

KNOWLEDGE MANAGEMENT SPOTLIGHT

Serving the Ultra-Poor

January 2024



SUMMARY

The Challenge: The pursuit of sustainable livelihoods for ultra-poor families is hindered by the challenge of multidimensional poverty.

Featured Solution: Opportunity and its partners implement a comprehensive solution, offering cash, assets, mentorship, and training to provide a pathway out of poverty for the ultra-poor.

- ▶ In Malawi, a “graduation” program supports 320 rural households in the areas of social protection, social empowerment, financial inclusion, and livelihood promotion.
- ▶ In Colombia, a similar graduation program reaches 250 families in urban neighborhoods. The program has so far launched 16 savings groups with USD7,000 total savings.
- ▶ In Indonesia, Tanaoba Lais Manekat (TLM) Foundation works closely with the government, filling critical gaps in water, health, and disaster management.

OBSERVATIONS TO DATE:

Program success is supported by:

- ▶ Holistic strategies
- ▶ Community-centric tailoring
- ▶ Flexibility

THE CHALLENGE: ENGAGING THE HOLISTIC NEEDS OF THE ULTRA-POOR: EXAMPLES FROM MALAWI, COLOMBIA, AND INDONESIA

More than 700 million people globally live in extreme poverty, and the ultra-poor are defined as the poorest sub-group of those living in extreme poverty.¹ Addressing the complex challenge of sustainable upward mobility is among the world's most difficult and persistent problems. Microfinance, as a service, has difficulty reaching the ultra-poor. This reality is no different for Opportunity’s microfinance partners. It is estimated that only 3% of microfinance clients globally are living in extreme poverty. Even informal savings groups, designed to assist impoverished households, can unintentionally exclude the ultra-poor. This prompts the critical question: what kinds of programs best help the ultra-poor? We look at 3 examples.

GRADUATION AND OTHER LIVELIHOOD PROGRAMS

The Graduation program, originating from BRAC in Bangladesh, emerges as a noteworthy initiative, showcasing substantial success in transitioning the ultra-poor to sustainable livelihoods. This type of program typically incorporates at least the following components:

- ▶ **Social Protection:** Includes consumption support, crisis relief, and access to essential services such as health and education.
- ▶ **Social Empowerment:** Offers regular check-ins and life skills training to enhance resilience and promote social inclusion.
- ▶ **Financial Inclusion:** Aims to provide direct access to convenient formal or informal financial services and includes financial education.
- ▶ **Livelihood Promotion:** Involves asset transfers and/or cash transfers, to the ultra-poor aimed at acquiring assets for income generation.

There is a substantial body of evidence that graduation programs contribute to reduced poverty. This spotlight features insights from Opportunity graduation programs in Malawi and Colombia.² Yet, graduation is not the sole avenue for serving the ultra poor. One example of an alternative livelihood support strategy is the "Dana Desa" village fund in Indonesia. While distinct, this community development approach shares similarities with graduation programs, including delivery of training, farmer support, grants for income generation, and water and sanitation infrastructure. This Spotlight Brief describes these initiatives and their progress in serving the ultra-poor.

PROGRAM 1: THE ULTRA-POOR GRADUATION IN MALAWI

Opportunity's Ultra-Poor Graduation Program in Malawi operates in Machinjiri and Makata, in southern Malawi, and aims to create resilient and sustainable pathways for households to escape ultra-poverty. Endorsed by local government and committees, it focuses on ultra-poor, rural, mainly female-headed households that lack essential services. The program consists of two cohorts (320 households) and was initially designed to run for a 24-month period, concluding with the graduation of participants. The anticipated graduation for the first cohort was set for September 2023. Due to the impact of the cyclone disaster, the project implementation period was extended. As of now, the second cohort has been in progress for six months.



PROGRAM AREAS

- ▶ **Social Protection:** The program provides a cash stipend to support food consumption. It also facilitates construction or access to hand-washing facilities and catalyzes families to send their children to school. This component includes linkages to private health insurance as well. *Graduation Criteria: three meals per day with varied food types at least twice a week; access to handwashing facilities; and children attending school.*
- ▶ **Social Empowerment:** Through training and coaching, the program promotes gender equity by focusing on joint decision-making within households and collaborative vision-setting between spouses. This empowers women and engages partners in actively growing businesses together, when appropriate. *Graduation Criteria: written collaborative vision statement; woman reports joint decision-making; partner is actively involved in growing the business, if appropriate.*
- ▶ **Financial Inclusion:** Financial empowerment is achieved through active participation in weekly Village Savings and Loan Associations (VSLA), including saving activities and financial education training sessions. *Graduation Criteria: participant invests/saves in the VSLA weekly.*
- ▶ **Livelihood Promotion:** Through initiatives in steady employment, small trade, and livestock rearing, the program stimulates sustainable income-generating practices. The program provides asset transfers in the form of livestock and goods to support these livelihoods. *Graduation Criteria: Participants have at least two sources of income with asset values growing by a minimum of 50%.*

The program possesses the following noteworthy aspects:

- ▶ **Local Support:** Backed by the endorsement of district local government and community development committees, the program has gained solid local support.
- ▶ **Dedicated Case Workers:** A social worker is assigned to each household to coach families, link them with services, and assess progress.
- ▶ **Health Insurance:** Recognizing the vulnerability of families to health crises, the program enrolls clients in a private health insurance program.
- ▶ **Crisis Modifier:** 10% of the program budget is set aside to cover losses and replace assets in times of need.
- ▶ **Cyclone Freddy Relief Interventions:** Following the catastrophic storm – Tropical Cyclone Freddy – that destroyed properties and killed over a thousand people, the program adapted by collaborating with relief and health agencies to address immediate needs. A Recovery Lending Fund was created to capitalize established VSLAs, replace productive assets, and rebuild homes.

PROGRAM 2: ULTRA-POOR GRADUATION PROGRAM IN COLOMBIA

Cartagena, with over 900,000 inhabitants, suffers from significant poverty: 61.1% are employed informally; 43.6% live below the poverty line; and 12.7% are living in extreme poverty. This impacts over 132,000 people across 40 neighborhoods, but especially the Ciénaga de la Virgen, La Falda de la Popa, and Loma de Albornoz neighborhoods. In these and other neighborhoods, AGAPE is implementing its ultra-poor graduation program. The program focuses on those in urgent need, assigning a dedicated case worker to each family to address immediate concerns. In the first six months, participants receive a food stipend, allowing them to shift their focus from survival to training. They form savings groups where they acquire basic financial skills and begin to save portions of their earnings. AGAPE then helps participants to start or expand a business, through asset transfer and training, or to enhance employability through skills training.



The Colombia Graduation Program has shown progress in the first ten months of its 18-month pilot program:

- ▶ 250 families served and 1,130 people reached.
- ▶ 244 productive assets delivered, infusing tangible resources into households.
- ▶ 16 savings groups were established, and they achieved a total savings of USD7,000.
- ▶ 100% completion of training sessions demonstrating a commitment to education and skills development.
- ▶ High participation rates (84%) in community spaces, fostering social cohesion.
- ▶ Families consuming more than two meals a day increased from 36% to 51%.
- ▶ 23% of families improved their homes.

PROGRAM 3: COMMUNITY DEVELOPMENT IN INDONESIA

Active in East Nusa Tenggara since 2022, the Tanaoba Lais Manekat (TLM) Foundation addresses challenges in impoverished rural communities across 10 villages in three regencies (sub-provincial administrative units). The regional government supports village development by providing annual village funds of up to USD130,000 per village in Indonesia. In Indonesia, poor citizens also have access to cash stipends, education, and health services, among others. Thus, in this setting, a graduation program would be redundant. Grounded in Christian values, TLM provides complementary training, health checks and tests, in-kind support, disaster preparation, access to potable water, and financial service access.

PROGRAM AREAS

- ▶ **Maternal and Infant Health:** TLM prioritizes maternal and infant health. They conduct capacity-building for officials and other leaders, deliver immunizations and birth certificates, offer health checks for the elderly and vulnerable, and provide limited in-kind support including medicine, milk, vegetable seeds, and so on. TLM also links clients to the government health care system. *So far, TLM has trained 7,419 people and served 731 with health checks and other services.*
- ▶ **Disaster Risk Reduction (DRR):** TLM enhances disaster resilience through capacity-building which helps villagers form Disaster Management Teams (DMT). These teams map disaster-prone areas, generate disaster readiness plans, and take preparatory action such as planting trees and other barrier plants. *So far, 667 village communities have DMTs and disaster maps and are working with TLM to take further action.*
- ▶ **Water Projects:** TLM offers technical assistance and some funding in the implementation of water infrastructure projects, constructing new facilities and repairing damaged ones. *So far (since 2017), TML has helped 1,196 people gain access to cleaner water.*
- ▶ **Economic Empowerment:** TLM offers business grants and training for at-home industries. It also provides training on good agricultural practices to farmers' groups and extends loans to families involved in piggery. *So far, assisted families have seen a 50% income increase. 111 individuals received TLM grants, and 4,984 people received government support. 170 families received loans for their pig projects.*



BRIEF OBSERVATIONS ABOUT THESE ULTRA-POOR PROGRAMS

All three programs are young and do not yet show rigorous evidence of poverty reduction. However, they have shown progress in client impact (including client increases in savings and income) and in navigating programmatic challenges. The following points regarding program design and operations are noteworthy:

- ▶ **Holistic Approach for Comprehensive Impact:** All three programs take a comprehensive approach aiming to address multiple dimensions of poverty.
- ▶ **Community-Centric Tailoring and Collaboration:** All three programs seek to build trust with communities and to align programs with local needs and government initiatives. Gaining local government and committee approval is instrumental for ensuring effective collaboration and implementation.
- ▶ **Innovation and Adaptation amidst Crises:** Adaptability during crises can be seen in all three programs.

¹ Graduation Overview - BRAC UPGI" (May 2021), (<https://bracupgi.org/wp-content/uploads/2021/06/Graduation-Overview-May-2021.pdf>).

² See <https://opportunity.org/what-we-do/innovative-programs/graduation-model>.