

POVERTY GRADUATION A SUCCESSFUL MODEL



Pakistan Poverty Alleviation Fund



OUR GOAL | Lifting people out of poverty

THE CHALLENGE

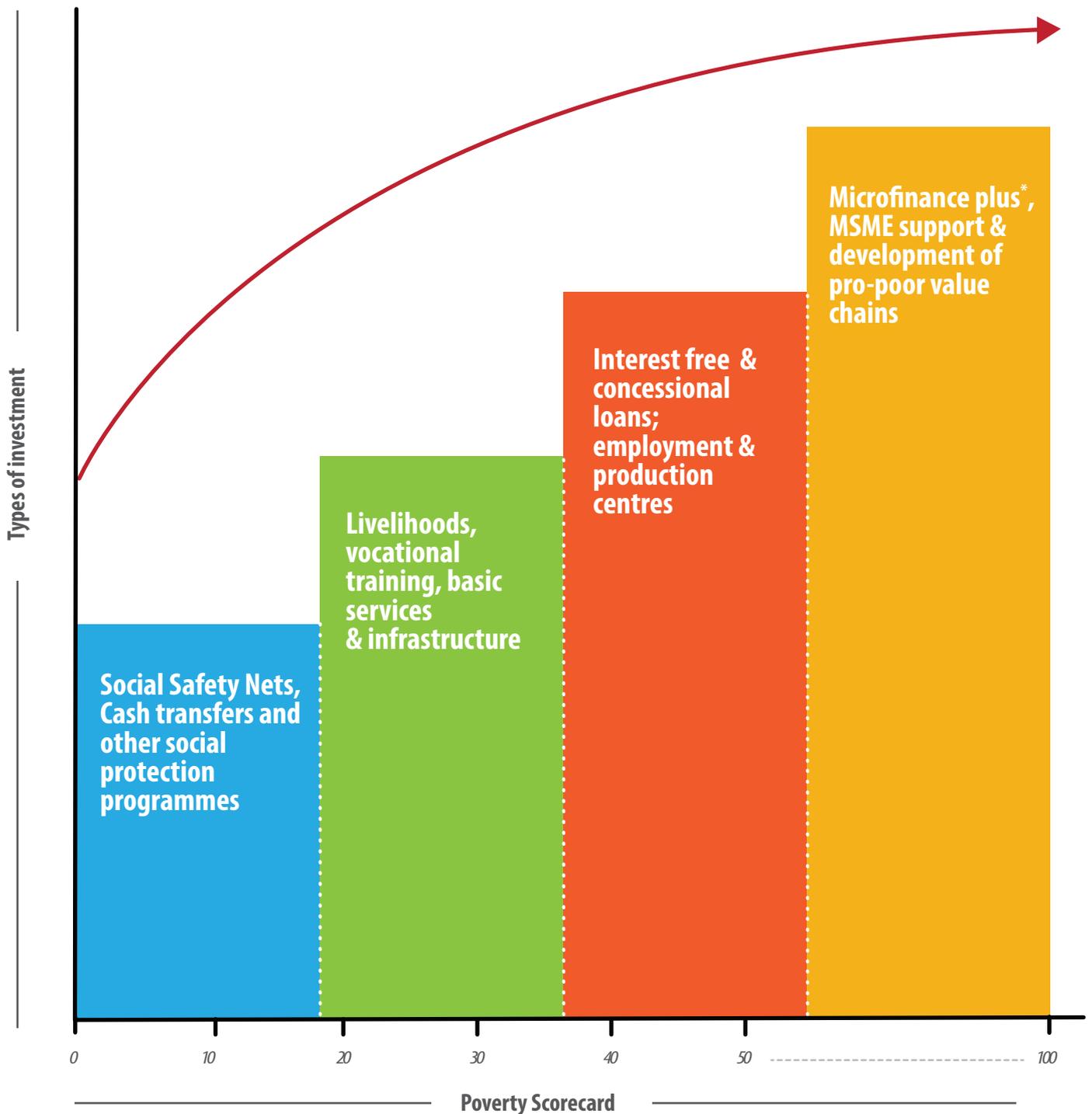
The country's multidimensional¹ poverty headcount ratio (*percentage of people in the population affected by poverty*) was estimated at 38.8 per cent (GoP 2016), according to which there are more than 80 million people who are multi-dimensionally poor. There are tremendous rural-urban disparities and inter-provincial differences in the incidence of poverty. In 2012-13, rural headcount ratio was 42.3 per cent compared to urban headcount ratio of 9.1 per cent. The highest poverty is found in Balochistan (62.6 per cent) followed by KP and Sindh, whereas, the lowest poverty is found in Punjab (24.3 per cent)²

¹ Alkire and Foster (2007) measure of poverty which allows for considering as many dimensions of wellbeing as relevant in estimating poverty. There are four key dimensions considered in this analysis: education; health; asset ownership; and, living conditions

² Naveed, Arif, *Geography of Poverty in Pakistan* (2016) PPAF-SDPI publication

OUR APPROACH

Pakistan Poverty Alleviation Fund (PPAF) supports a community-driven integrated development model. Within that, PPAF's poverty graduation approach combines elements of social mobilisation, livelihoods development, and financial inclusion thereby combining support for immediate needs with longer-term human capital and asset investments to move households out of extreme poverty and into sustainable livelihoods.



* Credit lines for conventional microfinance institutions are provided through the Pakistan Microfinance Investment Company Limited (PMIC), jointly set up by PPAF, Karandaaz Pakistan (financed by DFID) and KfW is an Associate Company of PPAF.

BACKGROUND

- In 2008, PPAF pioneered the approach of asset transfers through a pilot research project **Targeting the Ultra-Poor (TUP)** supported by IFAD
- Under the umbrella of the **Consultative Group to Assist the Poor (CGAP)** this became part of a Global Study of 8 countries led by globally recognized researchers, with **Innovations for Poverty Action (IPA)** leading research in Pakistan
- The results were published in the May 2015 issue of the journal, Science, where Duflo, Banerjee, Karlan et al saw improvements across 7 out of 8 countries on all key indicators. Pakistan had the 3rd best level of improvement

TUP RESEARCH PROJECT

▶ **65 villages**
in Sindh province
(coastal belt)

▶ Sample of **2,000** treatment and
2,000 control households

▶ Household selection through
**Participatory
Wealth Ranking**



▶ Programme
Components



Asset transfer
US\$ 180 (2009)



**Consumption
stipend**



**Health
support**



**Encouragement
for saving**

▶ Snapshot of Results

Indicators	Midline Results 2011	Endline Results 2014
Animals	Large increase	Large increase
Total Income	No change	Increase - On average monthly income of treated households \$30 higher than control households
Consumption per capita	Increase	Increase
Loans	No change	Decrease in loans taken from money lenders
Food Security	Increase	Slight increase
Education	No change	No change

SCALING UP: 2012 – 2017

Given the success of the TUP project PPAF went to scale with its asset transfer interventions, linking this to its new framework for livelihoods, employment and enterprise development. An objectively verifiable poverty score card tool was also developed for use across PPAF project areas. Subsequently, this tool was adopted by GoP and used to create the first ever national socio-economic registry (*the BISP poverty score card*).

Support for households scoring 0 - 23 on the BISP Poverty Score-Card:

Key characteristics³: families with a large number of dependents, often women headed; mainly illiterate; little or no assets (*land, housing, livestock, etc*); dependent on daily wage/casual unskilled labour; seasonal indebtedness.

Our Interventions:

- Social mobilisation and handholding at individual and community levels to capacitate and empower households (*ensuring inclusion of women, poorest households, persons with disabilities*)
- Asset transfers to 95,000 ultra-poor and vulnerable households (*0-18 on PSC*) of which 46% went to women
- Among the best practices adopted under the project was the use of the Poverty Score Card to target the beneficiaries for transfer of asset and training programmes and the use of Community Organisations to verify the poverty status of households to rectify any exclusion or inclusion errors
- Skills training for both asset transferees and other community members (*0-23 on PSC*) = 320,000 people trained
- Availability of Community Physical Infrastructure (CPI) to support access to basic services and markets



³Sources: Saboor, Abdul and Zakir Hussain (2005), The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis, in The Lahore Journal of Economics 10 : 1 (Summer 2005); ARIF, G. M. and FAIZ BILQUEES (2006) Chronic and Transitory Poverty in Pakistan: Evidence from a Longitudinal Household Survey; <http://pide.org.pk/Mimap/Report19.pdf>

Additional interventions for households from 0 – 40 on PSC

Key characteristics of households from 24 – 40 on score card: per capita monthly income between 100 - 200 per cent of the poverty line; households have experienced at least one period in poverty; any shock can bring them below the poverty line.

- In 2014, PPAF was asked to implement the PM's Interest free Loan Scheme to support poverty graduation and financial inclusion of poorer households (0 – 40 on PSC)
- Outreach to 44 districts and to date cumulative 350,000 loans disbursed
- PPAF established common interest groups around specific trades/skills, production centres and loan centres in 390 Union Councils to facilitate household groups to set-up their own businesses
- Focus on generating employment through locally managed employment hubs and digital centres



Up to 100 on PSC

- Households considered eligible for regular microfinance were offered specific financing options
- To date over 8 million loans and 60+ microfinance institutions supported (60% women borrowers since the year 2000)
- Developed innovative need based and client-centric products, such as micro insurance for risk management, value-chain development, women friendly business products
- Creation of the Pakistan Microfinance Investment Company Limited (PMIC) in 2016 to go to scale in attracting more capital and wholesaling microfinance



ASSESSMENTS & LEARNING⁴

The Development Economics Research Group (DECRG) of the World Bank undertook research and impact assessments of project components from 2009-16. In 2016 PPAF further engaged a third party firm to undertake a project completion report of its flagship PPAF - III project. The results further solidified our theories that community-driven integrated poverty graduation works well.

- The unit cost of establishing a community organisation and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs to implement, through these community institutions, the livelihood, community infrastructure and social sector programmes valued at USD 165 million. The community capacity to manage funds under PPAF was worth five times the funds invested in the community institutions
- In DECRG's research on social mobilisation, evidence showed that in inclusion villages close to 60% of the development funds provided were spent on projects women/the poorest prioritized, including 45% on toilets, drinking water, and health expenditures, and only 35% was spent on projects men prioritized. 60% of membership in community organisations was of women.
- Community implemented infrastructure was more pro-poor, less exclusionary, better maintained, better documented projects than those delivered by other channels
- PPAF's livelihood component underwent a 'Value for money' analysis based on the number of people who were provided different assets, vocational and technical training. Results showed that asset recipients earned incremental incomes between USD 500 to 1300 annually. Technical and vocational training recipients reported incremental income of USD 800
- Investment in livelihoods and enterprise development led to an internal rate of return of 138 % and net present value of USD 180 million at a discount rate of 10%

⁴ a. Mansuri and Gine, Development Economics Research Group (DECRG), MORE Research Project Briefs; b. Associates in Development, PPAF III Project Completion Report, 2016.

FURTHER TESTING FOR ROBUSTNESS OF APPROACH

Given the excellent results from the earlier research study, PPAF was interested in testing further theories around this poverty graduation approach. In collaboration with the Centre for Economic Research in Pakistan, researchers from University College London and London School of Economics are conducting further research to evaluate the causal impact of asset transfers on a wide set of household outcomes, with a more indepth examination of the efficiency of assets vs a one-off cash transfer of a similar amount.

The assessment includes a focus on households' engagement in different livelihood activities, labor productivity, earnings, consumption, savings, investments, women's economic participation and other aspects of overall economic and psychological well-being.

The evaluation is providing evidence on:

- (a) rates of return to asset and cash transfers
- (b) the underlying market failures and behavioral biases that create a wedge between these rates of return
- (c) the within community spillover effects of these transfers

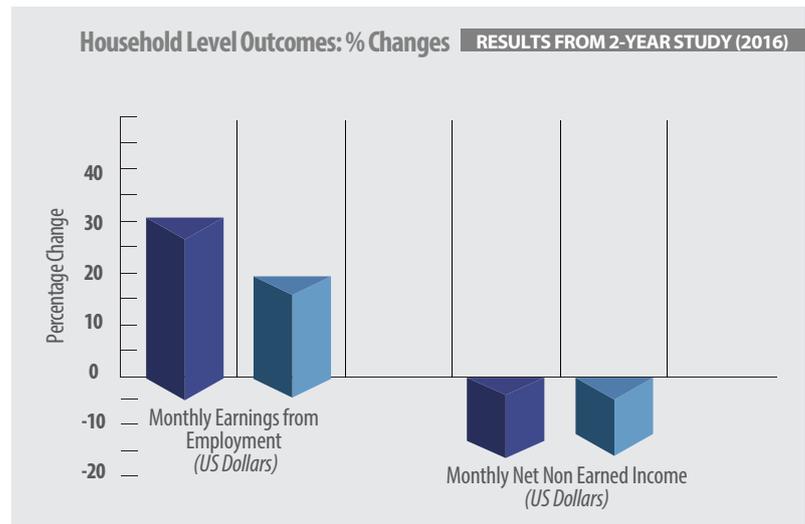
RCT on Asset vs Cash Transfers 2013-2018

- RCT Implemented in South Punjab: Bahawalpur, Bahawalnagar, Lodhran and Muzaffargarh
- Two NGOs in 103 randomly selected villages
- Sample: Randomly selected 1,832 treatment households and 1,554 control households in 58 villages received either asset or cash transfers
- Programme implementation: Asset vs Cash Transfer:
 - T1:** choice of asset transfer from an asset menu where household could choose multiple asset and related skill training up to the value of 6200 USD
 - T2:** same choices with one more listed option of equivalent valued unconditional cash transfer 6200 USD
- Two tracker surveys were conducted 4 and 8 months after the transfers
- 2-year Impact Studies also conducted (2015-2016)
- Final endline survey in early 2018 and Final Impact Study expected September 2018

CHANGES IN INCOME

Key findings:

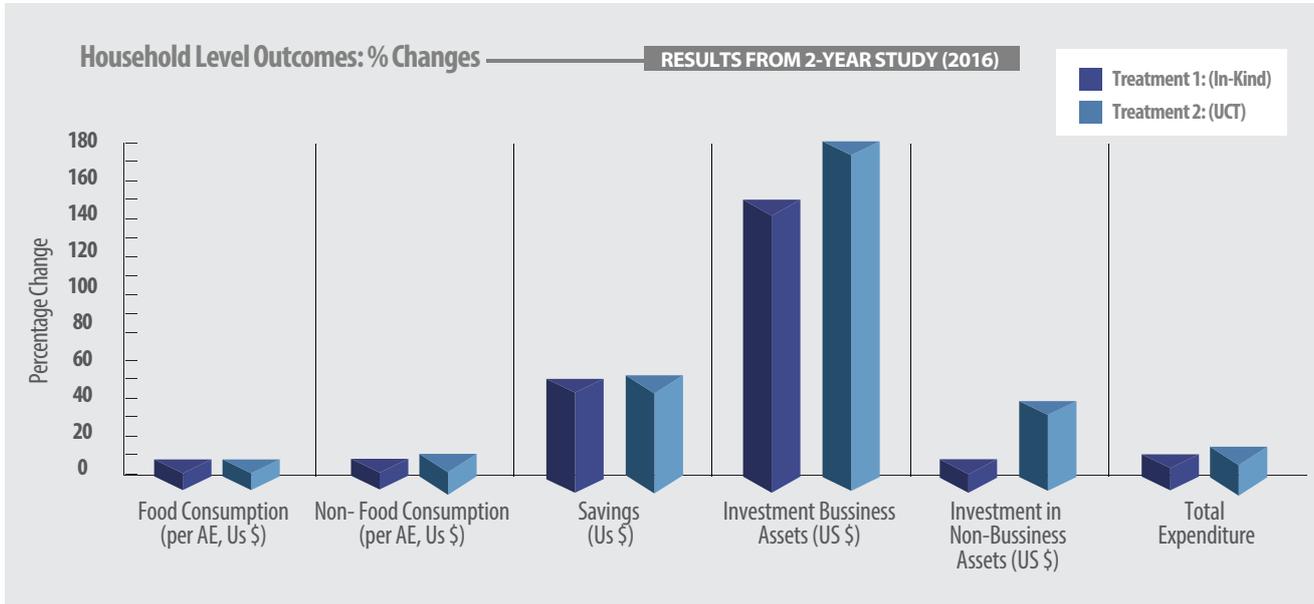
- Total monthly earnings increased for household heads by 35.5 and 26.6 US dollars for treatment 1 and 2 respectively.
- A significant occupational shift out of wage employment and into self-employment was noted. This also shows that the transferred assets have been largely retained and the household decision making and workings now revolve around those assets.



CHANGES IN EXPENDITURES

Key findings:

- Both food and non-food consumption increase by 6.8 and 7.2% for treatment 1 and 2 respectively
- Savings increase by 2.5 and 2.6 US dollars for treatment 1 and treatment 2 arms which is almost a 50% increase on average compared to the control group savings
- Investment in business asset increases by 2.0 and 2.4 US dollars for treatment 1 and treatment 2 respectively which translate into more than a hundred percent increase in business asset investment compared to the control group



At this point in time, no significant difference has been observed in the outcomes for households in both treatment groups (*i.e. those who received assets and those who received cash*). There are other variables and impacts that will be assessed after the completion of the endline study (2018), which will shed light into other dynamics such as market asymmetry, women's empowerment, occupational and income shifts.

POLICY IMPACT

■ **Inclusion of Graduation Programme into National Agenda:**

- PPAF's efforts in creating awareness and understanding within GoP on the benefits of graduation have paid off
- Ministry of Finance has highlighted poverty graduation as a key focus with a target of 250,000 households (*under the Benazir Income Support Program*) to be graduated
- As part of this focus, PPAF is implementing agency for a new GoP & IFAD funded National Poverty Graduation Program (2017-2023). The target is 156,000 households to benefit from graduation with a large segment being current BISP beneficiaries

■ **Collaborating with State Bank of Pakistan:** to provide financial literacy and further develop financial inclusion initiatives

■ **PPAF has offered to be Regional Secretariat for South and Central Asia:**

At the launch of the new CGAP and the World Bank's Social Protection and Jobs Global Practice (*SPJ*) platform

■ **Creation of the new Pakistan Microfinance Investment Company (PMIC):**

PPAF spun-off its microfinance arm into a separate for-profit company, supported by GoP, with equity investment from PPAF, KfW and DFID

This is directly linked to GoP's National Financial Inclusion Strategy – with PPAF as Lead Advisor

■ **Contributing to Government Policy-Making:**

PPAF is represented on a variety of government boards and committees allowing for field-based evidence and learning to be incorporated into government decision-making:

- Member – Benazir Income Support Programme, Board of Directors
- Member – Board of Investment (*chaired by Prime Minister*)
- Member – Economic Advisory Council
- Member – Special Committee/ Task Force, Planning Commission
- Member – Consultative Committee, State Bank of Pakistan

WHAT NEXT FOR PPAF

Our experience has revealed that stand alone poverty reduction interventions, whether cash assistance or other in kind initiatives, alone do not provide a holistic solution to the complex nature of extreme poverty. Social protection can be effective in smoothing consumption and protecting existing assets, but complementary interventions are needed to increase incomes and assets to the point where participants are ready to graduate from the assistance programmes. Next steps include but are not limited to:

Continuing with integrated community-driven development to tackle the multiple dimensions of poverty:

Building upon its learnings, PPAF continues to design and undertake integrated community development programmes which incorporate a variety of components: institutional development; water and energy; infrastructure; health and nutrition; education; financial inclusion; and of course, livelihoods.

National Poverty Graduation Programme: IFAD is supporting PPAF to continue taking forward its graduation programme – asset creation for 156,240 households and 214,000 IFL loans to 157,271 clients across 19 districts of Pakistan.

Tabeer-o-Tameer Fund: Through the fund, PPAF allocates financing (*through its own resources*) to sustain viable and active Union Council and village level organisations which have been formed under PPAF funding and are working in the poorest and most marginalised districts of Pakistan. The Fund enables communities to contribute to key SDGs in a sustainable manner, with a focus on governance and the empowerment of women.

Village Growth Accelerator Programme: PPAF is now poised at the point where it is developing as the natural aggregator for finance and solutions for village socio-economic development through accelerating agriculture, renewable energy and WASH services.

**Microfinance plus^{*},
MSME support &
development of
pro-poor value
chains**

≤ 100

Moving up the ladder: Designing the next level of programmes that link micro enterprises and households into the broader MSME sector, building capacity, business development opportunities, linkages to markets and value-chains, and policy level support to enhance the SME sector in Pakistan.



عشق، علم، عمل

پی پی اے ایف کی بنیادی اقدار اور اس کے کام کی اصل روح ہیں۔

The emblem denotes three words: *Ishq, Ilm, Amal* meaning profound love, knowledge and action – the core values driving the institution.



Pakistan Poverty Alleviation Fund

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