Alleviating extreme poverty using a market systems approach
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Market Systems Approach, Its Relevance to Extreme Poverty and the Case of SHOMOSHTI

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The approach is now widely adopted by agricultural, fisheries, livestock value chain development programmes worldwide for income and employment generation.

The approach is being increasingly adopted for water and sanitation market development projects, health systems development projects, skills development projects.

The interventions are primarily private sector driven; project supports are channeled to selected ‘lead firms’ who are seen as scale agents.
Some questions!

Extreme poor often do not participate in value chains...how can we reach them through a value chain centric approach?

Private sector does not scale interventions with extreme poor! Can we take a lead firm centric approach for extreme poverty interventions?

Public sector competes with private sector for social services at the bottom! How can we sustain and scale the interventions?
In Context of Extreme Poverty

- **Extreme poor**: High Resource ownership, High Income Diversity, High Vulnerability to shocks.
- **At risk of fall back**: Low Resource ownership, Low Income Diversity, High Vulnerability to shocks.
- **Poor but not at risk of fall back**: High Resource ownership, High Income Diversity, Low Vulnerability to shocks.

Coverage of the top down private sector driven approach vs Systemic vs Inclusion:

- Coverage of the bottom up project driven livelihood interventions vs Inclusion vs Systemic.
In Context of Extreme Poverty

**PULL**
- Led by formal and informal private sector with or without external aid funding
- Market systems strengthening
- Microfinance
- Skills Development
- Asset Transfer
- Social safety nets (CFW, VGD etc.)

**PUSH**
- Led by the Government and NGOs with external aid funding

Graph showing stages in graduation:
- Rehabilitation
- Income Generation
- Asset Building
- Expansion
- Income Diversification

Graduation Threshold Line:
- Year 1
- Year 2
- Year 3
- Year 4
- Year 5
- Year 6
- Year 7
- Year 8

Stages in Graduation:
- Graduation Pathway of the Vulnerable Households
- Graduation Pathway of the Transient Households
- Graduation Pathway of the Graduated Households

Graduation Pathway Modeling, Sarwar, R (2016)
Sustainable graduation out of extreme poverty requires both push and pull interventions. If intervened separately, the push approach can be inclusive but might not essentially be systemic; the pull approach can be systemic but not essentially inclusive.

Market systems approach in context of extreme poverty alleviation needs to look beyond private sector; marriage between public, private and NGO interventions are essential to have both inclusive and systemic impact in the graduation pathway.

The findings show:

01. Sustainable graduation out of extreme poverty requires both push and pull interventions.

02. If intervened separately, the push approach can be inclusive but might not essentially be systemic; the pull approach can be systemic but not essentially inclusive.

03. Market systems approach in context of extreme poverty alleviation needs to look beyond private sector; marriage between public, private and NGO interventions are essential to have both inclusive and systemic impact in the graduation pathway.
Market Systems Approach

Its Relevance to Social Services
Income and utilization of social services (health, water, sanitation, education) is not positively correlated.

Social services are primarily seen as public goods to be provided for by the government and facilitated by the NGOs.

Culture, behavioral norms, accessibility and availability of service providers dictate utilization of social services.

Low access and utilization of social services mean that the population remain vulnerable to fall back.
Interventions focusing only on Income & Employment

Interventions on both income and employment and utilization of Social Services

- Poor health
- Lean periods
- Shocks

- Access to health services
- Social safety nets
- Community savings + social safety nets

DECLINING INCOME

SUSTAINING INCOME
Take Aways from our Workshop
It is essential to understand the shifting poverty dynamics and position the interventions accordingly.

**Top-down and bottom-up approach should be aligned.** Bottom-up approach can help understand the poverty dynamics while top-down private sector driven approach can help scale interventions.

Market driven projects should aim to strategically target households that were supported through different social safety net programmes and aim to pull them up through integration with the market systems and sustain their graduation. Otherwise these households have high risk of fall back.
Agent banking and mobile financial services are the two recent inclusions in financial service provision for the poor. However, extreme poor communities are still being served through Micro Finance Institutions (MFIs).

**Projects are struggling to scale-up interventions targeted for the minority groups** like adivasis or dalits.

The partner institutions are yet to scale their services to hard to reach areas on their own and build on each other’s learnings.

**Projects are depending on MFIs for door-step financial services.** MFI can provide saving opportunities and loans but cannot provide the vehicles to transfer money from one place to another. Extreme poor households are thus not able to benefit from full range of financial services that the formal banking channel could have provided.
<table>
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<tr>
<th>Market Systems In Context of Women’s Economic Empowerment</th>
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<td><strong>Increasing income of the women may not necessarily improve her control on income</strong>, her ability to save and spend.</td>
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<td>Many projects have access to market (physical market) as an indicator for empowerment. <strong>Often, women voluntarily decide not to engage in trade in the physical market place</strong> as they find it as additional burden to their household roles.</td>
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<td>While projects are engaging women in more vocations in addition to their roles in the household, <strong>the role of men in the household activities remains unchanged</strong>.</td>
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<td>Gender norms at household and community level needs to be addressed for women’s economic empowerment; otherwise there is a risk that <strong>the burden of the women is increased due to project’s interventions</strong>.</td>
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<td>Private sector only approach may not be effective to change the gender norms. <strong>Projects need to find a bridge between community led approach and market driven approach to tackle the issues of women’s economic empowerment.</strong></td>
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The work of social provision is constitutionally the responsibility of the government, the entire sector is still highly dominated by the government and their subsidies.

Market systems approach works in mitigating the quality gap in public service provision; its a niche area that serves the households to shift to improved services.

The challenge in this context is to show the value added to the households to shift to improved quality services.

On one hand a project needs to work with the government policy, rules and regulations while on the other hand it needs to work with community for behavioral change issues as well. Light touch facilitation in this context does not deliver the intended results.
The Case of SDC-SHOMO MOSHTI
SHOMOSHTI
M4P APPROACH WITH THE INTEGRATION OF SOCIAL SERVICES
SHOMOSHTI Project Context

M4P approach contributes to increase of income

But only **income** does not lead to **Sustainability** of economic gains

Access to **social services** contributes sustenance of economic benefits
Outcome 1: Rural households (poor, disadvantaged and women) use new and improved market and social services

Outcome 2: Private service providers are more inclusive and public service providers are more responsive to the business and social needs of the poor, disadvantaged and women

PILLAR 1: Market driven
Business / technical services to agriculture, agribusiness and home/cottage based activities

PILLAR 2: Community led
Social services and savings systems

Aims to bridge between income and utilization of social services to ensure sustainable pathway out of poverty for 180,000 Households
SHOMOSHTI SERVICE LINKAGE MODEL

PUBLIC SECTOR → COMMUNITY MOBILIZATION → PRIVATE SECTOR

COMMUNITY MOBILIZATION → PARTICIPATORY POVERTY ANALYSIS

PARTICIPATORY POVERTY ANALYSIS → SERVICE BARRIERS

SERVICE BARRIERS → COMMUNITY ACTION PLAN

COMMUNITY ACTION PLAN → LOCAL SERVICE PROVIDERS

SOCIAL CHANGE AGENT
SOCIAL SERVICES – RESULTS AT A GLANCE

158,522 HHs (58,683 women) accessing improved services

Collaborates with Ministry of Health, DPHE, LGD, private sector social service providers

72% HHs are satisfied compared to 25% in baseline on access to improve social services

3,586 Social Change Agents (62% women) creating access to social services

29 SCAs cooped with UP standing committees

Over 70% households involved in community based savings
SOCIAL SERVICES

Health

90,119 HHs

WATSAN

42,587 HHs

Social Safetynet

17,890 HHs

VSLAs, Savings

127,589 HHs

Education

3,362 HHs

Total households

HHs of women headed /women member

Producer households

-5000 0 10000 20000 30000 40000 50000 60000 70000 80000 90000 100000 110000 120000 130000 140000 150000 160000

Water & Sanitation  Health Service  Safety-net  Savings  Support to get loan  Tutorial Centre

Total households

HHs of women headed /women member

Producer households

Water & Sanitation

42,587

Health Service

90,119

Safety-net

17,890

VSLAs, Savings

127,589

Education

3,362

Total households

HHs of women headed /women member

Producer households
Community’s role in demanding services

Important to link services with income and wellbeing

Facilitate services through local and national providers

Gather evidence in favor of social service provision in market systems programs
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