Livelihoods Promotion in the Ultra-Poor Graduation Approach

Rationale for Livelihoods Promotion in Graduation

Extreme poor households typically hold few productive assets, rely on irregular and low incomes, and have low risk tolerance for investing in new livelihoods. In addition, they often lack confidence due to experience of social stigma, exposure to repeated shocks, high levels of indebtedness, and the burden of an uncertain future. Women, in particular, are time-poor, devoting much of their days to unpaid care work and household chores, which reduces their ability to engage in productive livelihoods.

The Ultra-Poor Graduation approach is designed to respond to the diverse challenges faced by households living in extreme poverty, including barriers to engage in secure and sustainable livelihoods. The Graduation approach includes interventions that align with four foundational pillars: social protection, livelihoods promotion, financial inclusion, and social empowerment. Within the livelihoods promotion pillar, interventions are carefully designed to create market linkages, generate sufficient income to cover household expenses, and develop technical capacity in order to build economic resilience. This may take place through a household participating in a market-demand driven enterprise or a position of formal employment.

Key Design Considerations for Livelihood Interventions

Market Assessments

Livelihood support through an upfront injection of capital is a distinguishing feature of the Graduation approach. BRAC Ultra-Poor Graduation Initiative (UPGI) aims to expand the reach and impact of Graduation through advocacy and technical assistance to governments, multilateral agencies, and NGOs. BRAC UPGI relies on localized market assessments to determine viable livelihoods relevant for extreme poor households in their local context. To select livelihood options, market assessments take into consideration:

- Current and future demand and supply for products and services
- Market access for participants, particularly women
- Capacity and resources available to participants
- Potential risks associated with promoting certain livelihoods, such as risk of market saturation
- Viability of livelihoods and income projections
- Potential for group versus individual livelihoods
- Norms around women’s ownership and use of resources and assets
- Skills and readiness of household members who are economically active

Based on the information above, market assessments formulate recommendations on productive assets that the Graduation program can provide to households to build sustainable livelihoods.

Group and Individual Livelihoods

Productive assets are delivered to participants who take on full ownership and management of livelihoods, with the guidance of program staff. Most Graduation programs deliver assets to individual participants. However, some programs use a group livelihoods model, where responsibilities, decision-making, and risks are shared between several participants. In the PROFIT Financial Graduation program in Kenya, groups of three women managed livelihoods including grocery shops, livestock trade, poultry farming, and others. This setup allowed participants to share child-caring responsibilities while also managing a livelihood.
In the Philippines, a Graduation program implemented by the Department of Labor and Employment (DOLE), included both individual and group livelihoods. The group model involved up to 20 members managing livelihoods such as carabao, food carts, meat processing, swine fattening, and others. Participants in group livelihoods benefited from peer support, pooled risk, and knowledge sharing, but they also faced challenges with managing group dynamics. Participants in individual livelihoods benefited from greater ownership and flexibility to make decisions about their business. A rigorous assessment of the context is critical in determining the type of livelihood model that is best suited to the local population.

Asset Delivery Mechanisms

Graduation programs provide productive assets in various modalities, based on a number of factors in the local context, including the profile and needs of target households, local market infrastructure, prevalence of mobile money, etc. The table below highlights the different delivery mechanisms and the associated considerations for each.

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<tr>
<th>Asset Delivery Mechanisms</th>
<th>In-Kind Transfers</th>
<th>Cash Transfers</th>
<th>Soft Loans</th>
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<td><strong>Rationale</strong></td>
<td>In-kind transfers are suitable for contexts where participants have limited experience buying assets (such as livestock) from the market. This mode also works well in communities where gender norms prevent women from going to the market and purchasing their own assets.</td>
<td>Cash transfers for productive assets are suited to contexts where participants have experience buying productive assets and engaging with markets. They provide a powerful way for participants to build negotiation and business skills, and establish a relationship with vendors for future purchases. Use of cash can reduce supply chain overheads and ensure that the right inputs or assets are purchased.</td>
<td>Soft loans are suited to contexts with thriving markets and higher familiarity with microfinance. In these contexts, households can generate a sustainable income early on to repay the value of assets provided by the program.</td>
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<td><strong>Potential Risks and Mitigation Strategies</strong></td>
<td>• Procurement challenges with a large number of in-kind assets, such as livestock. • Quality control issues, e.g. transporting a large number of livestock may lead to health risks • Lower sense of ownership by participants if they do not purchase assets themselves</td>
<td>• Diversion of cash transfers to meet immediate consumption needs instead of a productive asset. A strong monitoring mechanism and/or the use of vouchers can help mitigate this risk. • Risk of theft and exploitation • Exploitation by sellers if participants do not have strong bargaining power in markets</td>
<td>• Repayment may be challenging if households experience economic or health shocks • Often requires different levels of calibration to segment households by level of ability to repay • Requires strong partnership with loan-taking financial institution • Greater success when applied to urban contexts with thriving market dynamics</td>
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<td><strong>Spotlight Countries</strong></td>
<td>In the Bab Amal program in Upper Egypt, one-time asset transfers were delivered and included livelihoods such as livestock-rearing, poultry farming, sewing, clothing sales, and petty trade. In-kind asset transfers were suited to the local context because program participants, particularly women had limited experience in buying assets such as livestock from the market.</td>
<td>In <strong>Kenya</strong>, The BOMA project provided cash transfers for productive assets through m-Pesa. Cash transfers were suited to this context because of the prevalence of the m-Pesa mobile money platform and the high familiarity of participants with local markets.</td>
<td>Soft loans were introduced in BRAC’s Ultra-Poor Graduation programme (UPG) in <strong>Bangladesh</strong> in response to the country’s improving poverty profile. Participants who receive soft loans are expected to repay between 30 to 80 percent of the original asset value over an 18 month period, depending on what is feasible for the profile of participants.</td>
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Livelihoods Selected by Graduation Participants in the Philippines

- Swine fattening: 51%
- Livestock trade: 49%
- Food carts: 17%
- Kiosk, Dukas, Grocery: 42%
- Meat procuring: 14%
- Carabao: 5%
- Free range chicken: 7%
- Eggs: 4%
- Vegetable farming: 2%

Livelihoods Selected by Graduation Participants in Kenya

- Livestock trade: 49%
- Kiosk, Dukas, Grocery: 42%
- Bead-making, crafts, clothes: 1%
- Meat procuring: 14%
- Eggs: 4%
- Vegetable farming: 2%
- Carabao: 5%
- Butchery: 1%

Ensuring the Sustainability of Livelihoods

Technical Training

Ongoing support for Graduation includes technical training and business management training to ensure participants develop the skills and capabilities to produce and market the products and services associated with their livelihoods. Technical training involves building knowledge on how to manage a livelihood. For livestock, this includes learning about feeding practices, disease prevention, vaccination schedules, among others. Business management training focuses on building skills to set prices, manage the sale of goods, maintain records, etc. Technical and business management training can involve a mix of classroom training and practical demonstrations and can be delivered by field schools, government agencies, NGOs, apprenticeships, or formal training institutions. The lessons learned during training are reinforced through regular coaching by program staff.

Local Market Linkages

Graduation programs also facilitate linkages within local market systems. These linkages ensure participants have access to local buyers, suppliers, training, and transportation to ensure the sustainability of livelihoods. For example, in the Graduation pilot implemented by DOLE in the Philippines, the program facilitated linkages to extension services offered through local government and the Ministry of Agriculture.

Asset Diversification

Graduation programs ensure participants strengthen their long-term prospects and resilience to shocks by coaching participants to diversify their assets. A second livelihood can be distinct from the first livelihood (e.g. running a small shop in addition to raising livestock) or may complement the first livelihood (e.g. selling chicken fertilizer in addition to chicken eggs). The choice of the second livelihood will depend on the participant preference, capabilities, market potential, as well as the level of risk involved in each type of activity. Graduation criteria typically require a level of asset diversification at a minimum threshold to strengthen the long-term resilience of the household to shocks. This has been especially important during the economic shocks of the COVID-19 crisis.

Through BRAC UPGI’s approach to designing market-driven livelihood interventions tailored to diverse contexts, extreme poor Graduation participants gain the tools to launch sustainable livelihoods and lift their households out of extreme poverty.