

TACKLING URBAN POVERTY IN PARAGUAY

Adapting the Graduation
Approach to Urban Contexts



INTRODUCTION

In Paraguay, Fundación Capital is working with the national government to tackle growing rates of urban poverty through the adaptation of Graduation methodologies to urban settings and contexts.

A pilot of an urban Graduation strategy started in March 2017, building on three years of successful implementation of rural Graduation projects in the country. Reaching families in the urban areas of Asunción and Central department, the urban Graduation strategy uses the current social protection programs as a launching pad for reaching the most vulnerable urban families and further supporting them in improving their income generation prospects.

This is done through the enhancement of participants' technical and life skills, promotion of financial inclusion, and fostering institutional alliances that, all together, will help participating families to access formal job opportunities or create their own micro-enterprises. Through increasing their income, these families strengthen their resilience, improve their life standards, and, most importantly, define their own paths out of poverty.

ADAPTING THE GRADUATION APPROACH TO URBAN SETTINGS

According to a report presented by Paraguay to the United Nations (SENAVITAT, 2016), one of the main requirements needed to improve the conditions of families living in vulnerable urban settlements is to strengthen poverty reduction programs and implement income generation and financial education policies.

The urban Graduation strategy in Paraguay takes advantage of what has been done in rural areas through *Sembrando Oportunidades Familia por Familia Program*¹ (see Box 2), building off of the lessons learned there and adapting to the new, urban context.

Designed in partnership with the Secretaría Nacional de la Niñez y Adolescencia (SNNA - National Secretariat for Childhood and Adolescence), the urban Graduation strategy is fully embedded into existing social protection programs in order to amplify its reach, impact, and sustainability. The strategy strengthens the implementation of *Abrazo Kyre'y*, the income generation component of *Programa Abrazo* (see Box 2), while also creating synergy and sustainability with the existing structures and systems for

1. To know more about this program please visit:
www.cgap.org/blog/sowing-opportunities-and-growing-possibilities-paraguay

reaching the most vulnerable families. Implementing the urban graduation strategy within the framework of *Programa Abrazo* brings some important advantages, for example, the most vulnerable families of *Programa Abrazo* already receive a consumption support (through a conditional cash transfer), an important component of the Graduation Approach, and the *Programa Abrazo* caseworkers and centers provide an enabling structure to implement training and coaching activities with participating families.

Key adaptations that have been put in place for the urban context include:

- ☰ **1. Access to formal jobs:** Since cities offer a greater variety of job opportunities, and some participants prefer joining the labor market to starting their own business, the strategy offers two routes for income generation: the more traditional Graduation focus on entrepreneurship and a new route for formal employment. The employment route facilitates participants' access to formal jobs through training and coaching, connections to job opportunities offered by partner organizations, and participation in job fairs. This way, families can decide for themselves the best route to increasing their income, which ultimately promotes autonomy and self-initiative. Additionally, participants that choose a specific route can still access the workshops and training materials from the other route, keeping both options open.
- ☰ **2. Access to credit:** As compared to their rural counterparts, participants of the urban Graduation strategy have higher incomes on average, and income poverty is less acute. This does not mean, however, that they are less vulnerable, since people living in situations of urban poverty are frequently more exposed to other sources of hardship (violence, health risks, eviction).

BOX 1 | Urban Poverty in Paraguay

In the past decades, Paraguay has faced a sharp increase in migration from rural areas to urban ones, with the percentage of its population living in urban areas growing from 35% in 1950 to 60% in 2015 (EPH 2015). Cities are struggling to cope with this significant growth, and to provide adequate public services (housing, sanitation, infrastructure, etc) for these new residents. This has resulted in the creation of 'poverty belts' - low income neighborhoods that now ring many of the country's cities.

While poverty and extreme poverty rates in Paraguay are lower in urban areas (15.44% and 4.67% respectively) when compared to rural areas (32.49% and 7.93%) (EPH 2015), there are marginalization and exclusion aspects that are more prevalent in urban areas, including:

- reduced self-sufficiency strategies,
- higher exposure to health risks relates to unplanned urbanization,
- higher fragmentation of the social fabric,
- higher exposure to violence and drugs,
- low land and housing tenure and higher risks of eviction

However, this difference does make them more suitable for accessing formal credit as a source of seed capital for their business (for those following the entrepreneurship route). The urban Graduation strategy seeks to prepare participants that choose the entrepreneurship route to access formal credit in a responsible way, so that they avoid over-indebtedness or the use of informal lenders -- a practice that is harmful but extremely common among participants. The strategy also partners with financial institutions that can offer credit with lower interest rates (around 15%, compared to 27% in the formal market and 50% or more with informal lenders) and fewer requirements.

Access to credit is also a strategy to reduce overall program costs and enhance its scalability potential, since in rural Graduation programs between 40% to 50% of the actual cost consists of the asset transfer (which can be in the form of cash, livestock, seeds, etc, depending on the type of Graduation Approach) that is provided for the families to invest in their business plan.

- ☛ **3. Leveraging the use of mobile technologies:** The design of the training component incorporates the use of mobile phones and social networks to share content, taking advantage of the higher rates of mobile phone ownership and better connectivity in urban areas. This strategy is aligned with the fact that urban citizens usually have less available time, more exposure to a wide variety of competing activities, and seek a quicker return on the investment of their time in any skills training. Therefore, technologies are used to reduce the hours of face-to-face workshops by streamlining content and focusing on practicality over extended mentoring.

BOX 2 | Key Poverty Reduction Programs in Paraguay that integrate the Graduation Approach

RURAL AREAS

Sembrando Oportunidades

Rural social protection program that seeks to increase vulnerable families' income and their access to social services.

Sembrando Oportunidades Familia por Familia

The extreme poverty reduction strategy within Sembrando Oportunidades, specifically designed by Fundación Capital and the national government to integrate a Graduation Approach into existing government social protection programs and public policy. It has reached approximately 13,000 participants to date.

URBAN AREAS

Programa Abrazo

Urban social protection program that focuses on progressively tackling child labor by guaranteeing the rights to education, health and social protection of children aged 0 to 14 years old who are engaged in any type of economic activity. Operates through centers staffed with caseworkers, where children receive food supplements, care (nursery), and academic support, while their parents are working.

Abrazo Kyre'y

Income generation component of Programa Abrazo; aims to fight poverty and enhance parents' income generation capacities. Fundación Capital is currently working with the national government to strengthen Abrazo Kyre'y through the implementation of a Graduation Approach adapted to urban areas.

In addition to these adaptations, the program addresses the core Graduation components (see Box 3) through:

- ☰ **1. Targeting:** The urban Graduation strategy targets the most vulnerable families participating in *Programa Abrazo* in the urban areas of Asunción and Central department. *Programa Abrazo* uses two instruments to identify and segment the program's families: the Household Sheet that identifies the household composition and the Life Quality Index that identifies a series of variables such as access to public services, housing conditions and income generation. The families that are identified as the most vulnerable receive a conditional cash transfer (CCT) from *Programa Abrazo* to complement their income, and these are the families that are included in the urban Graduation strategy.

The urban Graduation strategy will initially reach approximately 230 families, distributed across four of *Programa Abrazo's* centers. After adapting the design to incorporate the lessons learned during the pilot phase, the strategy plans to gradually expand so as to reach the more than 3,000 families participating in *Programa Abrazo*.

- ☰ **2. Consumption support:** Basic consumption support is a key piece of the Graduation Approach. As discussed, the families that participate in the urban Graduation strategy are among the most vulnerable families participating in *Programa Abrazo*. These are families that are already receiving a conditional cash transfer (CCT) and are therefore already receiving basic consumption support. The amount of the monthly transfer varies according to the number and age of children in each family, but the average is 62 USD. To receive

BOX 3 | Components of the Graduation Approach

The **Graduation Approach** aims at building a first step so that vulnerable households can overcome extreme poverty in a sustainable way, and be on a positive development path. It sequentially combines different components under a multidimensional approach, with emphasis on creating sustainable livelihoods by strengthening families' productive, financial, human, and social assets. The five basic components of graduation are:

1. Consumption Support

Consists of small monetary stipends or foodstuffs to allow for "breathing room" and reduce individuals' daily stress.

2. Financial Inclusion

Participants are encouraged to save, preferably

through formal banking institutions, to ensure the safety of their savings, and to adequately use the financial system in order to contribute to the development and formation of their assets.

3. Asset Transfer

To strengthen participants income-generating activities.

4. Life Skills Coaching

A personal coach will regularly visit the homes of participants and provide training on basic skills of entrepreneurship, financial literacy, and personal development (such as self-esteem, empowerment, communication and teamwork).

5. Technical Skills Training

Participants receive training on how to manage their specific business.

the transfer, families have to comply with some conditions related to children's education, nutrition and health.

- ⇒ **3. Financial Inclusion:** In the past, Fundación Capital supported SNNA in the transition from paying *Programa Abrazo's* CCT with cash to using electronic payments. Nowadays, program participants receive their transfer through a savings account and a debit card. To ensure a successful transition, Fundación Capital and SNNA designed financial education workshops for participating families, covering topics such as savings, budgeting and debt, which participants in the urban Graduation strategy - as recipients of *Programa Abrazo's* CCT - have already completed.

The *financial inclusion* component builds on this previous experience by reinforcing families' financial skills with complimentary topics as part of the *life skills coaching component*. Since people in cities are more familiar with key financial concepts and business management than their rural counterparts, the contents are adapted so that they are not considered repetitive or 'too easy'. Moreover, people living in urban areas have greater access to financial institutions, and consequently, are more exposed to over-indebtedness, resulting in the need for more discussion of healthy debt management.

Additionally, the financial inclusion component seeks to improve families' access to adequate financial products. This is done through strategic alliances with financial institutions, so that participants can better manage their personal finances as well as their business investments.

- ⇒ **4. Asset Transfer:** Due to the characteristics of the target population and to reduce overall program costs, the urban Graduation strategy does not provide an asset transfer to participants that choose the entrepreneurship route. Instead, after completing their training and coaching, participants receive support in the development of an investment plan. Through alliances with financial institutions, the urban Graduation strategy aims to facilitate participants' access to the formal financial system to obtain credit in a responsible way, so that they can use it as a seed capital to start or improve their business.

Participants that choose the employment route are not connected to credit options, since the strategy facilitates their access to formal job opportunities.

- ⇒ **5. Life Skills Coaching:** Coaching is channeled through both direct face-to-face methods (one hour workshops given by the *Programa Abrazo's* caseworkers already working with the families) and virtual methods (text messages, info graphics, short videos, gifs and segmented *WhatsApp* (a free messaging application widely utilized around the world) groups).

The workshops are structured to be short and very practical, following the structure of *What* (concept transfer), *Why* (concept's utility), and *How* (concept's practical application). Participants also receive a printed workbook that contains the key lessons.

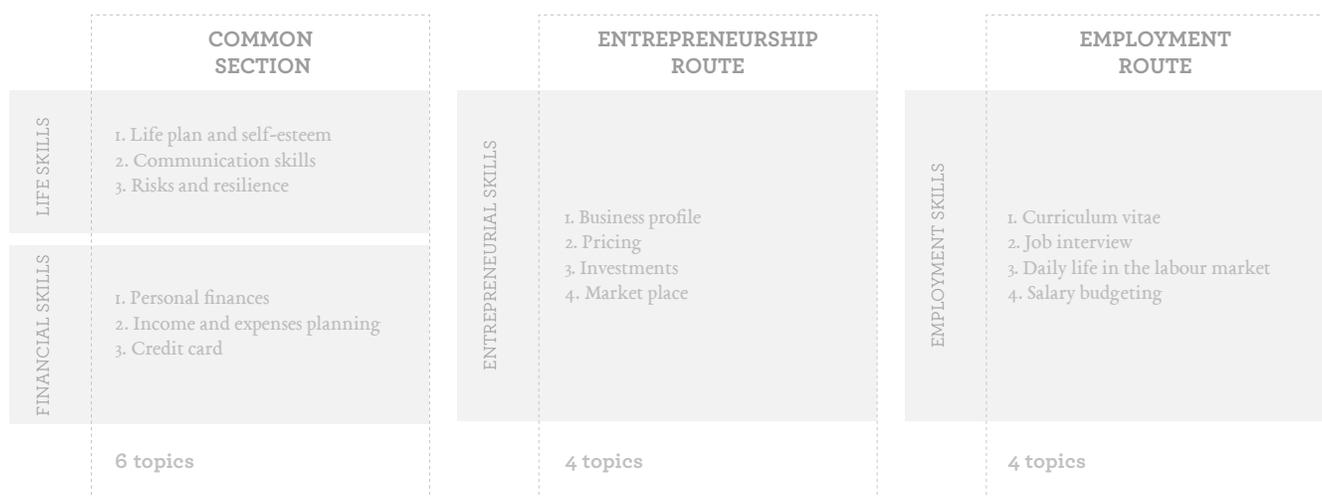
The curriculum is divided into two sections (see figure below). The first is a common section that targets all the participants and covers transversal topics on life skills and financial skills. The second section varies according to the route that the participant has chosen and focuses on developing either employment or entrepreneurial skills.

This component also includes a follow up strategy, in which *Programa Abrazo*'s caseworkers visit participating families in their homes once a month to check their progress, as well as make monthly phone calls. In this way, families receive a follow up contact twice a month to make sure that they are engaged with the program and improving their skills.

After finishing their training, participants that have chosen the employment route are encouraged to participate in job fairs organized by the program or by program partners. This is done through alliances with companies, trade unions, the *Ministerio de Trabajo, Empleo y Seguridad Social* (MTESS) and local governments. Additionally, the strategy seeks to build alliances with private local companies that are interested in offering formal jobs to program participants. Alternatively, participants that have chosen the entrepreneurship route are connected to responsible credit options to use as seed capital for their business.

- 6. Technical Skills Training:** The common section of the *life skills coaching* is complemented by technical training on the specific productive activities chosen by participants, given by partner organizations. Furthermore, the strategy also foresees the implementation of a mentoring scheme under which recognized businesspeople and entrepreneurs will be invited to donate part of their time for sessions with the participants, to provide guidance and tips on certain businesses best practices.

FIGURE 1 |



WHAT DOES SUCCESS LOOK LIKE? EVALUATING RESULTS

In order to evaluate if the urban Graduation strategy is achieving its objective of improving the income generation prospects of families living in extreme poverty in urban areas, the following aspects of the program are being analyzed through an internal process evaluations:

- ☰ Whether family members were able to enter the labor market and increase their income.
- ☰ Whether family members were able to create or improve their own business and increase their income.

If these objectives are not met, the strategy will be analyzed to determine the reasons preventing families from improving their condition, so that they can be considered in future scale ups. All lessons learned and best practices will be integrated into the future iterations planned, with the ultimate goal of helping all vulnerable citizens graduate from urban poverty.

1. Follow our Urban Graduation Strategy, and all of our programs, at www.fundacioncapital.org and on Facebook and Twitter.