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FIXES

Upward Mobility for the World's Destitute

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Fixes looks at solutions to social problems and why they work.

There's poor, and then there's ultrapoor. The ultrapoor are almost always women and largely found in Africa, South Asia and to a lesser extent, parts of Latin America. They are most often rural. They work as maids or field laborers, often paid not with wages but in food scraps. They might have just one dress or sari, and must wash a part of it at a time while wearing it, or stay in the river for modesty till it dries.

Poverty is dropping around the world. In 1981, more than half the globe lived on the equivalent of \$1.25 a day. By 1990, that number fell to 43 percent, and today it's at 21 percent.

But almost all the gains have come from pulling up those just under the extreme poverty line, rather than from progress amid the ultrapoor: roughly the half-billion people who live on less than 75 cents a day. These truly destitute people have tended to stay that way.

The difference between poor and ultrapoor isn't just one of degree. Being ultrapoor has an extra component: it is a trap so deep, people can't take advantage of ways to improve their lives.

They may not send their children to school, because they don't believe they could keep them in school long enough to benefit from education. They don't take microcredit loans, because they lack the skills to use them and the confidence that they can repay.

Even if they get a windfall — money, perhaps, or a cow — the gains may not last. The money gets spent for food. If the harvest is poor or someone gets sick, they sell the cow. “The bottom segment of the population has lived this way for generations and will likely live this way for generations — absent a comprehensive approach,” said Sadna Samaranayake, project director of the Ultra-Poor Graduation Initiative in BRAC USA, an affiliate of the giant antipoverty group BRAC (formerly named the Bangladesh Rural Advancement Committee).

One such approach has arrived. In 2002, BRAC started a program in Rangpur, a district in Bangladesh’s north, to help the most destitute “graduate” from poverty.

BRAC started by giving participants money-making assets. Some took goods to start a tiny store or leased a plot of land and bought vegetable seeds, but most families asked for animals. They got two kinds: for example, chickens for a quick return, plus a cow for the long run. They also got intensive training in how to use their new assets.

A second ingredient was a small regular grant of food or cash. That allowed participants to take time off from labor (or begging) to learn their new business. It also protected the business; they had less reason to sell the cow to buy food. BRAC also helped participants learn how to open a savings account and take preventive health measures. Because extreme poverty isolated many participants socially, BRAC set up a village poverty-reduction committee. Participants also were encouraged to plant vegetable gardens, and near the end of the program they received financial coaching.

The program was complex and expensive. There has been no research to find out whether any of its pieces can be skipped. It also required working with families intensively for two years.

The results, however, were astonishing. Virtually all the participants changed their lives. A year after the program ended, 97 percent had satisfied at least six of 10 indicators (having things like cash savings, steady access to food, diversified income, a latrine, a tin roof, or using family planning) and were considered graduated. Three years later, the number was 98 percent.

BRAC and other organizations in Bangladesh now run graduation programs on a wide scale. So far, 1.4 million households have participated — but that still leaves out millions more in Bangladesh who are ultrapoor.

“These are quite impressive results,” said Frank DeGiovanni, the director of the financial assets unit at the Ford Foundation. “But many people say, ‘Oh, anything can work in Bangladesh, because BRAC is so fabulous and has such incredible grant support.’ Just because it works in Bangladesh doesn’t mean it works anywhere else.”

Now we know that it does. The BRAC program, adapted to local conditions, has been replicated in 20 countries, some of them on a wide scale. This week, an eagerly awaited study of the program in six of those countries — Ghana, Ethiopia, India, Pakistan, Honduras and Peru — was published in the journal *Science*. Local nongovernmental groups carried out the programs, with help and coordination from the Consultative Group to Assist the Poor at the World Bank. Money for the randomized controlled trials and for some programs came from the Ford Foundation.

The study, conducted by a group led by Dean Karlan, an economics professor at Yale and president of Innovations for Poverty Action, looked at the more than 10,000 participating households when the program began, when the program ended two years later, and a year after that.

Although the countries varied in numerous ways, the program succeeded everywhere. Families ate more, were more certain about access to food, held more assets, had more income and savings, spent more time working, and enjoyed better mental and physical health. Women had more say in family decisions. When families were revisited a year after the program stopped, the benefits had largely persisted, and in some cases had increased.

Karlan and Esther Duflo, a collaborator in the study and director of the Abdul Latif Jameel Poverty Action Lab at M.I.T., presented early findings to a group of experts. Karlan told the group that while he had supervised hundreds of such studies of antipoverty programs, this was one of the five or six most impressive outcomes he had seen.

The two places where it had the least effect were Honduras and Peru, likely

because the animals overwhelmingly chosen — chickens and guinea pigs, respectively — died of disease. (Lesson: as with any asset portfolio, diversify!)

Except for Honduras, all the programs produced benefits that outweighed their costs. And those costs were considerable, ranging from \$1,538 a household in India to \$5,732 in Peru. That's mainly because the program is so labor intensive. Just figuring out who's poor enough to participate is complicated.

Once they begin, participants need regular, sometimes weekly, visits from livelihood trainers, health coaches and financial advisers. BRAC learned early on that this intensive support was necessary. "It was very sad," said Samaranayake. "Women were caught in the worst trap of all — they were not eating enough to have the energy to farm or take care of an animal." BRAC's consumption support came in two forms: money and lentils. But women often just saved the money and sold the lentils. "They were not adding more protein — but this was specifically designed to assure that energy levels increased. So program officers would go into participants' houses, ask to see the family's rice supply, and mix the lentils in."

And the cost in Bangladesh, about \$500 a household, was a bargain. Other countries had much higher labor costs and were less densely populated, adding time and expense to the process of visiting participants.

If graduation programs are to have an impact on global poverty, they must grow — reaching millions of people instead of tens of thousands. That takes governments. (Bangladesh is an exception — BRAC is so big it acts like the government you wish Bangladesh would have.) "To our knowledge, at least 10 governments around the world are in various stages of piloting or scaling this program," said Katharine McKee, a senior advisor at Consultative Group to Assist the Poor. The United Nations High Commissioner for Refugees and various other nongovernmental groups are also starting projects.

Even though graduation programs are a good investment, their expense is a major barrier to growth. Is there a low-touch version that succeeds? Fundación Capital, an organization based in Bogotá, Colombia, is testing just that. In several Latin American countries, Fundación Capital is giving participants cash instead of an animal or stock of goods. Cash is cheaper and easier to move around. Tatiana Rincón,

who directs the economic citizenship program, said that almost all clients make good use of the money. One client, she said, bought plastic chairs in the central market and sold them in her village at a 50 percent markup. In less than three months she had tripled the sum she was given. Another bought a portable washing machine and took it to people's houses, renting it out for the day.

The organization is also drastically cutting down on visits to participants. Instead, they give families digital tablets preloaded with lessons — for example, videos of program families talking about what saving money did for them, or interactive games that teach bookkeeping. (Here's a blog post explaining this). So far, not a single tablet has been lost or stolen. Instead of coaches, the program has facilitators — but each might have 100 clients. Now, Fundación Capital is starting a test with no facilitators at all, only tablet instruction.

This approach may not work everywhere, since Latin America's poor are far better off than the poor in South Asia or Africa. "If we were to give a tablet to our clients in Bangladesh, they wouldn't know what it was," Samaranayake said. "Some of them have never interacted with a light bulb, much less an iPad."

The other innovation is that Fundación Capital is working with governments. In Colombia, for example, a graduation program has been made a central part of the government's strategy to fight rural poverty. This year 10,000 families are participating, and Colombia aims to include 40,000 by four years from now.

Longer-term follow-up is needed, but so far it seems that graduation programs do help the very poor attain escape velocity. Curiously, this happens even though the effects of the program on food, income and other factors are not large. The effects "do not correspond to our intuitive sense of what it would mean to be liberated from the trap of poverty," Karlan and his colleagues wrote.

In a lecture at Harvard, Duflo argued that something less tangible is going on: the effect of suddenly having hope. "What we hypothesize, although we cannot directly confirm it using this data, is that this improved mental health is what gave participants the energy to work more, save and invest in their children — we see in the data that children spend more time studying," she said. "A little bit of hope and some reassurance that an individual's objectives are within reach can act as a

powerful incentive.”

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