

Do Systemic Interventions Reach the Poorest of the Poor?

By Marcus Jenal



This document captures the main points of a discussion that took place in the LinkedIn Group of the Market Facilitation Initiative (MaFI) between April and May 2010. The question discussed was:

Do systemic interventions reach the poorest of the poor or is there a false dichotomy between “systemic” interventions and focalised interventions on communities or “the very poor”?

The dichotomy identified by Marcus Jenal, the initiator of the discussion, was that “[i]n contrast to market development activities, where it is clearer (although not always easy) how to target the system in order to make the market work better for the poor¹, when

working with extreme poor¹, the interventions are often pretty direct and less systemic.”

During the discussion, it became soon clear that there is no such dichotomy, mainly because it was obvious for all participants that the poorest are part of a wider system. The success of every intervention will eventually depend on, but also influence the functioning of this system.

Make Safety-Net Interventions Systemic

There seemed to be a consensus among the participants regarding two essential points:

1. Highly focused, contextually-specific interventions – if properly implemented – seem to be among the most effective to improve the livelihoods of the rural extreme poor.
2. The wider system in which the extreme poor live in has to be carefully analysed and systemic constraints faced by the poor have to be tackled in order to make targeted interventions successful and sustainable.

In other words, the extreme poor hardly profit from interventions that target the general improvement of systems where the poor belong to, most often market systems, because they lack the means to engage in productive activities. Hence, focused interventions like the direct provision of productive assets can enable the extreme poor to access opportunities within those system. On the other hand, if only direct interventions are done without taking into account the constraints of the wider system, the interventions are prone to failure.

Hence, as pointed out by Mike Albu, “(...) where good analysis of the market system has shown that asset poverty is a binding constraint AND other interventions are in place to ensure the wider market system works well enough to maintain the gains that extremely poor beneficiaries [sic] achieve, then direct asset transfers may be a highly appropriate ‘systemic’ intervention.”

As clearly stated by Jim Hochschwender, to make the wider system work, there has to be an “enabling environment”, including social, economic, policy, education, health and political elements but also a national strategy that encompasses, incorporates and includes the poorest portions of the population.

One drawback of direct asset transfers was pointed out by Luis E. (Lucho) Osorio-Cortes: “Interventions where significant subsidies are directed at groups of very poor people are prone to corruption, power abuses, and information asymmetries”. They are furthermore expensive², small scale, and tend to create dependencies instead of empowerment. Thus, as Molly Ornati points out, “[d]irect asset transfers have to be carefully targeted and implemented with a range of complimentary

poor

services”. Some of those services could be technical training, savings group integration or measures targeting health and education. ‘Hand-holding’ during the process is essential to build the confidence of the people. Confidence being “an asset (human capital) that is so essential for a better and more productive life”, as pointed out by Jan Maes. Similar conclusions were drawn by a recent study³ of the Institute of Development Studies (IDS) cited by Lucho: “While safety net programmes may reduce immediate vulnerability, they do little to build the other aspects of competence, in particular the element of voice. A long-term, nuanced approach to intervention needs to be adopted that focuses on the agency, competence and interconnection of pastoralists in their relations with government, traditional institutions and service providers.”

Institutionalisation of Safety-Net Interventions

“Asset transfer may solve certain issues at critical times, but might not lead to any kind of systemic change (...) [and] without any longer term vision, can reinforce entrenched poverty.” writes Linda Jones. In order to achieve changes in the system and increase the sustainability of such interventions, they have to be institutionalised. Different possibilities of institutionalisation of such interventions were brought up by Marcus: “One possibility is to develop the social capital of the community leading them to be more inclusive and support the poorest of their community by raising funds and mobilise other local resources.” This could happen through communities giving favourable loans or even grants to assetless community members to start their own business or through the local government providing access to land or water bodies.

Service contracts between the extreme poor and service providers, where a service provider provides initial investments, inputs, and services on a profit sharing basis while the extreme poor invest only their labour also seem to be promising. Especially, since they also directly help the extreme poor to build up productive assets.

“One could also think to involve socially responsible enterprises or social enterprises that finance their investments to the poor or cover the risk when working with the poorest through other profitable businesses”, according to Marcus.

Linda concludes that “[a]lthough the very poor may be assetless in terms of savings, land or other saleable items, they often have available resources – time, energy and ingenuity.” These resources can be used to make them valuable partners for other market actors in a specific value chain, as experienced by Linda in a project in Pakistan, where homebound rural women were integrated in a women to women network that enabled the poorest and least mobile women to participate in a market chain for embroidery.

Employment Creation for the Extreme Poor

Many intervention targeting extreme poor aim at enabling them to set up their own small business. However, as Jan points out: “Some people argue that trying to set up everyone with some sort of micro-enterprise activity is not feasible and does not add much ‘economic value’. Instead, if we were to focus on market facilitation [sic] and access to finance for SMEs (especially those with high employment potential) we might be more [sic] successful.” This statement is also backed by the original PISCES study done by USAID in 1979-80 cited by Jim which found that the majority of microentrepreneurs would rather be working for someone else than themselves.

Analysing the Systems the Extreme Poor Belong To

“According to me the reason why we still have so much poverty is not because of a lack of interventions, but because of an ignorance about how systems work leads to un-systemic interventions” observes Shawn Cunningham. According to him, the poor are part of a variety of systems and “[t]hus even a clumsy intervention aimed at the poor will affect the systems that the poor form part of. Whether it will actually positively influence the system in a systemic way is then questionable.”

Shawn further points out that “(...) systemic interventions recognise the complexity of this system, and tries to influence or change the behaviour of the larger system in a temporary or permanent way. This can hardly be done with one intervention aimed at one target group (for instance grants) as the benefits may be simply offset by changes of behaviours elsewhere in the larger system. (...) These interventions would have to recognise the complexity and adaptive behaviour of human systems in order to stand any chance at succeeding.”

Hence, the basis of every intervention – targeted on the extreme poor in particular or on improving (market) systems in general – is a thorough and comprehensive analysis of the system(s) the poor live in. “Systems analysis implies to set boundaries to a part of the system we want to analyse (e.g. only the market system, the social system of the community, etc.), not neglecting however the external influences on the system”, concludes Marcus.

How such an analysis can be done in practice and what experiences have been captured by different practitioners should be the topic of a follow up discussion at the MaFI group.

¹ Although the bottom 10% were mentioned, no formal definition of ‘extreme poor’ or ‘poorest of the poor’ has been introduced in the discussion.

² However, see TED talk by Esther Duflo where she shows that in some instances direct asset transfer can be more efficient and effective than other measures. See http://www.ted.com/talks/esther_duflo_social_experiments_to_fight_poverty.html [accessed 14/05/2010]

³ IDS Working Paper 340, April 2010, Raising Voice – Securing a Livelihood: The Role of Diverse Voices in Developing Secure Livelihoods in Pastoralist Areas in Ethiopia in Solo and Manado, Indonesia.