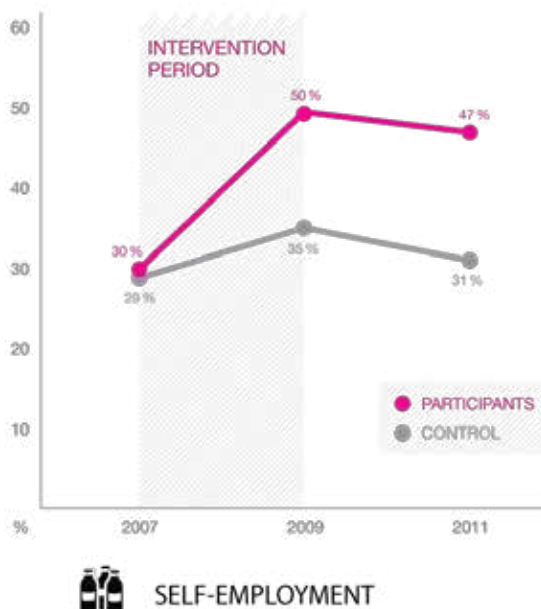
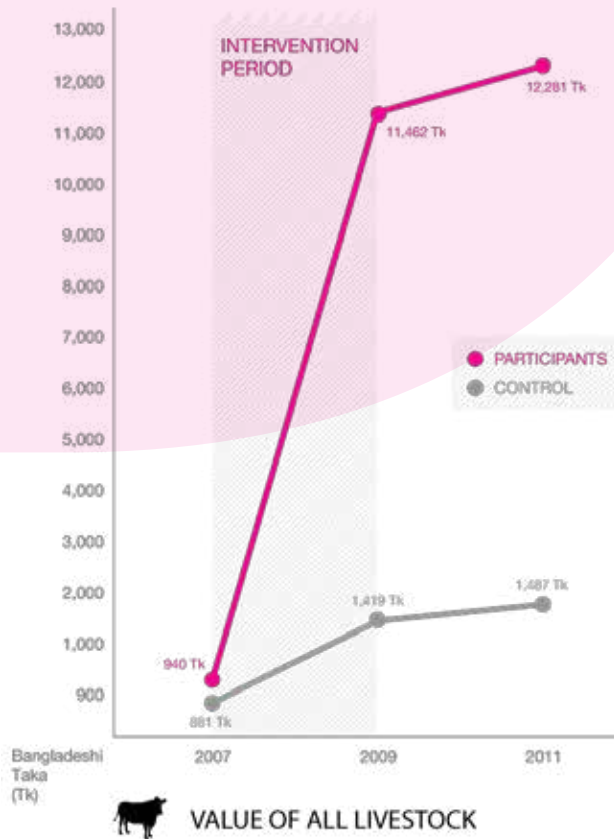
The methodology is a set of interventions that builds an inclusive social network for the ultra-poor while introducing basic entrepreneurship training. Details vary from one context to another, but research and practice have shown the following to be the building blocks of the approach:<sup>11</sup>

**Proper targeting.** The process of deciding who to include in the programme requires constant monitoring and supervision, including rigorous training of field staff involved in targeting, frequent field visits by senior managers, and weekly reporting.<sup>12</sup> Otherwise, the programme will leave out those it intends to reach. BRAC’s targeting process begins by identifying geographic locations with a high concentration of ultra-poor households. A crucial next step involves participatory wealth ranking, wherein groups of 40 to 50 villagers are asked to discuss and rank the wealth of every household in the village.<sup>13</sup> Programme staff follows up with door-to-door visits, using questionnaires to determine who qualifies. More senior managers are then required to verify the final selection.

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## Measuring impact

Results from a randomised control trial<sup>14</sup>



**Grants of productive assets.** In a one-time transfer, participants are given a productive asset, such as livestock, agricultural inputs or in-kind seed capital for small trading.

**Weekly stipends.** In order to graduate from ultra-poverty, participants need breathing room to offset the opportunity cost of not engaging in menial wage labour or begging while they learn new livelihoods. This can come partially in the form of food support.

**Savings.** Participants are encouraged to save. During the programme period, they maintain a formal savings account with BRAC's help.

**Intensive hands-on training.** Participants receive training on how to use their new asset. A unique feature of the approach is coaching or "hand-holding" in the form of weekly visits from programme staff to overcome challenges and uncertainties.

**Health care.** The programme seeks to increase health-seeking behaviour by teaching the importance of preventative health. In cases of illness, staff may guide them to a nearby clinic or community health promoter for treatment.

**Social integration.** The programme mobilises the community to integrate the ultra-poor, in part by setting up village poverty reduction committees to provide support. The wider community, including local elites such as village elders, are also mobilised where needed, giving participants a much needed confidence boost.

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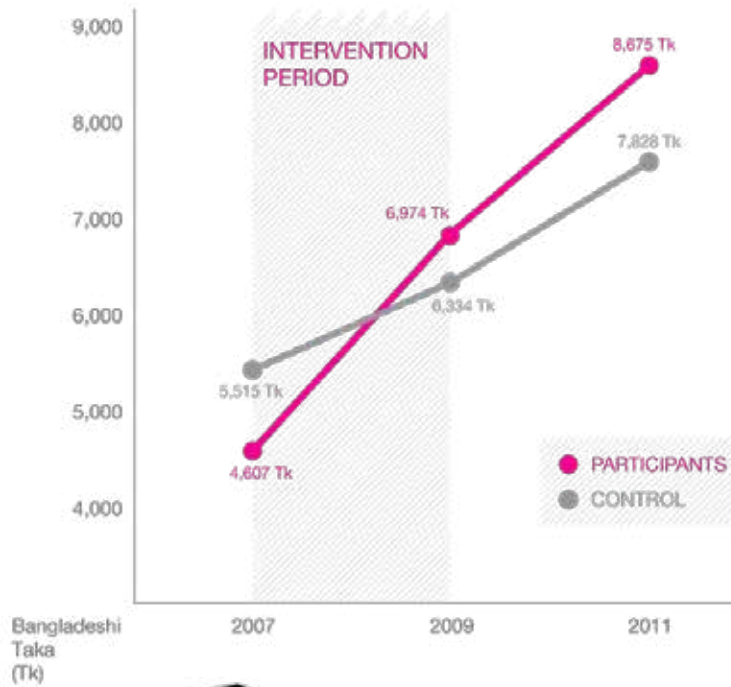
poor methodology. Details may vary from one context to another. In some cases, for instance, clients at the upper end of the ultra-poor bracket may also receive soft loans with favourable conditions for repayment. Training for the ultra-poor must be simple and relevant, focusing only on the key messages that participants can retain and apply in their everyday lives, which will vary in different cultural and geographic contexts. Constant monitoring ensures new practices are adopted and lead to improved living standards.<sup>15</sup>

### Results of adaptations

The question arises whether such an approach can work outside its native Bangladesh. Evidence from a number of pilot adaptations inspired by BRAC's methodology shows that it can. Studies on 10 pilots in eight countries, under the coordination of the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation, report that after 18 to 36 months, 75% to 98% of participants met "graduation" criteria.<sup>16</sup>

BRAC itself has provided technical assistance on CGAP-Ford Foundation pilots in Haiti, India and Yemen, while separately, BRAC Development Institute of BRAC University in Dhaka has conducted qualitative research in India, Pakistan, Ethiopia and Yemen. Other academic institutions have conducted quantitative research, including randomised control trials, on these pilots. BRAC, meanwhile, is operating its own ultra-poor programmes in Pakistan and Afghanistan.

Studies record positive results that ripple beyond purely economic measures of poverty. Preliminary results of a



TOTAL EARNINGS



HAPPINESS

# BRAC GRADUATION METHODOLOGY

## BUILDING BLOCKS FOR CHANGE



randomised control trial of a graduation pilot in the state of West Bengal, India, showed participants consuming, on average, 25 percent more per month than those in a control group, the largest increases occurring with more nutritious foods such as fruit, nuts, dairy, eggs, and meat. Women were less likely to report symptoms of mental distress, showing a more positive outlook on the future.<sup>17</sup>

For households with children, the study showed no negative impact on school attendance despite the additional demand for labour to tend to livestock and crops. In fact, there were indications that children actually spent an additional 30 to 40 minutes per day studying, on average. Esther Duflo, an economist at Massachusetts Institute of Technology, cited the addition of hope into people's lives as an intangible X-factor with long lasting economic repercussions.<sup>18</sup>

To be sure, there have been pitfalls. Results from Pakistan, for instance, indicated slower than expected progress. Research pointed to the introduction of a new breed of goats that turned out to be unsuitable for the arid climate of Sindh province. Programme staff were wrongly advised not to allow the new goats to breed with local goats, and they in turn passed that training onto the participants. Many of these goats starved, although those participants who ignored the project's advice and allowed breeding with Sindhi goats managed to increase their livestock holdings. Researchers highlighted the need for stringent mechanisms for participant feedback, with constant monitoring to ensure staff can respond in a timely way to problems on the ground.

## Conclusion

To defeat poverty, global policymakers and development professionals must recognise the distinction between poor and ultra-poor. The ultra-poor require a tailored approach if they are to break free from the poverty trap. Research has demonstrated the success of a scalable, household-to-household approach to graduating the poorest from ultra-poverty. Moreover, evidence suggests the approach can work outside BRAC's native Bangladesh, provided the methodology is adapted to local conditions and applied both carefully and systematically. To help do this, BRAC is ready to leverage its experience by working with others, including microfinance organizations looking to extend their reach, wholesale microfinance funds, and government safety net programmes. Such an approach should be one component of a global strategy to defeat the scourge of extreme poverty once and for all.

## Notes

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