



Preserving the Essence,
Adapting for Reach:

Early Lessons from Large-Scale Implementations of the Graduation Approach

PERU Case Study
by Lucy Conger

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Xavier de Souza Briggs
Vice President Economic Opportunity
and Markets
The Ford Foundation

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FOREWORD

Inequality remains at very high levels globally, limiting prospects for overall economic growth as well as opportunities for the poor and disadvantaged to get ahead. Combatting inequality in all of its forms is central to the mission of the Ford Foundation, and reducing inequality requires addressing the incomes and assets of the poor *and* addressing the alarming gap between those at the top and bottom of the economic ladder.

In this context, reducing or eliminating extreme poverty worldwide is a critical strategy, encompassed in the United Nations' Sustainable Development Goal #1: "End poverty in all its forms everywhere." A recent World Bank report estimated that close to 900 million people, or about 13 percent of the world's population and 15 percent of the population of developing countries, live on less than \$1.90 per day – the updated international poverty line as of 2015.¹

Unfortunately, most development interventions, including microfinance and livelihood development programs, have not addressed the needs of the extreme or ultra-poor because these populations tend to be the hardest to serve: they are socially and geographically isolated, own few or no assets, have limited livelihood prospects, and often suffer from poor health.

As a striking exception, one of the most promising approaches for promoting the social and economic mobility of the extreme poor has been the "Graduation Approach," originally developed as the "Targeting the Ultra Poor" program by BRAC in Bangladesh. The Graduation Approach is a holistic livelihoods program designed to address the multi-dimensional needs of extreme poor households. The Approach consists of five core components: time-limited

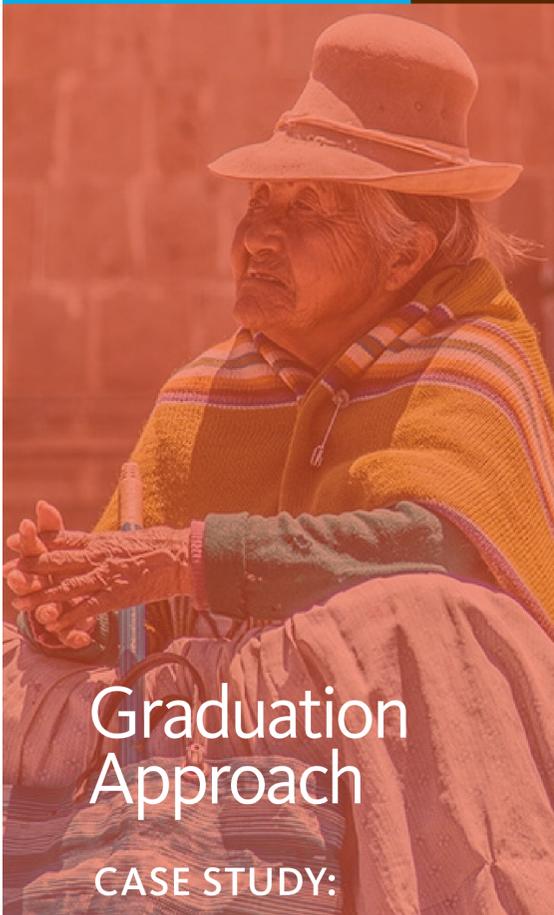
¹ See Cruz, Marcio, James Foster, Bryce Quillin, and Philip Schellekens. October 2015. *Ending Extreme Poverty and Sharing Prosperity: Progress and Policies*. World Bank Group Policy Research Note. Washington, DC: World Bank.

consumption support; a savings component; an asset transfer; training in how to use the asset; and life skills coaching and mentoring. The theory of change underlying the model is that this mix of interventions, offered in the appropriate sequence, would help the ultra-poor to "graduate" out of extreme poverty within a defined time period.

Based on the promising results achieved by the BRAC model, the Ford Foundation partnered with the Consultative Group to Assist the Poor (CGAP), a global partnership of 34 leading development organizations housed at the World Bank that seeks to advance financial inclusion. Together, we decided to adapt and test the Graduation Approach through pilot projects implemented by nongovernmental organizations at 10 sites in eight countries in Asia, Africa, and Latin America between 2006 and 2014. The Foundation and CGAP also put in place an ambitious research and learning program to document the impacts of the pilot projects and to disseminate the results widely. I want to thank our CGAP partners as well as Frank DeGiovanni, former Director of Financial Assets here at the Ford Foundation, who played a vital role in developing this powerful work and documenting its impact.

The findings from the rigorous evaluations of the CGAP-Ford Foundation pilots, as well as from BRAC's ongoing program, have been extremely positive.² Results of the randomized experiments from the pilots show that, compared to control groups, program participants earned increased levels of income and achieved sustained gains in household consumption, assets, and food

² See for example: Banerjee, Abhijit, Esther Duflos et al. "A multifaceted program causes lasting progress for the very poor: Evidence from six countries." *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12; Balboni, Clare, Oriana Bandiera, et al. December 2015. *Transforming the economic lives of the ultra-poor*. London: International Growth Centre.; Fahey, Alison. 2015. *Building Stable Livelihoods for the Ultra-Poor*. J-PAL and IPA Policy Bulletin. Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.



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security at least one year after the two-year pilot programs ended.³ Renowned economists have in fact characterized these results as among the most powerful and impressive ever achieved by an anti-poverty intervention.⁴

These findings suggest that the Graduation Approach is an effective and scalable intervention with impacts that are sufficiently robust to persist over time.

Based on these interim findings, the Foundation and CGAP designed an ambitious strategy to reach out to government policy makers to help them understand the potential of the Graduation Approach to serve large numbers of extremely poor people develop sustainable livelihoods and move into the market economy over time. The key is embedding the Approach in government social protection or large-scale anti-poverty programs.

The Foundation and CGAP undertook three years of systematic outreach to bilateral and multi-lateral donors and policy makers from 24 developing countries beginning in 2012. In addition, the Foundation funded technical assistance and outreach to governments in Latin America to assist them in adapting and piloting the Graduation Approach. These efforts have borne fruit. A scan conducted by CGAP in December 2015 indicated that 22 governments in Asia, Africa, and Latin America were in the process of piloting or adapting the Graduation Approach within their national social protection strategies, while 13 NGOs and one donor agency also were developing their own versions of the Graduation Approach.⁵ This level of uptake is very encouraging.

³ The evaluations of one of the pilots in India and the BRAC Targeting the Ultra Poor Program tracked the impacts of the Graduation Approach five years after the end of the interventions. In both cases, the improvements in well-being for program participants persisted.

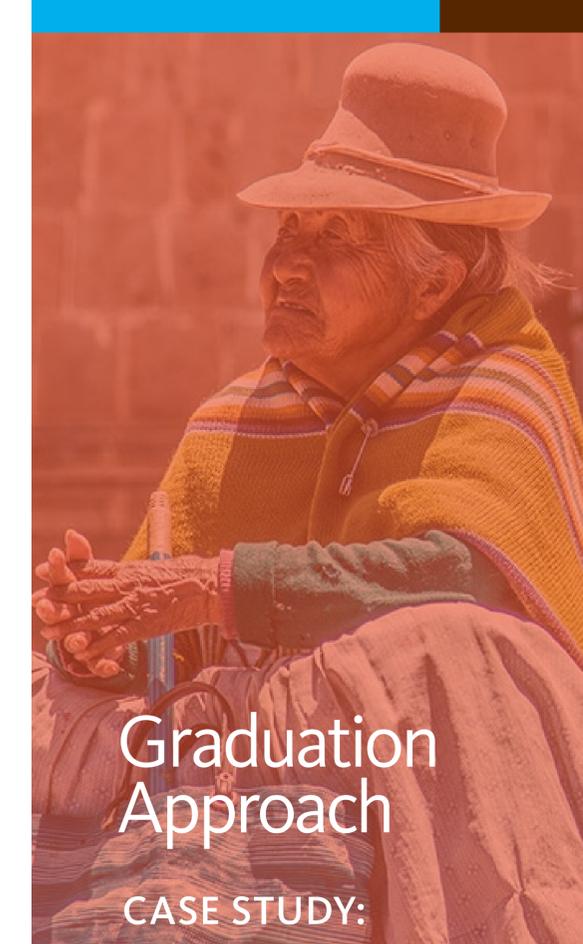
⁴ At the CGAP-Ford Foundation convening on the Graduation Approach held in Paris in June 2014, Yale economist and founder of Innovations for Poverty Action (IPA) Dean Karlan stated: “IPA had been involved in about 500 or so randomized trials over the years. Of these, I could count on one hand those I was confident enough advising policymakers to scale up. The Graduation Program would now be on that list.”

⁵ See CGAP, “Graduation Factsheets”, www.microfinancegateway.org/sites/default/files/graduation_factsheets_overview_december_2015_pdf

We recognize that governments and NGOs will need to adapt the “classic” version of the Graduation Approach as broader integration with social policy happens around the world. Governments face different challenges than NGOs, scaling brings its own set of challenges, and programs must be tailored to address differences in regional contexts. With these factors in mind, we commissioned these case studies of three governments and one large NGO who are scaling the Graduation Approach within their ongoing programs.

The widespread prevalence of extreme poverty across the world is unacceptable. It affects both current and future generations. But beyond being unacceptable, it is unnecessary, as these powerful Graduation results underscore. We celebrate the commitment of governments, NGOs and private sector partners to helping extremely poor households develop sustainable livelihoods. And we hope that the lessons provided—by the case studies and the companion analysis which synthesizes the lessons learned—will embolden other governments and NGOs to adopt, adapt, and scale up an approach that works.

Xavier de Souza Briggs
Vice President, Economic Opportunity and Markets
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INTRODUCTION TO THE GRADUATION APPROACH

Among the development approaches aimed at reaching the extreme poor, one of the most promising has been the “Graduation Approach,” originally developed by BRAC in Bangladesh. BRAC’s theory of change was that with the right mix of interventions, offered in the right sequence, households could “graduate” from extreme poverty into sustainable livelihoods within a defined time period.

The “classic” Graduation Approach begins with consumption support, mindful that part of what it means to be extremely poor is that the person is so overwhelmed by survival-level issues such as food security that she cannot meaningfully tackle any longer-term livelihood strategies. Once those basic needs have been met, participants receive support in saving money (a vital tool in managing risks). They are also helped to identify a sustainable livelihood that is suitable for their interests and aptitudes, and also for the local market (e.g., animal husbandry, shop-keeping, weaving or tailoring). Then they receive an asset to help launch that livelihood (e.g., goats or sheep for animal husbandry; an inventory of goods for shop-keeping) and related technical skills training. Finally, Graduation participants receive intensive personalized life-skills coaching throughout the life of the program.⁶

BRAC clients who participated in the Graduation Approach appeared to experience improved family nutrition, health, and other well-being indicators and, moreover, to sustain these improvements over time. The question then became whether the BRAC experience in Bangladesh could be replicated by other providers in other

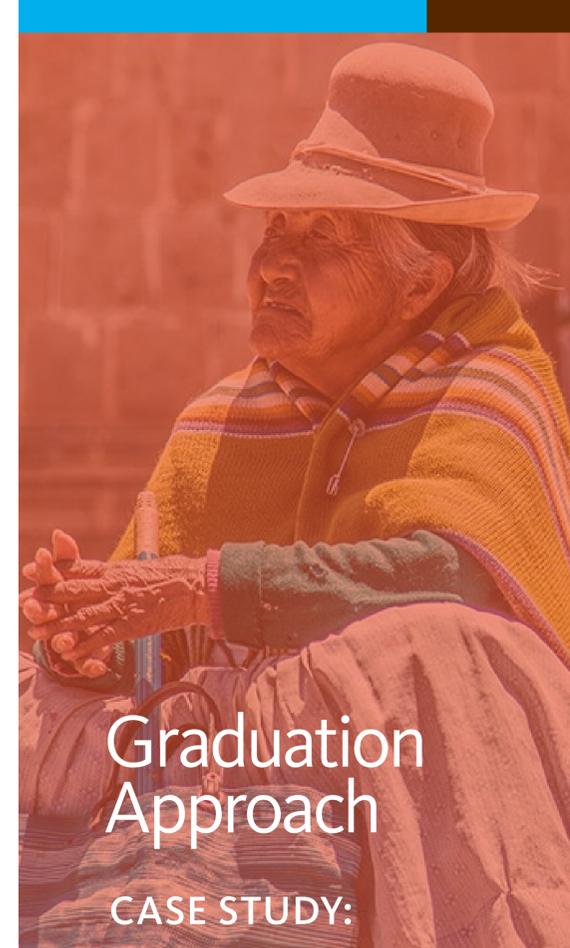
⁶ CGAP has recently changed the terminology it uses to describe the elements of the Graduation Approach. As the case studies were written before this change, we have kept the original terms. CGAP’s new terminology for each component is: Consumption Assistance; Financial Inclusion; Training; Seed Capital; Mentoring.

geographical and cultural contexts. So from 2006 to 2014, the Ford Foundation, CGAP, and several international and local partners tested and adapted the Approach through 10 pilot programs in eight countries.

The findings from the CGAP-Ford Foundation pilots, as well as from BRAC’s ongoing program, have been extremely positive.⁷ Quantitative and qualitative studies show that, compared to peer groups, program participants were earning more income and achieving stable improvements in their well-being long after the program concluded, with sustained gains in household consumption, assets, and food security. In other words, the answer to the question about whether the successes achieved with the Graduation Approach in Bangladesh could be replicated elsewhere appeared to be a resounding “yes.”

The question remained, however, how to operate the Graduation Approach at scale. The very factors believed to make it so effective—highly personalized, wrap-around services delivered with compassionate, skilled, and individual attention—also make the “classic” Graduation Approach time- and labor-intensive and costly. So CGAP, the Ford Foundation and their partners next began exploring how best to support large-scale adaptations and implementations of the Graduation Approach, especially by governments. The results of four of those adaptations are the subject of this series of case studies commissioned by the Ford Foundation. Three of the cases (Ethiopia, Colombia and Peru) describe government-led programs; the fourth (India) covers the ongoing Graduation work of Bandhan Konnagar, one of the original 10 CGAP-Ford Foundation pilot programs.

⁷ See for example: Banerjee, Abhijit, Esther Duflo et al. “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12; Balboni, Clare, Oriana Bandiera, et al. December 2015. *Transforming the economic lives of the ultra-poor*. London: International Growth Centre.; Fahey, Alison. 2015. *Building Stable Livelihoods for the Ultra-Poor*. J-PAL and IPA Policy Bulletin. Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.



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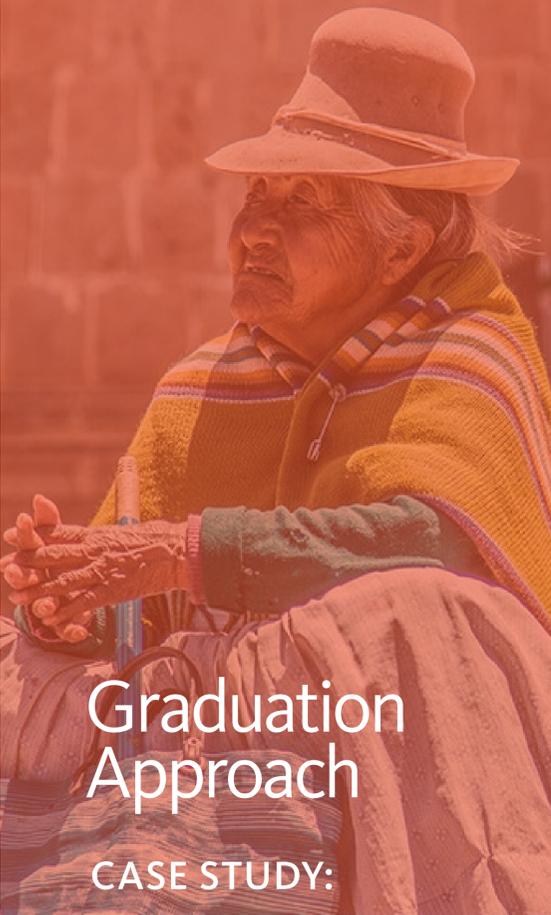
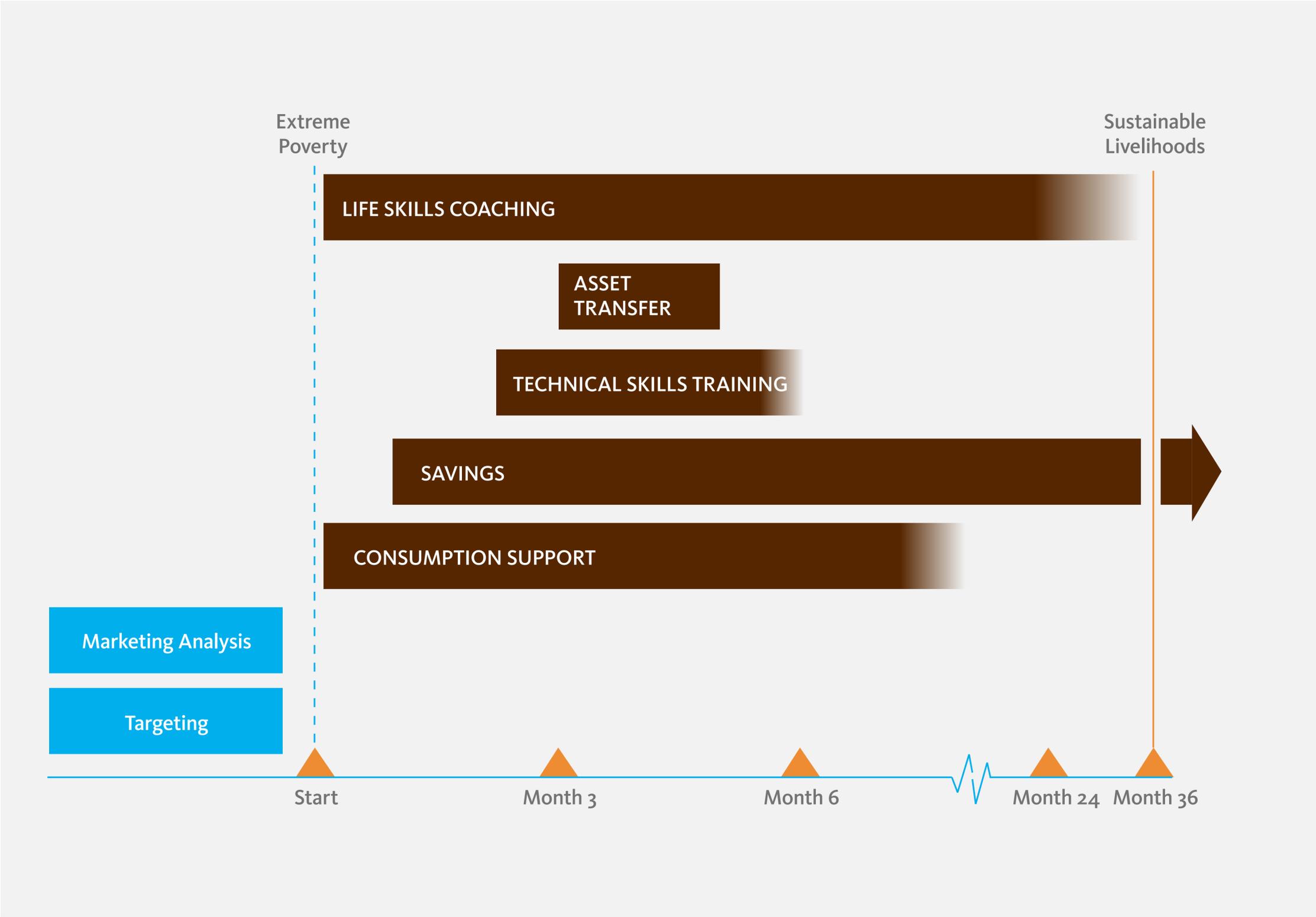
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When a government agency or other large-scale organization implements a program as complex, multi-faceted, and cross-sectoral as the Graduation Approach, inevitably some of the “standard” features will need to be adapted, often in innovative and imaginative ways, while still preserving the core elements that make the Approach effective. CGAP and the Ford Foundation originally published *From Extreme Poverty to Sustainable Livelihoods*, a technical guide on the design and implementation of the Graduation Approach, in 2014; an updated version will be released in late 2016. It is our hope that the revised technical guide, together with this series of case studies, will provide valuable insights to those looking to implement the Graduation Approach, especially at large scale.

We are also pleased that policymakers are increasingly recognizing the power of the Graduation Approach to alleviate poverty, and that the community of practice continues to grow rapidly. As of September 2016, 58 Graduation projects were in operation, an increase of 30 percent since December 2015.⁸ Among the notable features:

Growing government interest. One third of ongoing Graduation projects are implemented by governments, reflecting the trend that Graduation style programming is increasing within national social protections systems.

Less rural. Projects have shifted their focus from predominantly rural (75 percent in December 2015) to 48 percent rural, 25 percent mixed, and 7 percent purely urban.

More diverse targeting. Targeting has also shifted from a predominant focus on the poorest (73 percent in 2015) to a little over half of the projects (56 percent) targeting people below USD 1.90 per day. Projects now target a broader range of excluded groups such as indigenous populations (16 projects), youth (15 projects), people

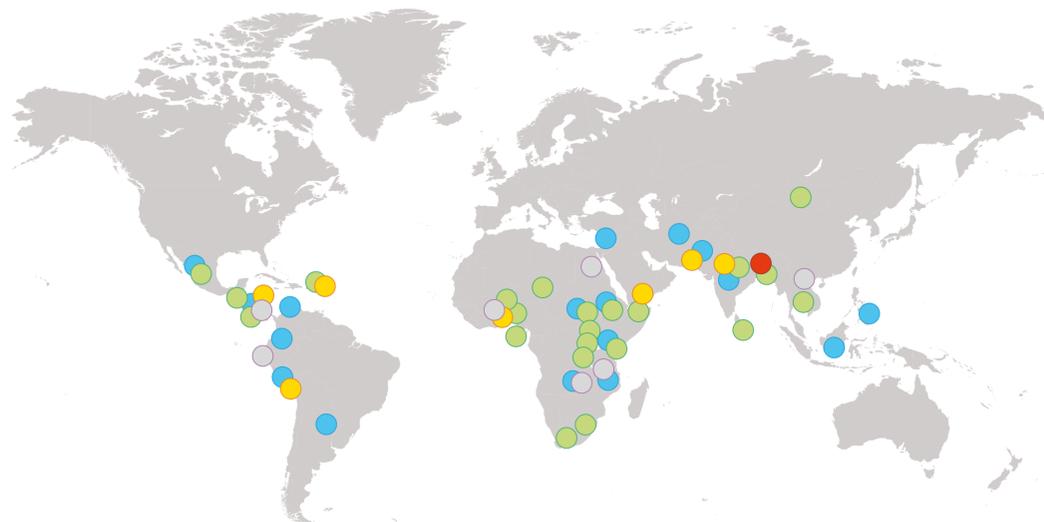
⁸ Source: CGAP.

with disabilities (11 projects), elderly people (11 projects), refugees and internally displaced persons (7 projects with 17 more planned by 2018). From a predominant focus on women in the past, only 30 percent of projects solely target women today.

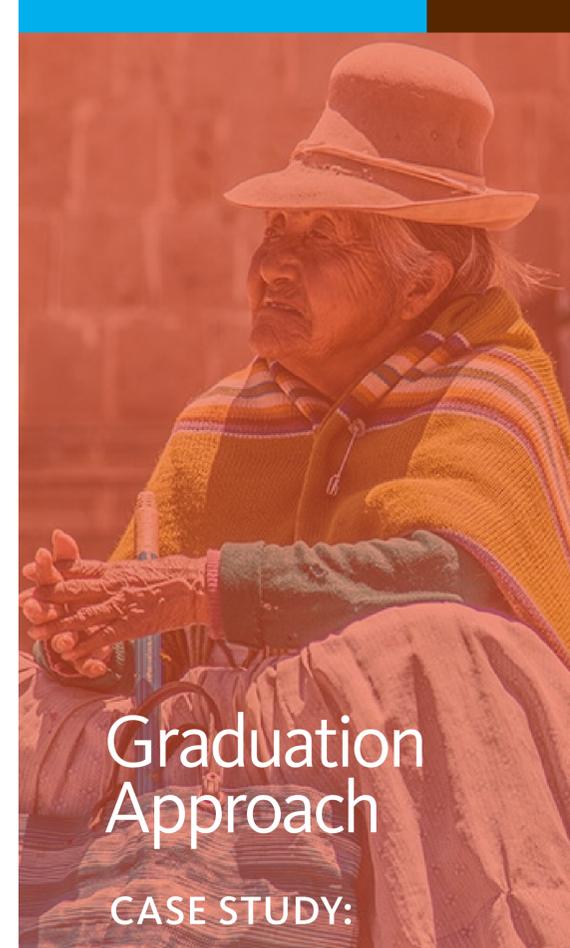
Implementation and innovation. A vast majority of projects still offer the full Graduation package, but there is an increasing number of adaptations. A dozen programs are now offering some element of the package digitally.

Research. Nearly half the projects conduct research and 19 projects have reported ongoing or planned randomized impact assessments.

Graduation Programs as of Sept 2016 (58 programs in 36 countries)



- BRAC Bangladesh (1) – Since 2002
- CGAP- Ford Foundation Pilots (10) – 2006-2014
- NGO-implemented (30) – Since 2010
- Donor-implemented (8) – Since 2013
- Government-implemented (20) – Since 2013



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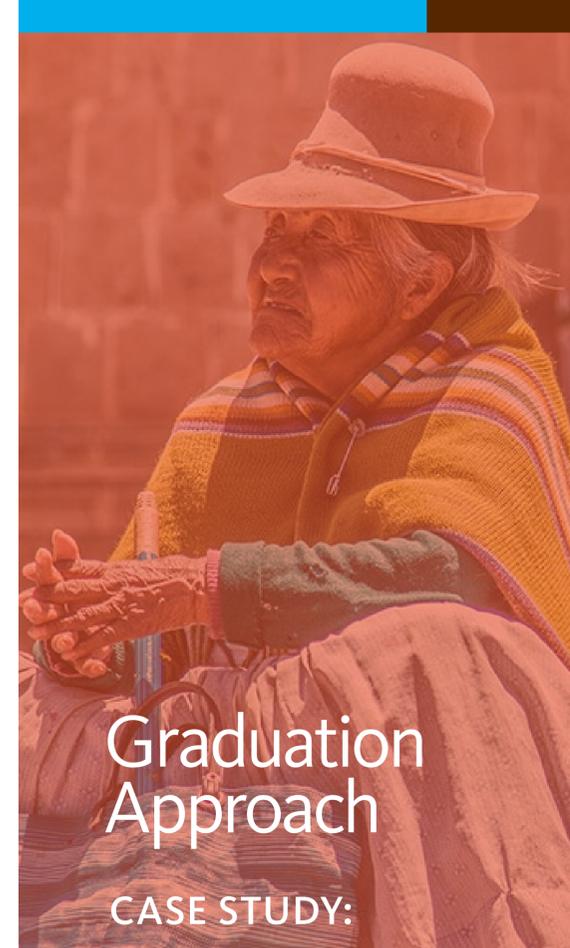
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BRAC	A Bangladeshi development organization dedicated to alleviating poverty by empowering the poor. BRAC developed the Graduation Approach to address the multi-faceted barriers faced by the ultra-poor.
CCT	Conditional Cash Transfer. Cash stipends given by the government to the extremely poor and other targeted populations (such as mothers of school-age children) to provide an incentive for them to engage in specific productive behaviors (such as keeping children in school).
Centro Poblado	A Peruvian administrative term meaning an inhabited settlement where under 400 people reside. <i>Centros poblados</i> may be found in urban areas, but the term usually refers to small, more isolated, hamlets, villages, or mining camps.
CGAP	Consultative Group to Assist the Poor, a division of the World Bank focused on financial services for the poor.
Chacra	Peruvian (Quechuan) term for a farmer's plot or parcel of land.
CLAR	<i>Comité Local de Asignación de Recursos</i> . A committee of local leaders, the CLAR studies proposals for inclusive rural businesses and decides which ones will receive the prize money from FONCODES (see below) to be used for technical assistance and buying equipment to start a rural business.
Department	Peruvian term for the jurisdiction called "state" in other countries. Peru's territory is divided into 26 departments.
FONCODES	<i>Fondo de Cooperación para el Desarrollo Social</i> (Fund for Cooperation for Social Development). FONCODES is a division of the Ministry of Development and Social Inclusion (MIDIS), and is the agency that implements the Haku Wiñay program for the extreme poor in rural areas.
FONIE	<i>Fondo Nacional de Inclusión Económica</i> (Fund for Economic Inclusion). This fund is responsible for building rural roads, water and sewage facilities, and telecommunications installations in rural areas.
GRADE	<i>Grupo de Análisis para el Desarrollo</i> (Analysis Group for Development). A Lima-based research center focused on public policies for development.
Haku Wiñay	Program implemented by FONCODES which is focused on the extreme poor in rural areas and offers a package of consumption support, asset transfers, skills training, and promotes healthy housing and inclusive rural businesses.
Juntos	Peru's CCT program. Juntos provides cash stipends to more than 700,000 poor mothers of school-age children.
MIDIS	<i>Ministerio de Desarrollo e Inclusión Social</i> (Ministry of Development and Social Inclusion). The Ministry in charge of Haku Wiñay and other programs directed at serving poor people in Peru at all stages of the life cycle.
NGO	Non-governmental organization.
SEJPRO	<i>Seguimiento a la Ejecución de los Proyectos</i> (Follow-up to Project Execution), a project monitoring system of MIDIS.
UGOE	<i>Unidad de Generación de Oportunidades Económicas</i> (Unit for Generation of Economic Opportunities), a team in FONCODES that supervises Haku Wiñay operations.



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Background on the Graduation Approach in Peru

After Ollanta Humala took office as president of Peru in July 2011, he created the Ministry of Development and Social Inclusion (referred to in this document by its Spanish-language acronym MIDIS) to focus on excluded populations. MIDIS implements the National Strategy for Social Inclusion called Include to Grow (*Incluir para Crecer*), a set of social programs that covers the entire life cycle of vulnerable populations, providing services that range from infant nutrition through pensions and specialized care for the elderly.

One of the most vulnerable segments of the population are the extreme poor in Peru's isolated rural areas. So when the Peruvian government set out to create a national program to address the issue of rural poverty, its leaders took inspiration from previous successful programs. Two programs operating in Peru at the time offered promising paths to take. As noted above, the "Graduation Approach" had originally been developed by BRAC in Bangladesh and then adapted by CGAP and the Ford Foundation at 10 sites in eight countries from 2006 – 2015, including in Peru. The other relevant model was a recently created agricultural program called *Mi*



Igilio Chilihuy stands outside his house below the painted sign announcing that he sells organic lettuce, celery, spinach, beets and other vegetables. He produces the vegetables in a low-cost greenhouse that Haku Wiñay farmer-trainers taught him to build.

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Chacra Productiva, or My Productive Farm. Both programs deployed diverse strategies to address extreme poverty. The essential elements of the Graduation Approach are consumption support (that is, direct food relief or money with which to buy sufficient food), livelihood skills training, a transfer of productive assets, mobilization of savings, and life skills coaching. My Productive Farm focused on developing agricultural production skills and improving food security by providing a standard package of assets and training for all beneficiaries.

Based on these and other programs, the Peruvian government designed *Mi Chacra Emprendedora*, or My Entrepreneurial Farm, which offered a flexible menu of assets and technical training. Following successful testing in 2012, My Entrepreneurial Farm was launched in 2013 as Haku Wiñay, a nationwide program to promote social and economic inclusion of extremely poor rural families. *Haku Wiñay* means “We are going to grow” in the Andean Quechua language; in jungle regions the program is called *Noa Jayatai*, which means “We are going to grow” in the Shipibo language. (This case study will refer to the program as Haku Wiñay.)

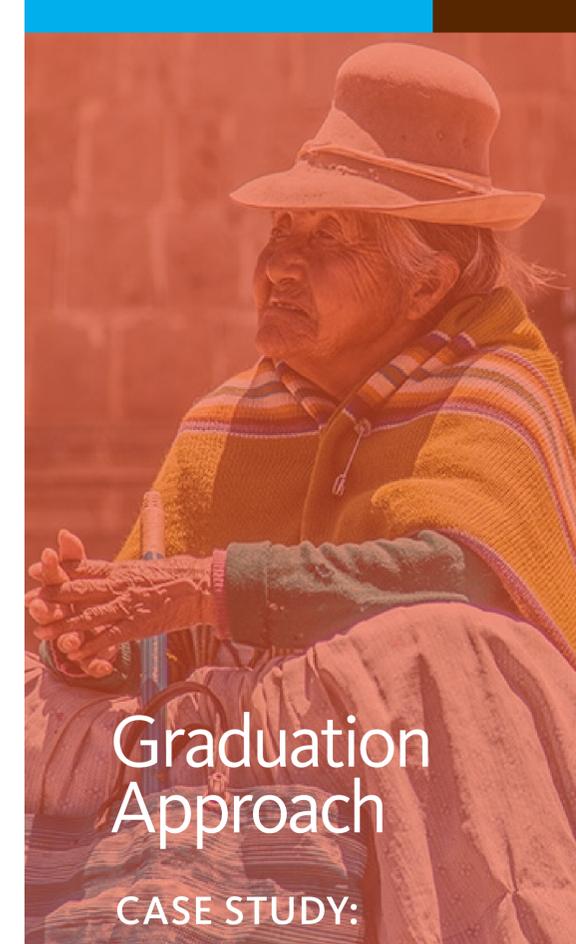
The three-year Haku Wiñay program has four objectives:

- improving productivity of family farms
- upgrading sanitation and health practices in homes
- promoting rural businesses
- strengthening financial literacy

Haku Wiñay focuses on subsistence farmers aged 18 to 65. It strives to increase their productivity so they can generate the additional income needed to improve food security and deal with shocks such as drought.

“Nothing (about Haku Wiñay) was invented from scratch. Everything was very much something that had been proven to work.”

Carolina Trivelli
*(former Minister of Development
and Social Inclusion)*



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HAKU WIÑAY: AT A GLANCE

Project sites: 20 departments (municipalities), primarily in the mountainous sierra highlands and in the jungle areas, as of 2015.

Project duration: 2012 to present.

Participants: Approximately 90,000 families, as of 2015.

Project leadership: MIDIS (the Peruvian Ministry of Development and Social Inclusion).

Implementing partners: FONCODES (the Cooperation Fund for Social Development, a division of MIDIS).

Other support: GIZ (German development agency), for the cook-stove modernization component.

Unique features: “Healthy Housing” (cook-stove upgrades and home-skills training in safety and sanitation) and “Inclusive Rural Businesses” (competition to promote small business start-ups).

Costs: PEN 3,800 (approx. USD 1,100) per family.

Initial findings: 63 percent of respondents had increased annual incomes by approx. USD 300. Program-attributed increase in respondents’ asset values estimated at 30 percent. Consumption of meat, leafy-green vegetables and other vegetables increased 50 percent. Self-reported increases in confidence and negotiating skills.

Next Steps: 20 percent planned expansion by end of 2016, for total outreach > 120,000 families.

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The central insight guiding the Graduation Approach in Peru is a recognition that extreme poverty requires more than cash transfers. A decade before creating Haku Wiñay, Peru began distributing conditional cash transfers (CCTs) to the extreme poor through the Juntos (Spanish for “Together”) program. Juntos delivers a stipend of about USD 70 every two months to poor mothers in rural areas to help them buy more food to improve family health and well-being. In return, the women are required to keep their children in school and take them to regular health check-ups. But policymakers recognized that the transfers alone were insufficient to spark the significant changes ultimately necessary to address extreme poverty.

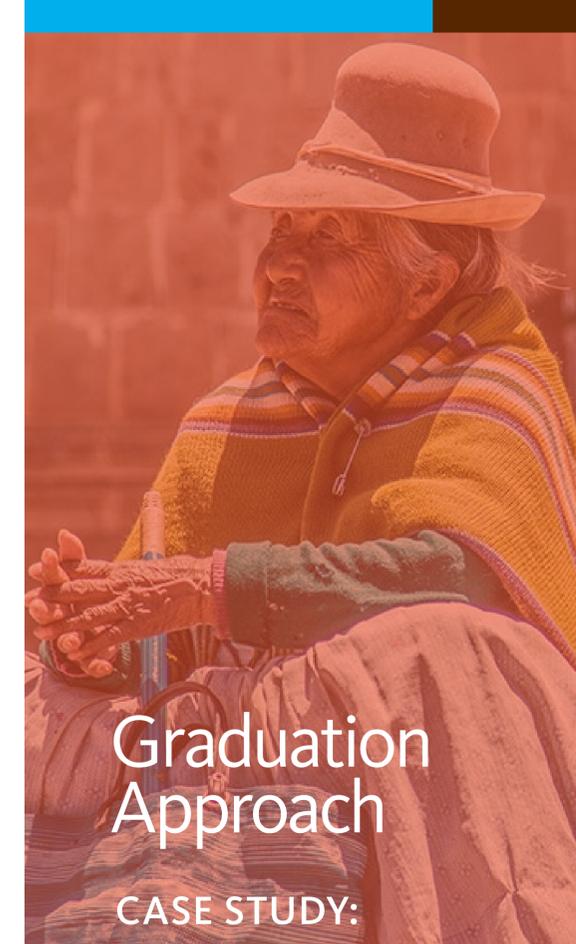
From 2011 to 2013, Arawiwa, a Peruvian microfinance institution, and the Peru office of the NGO PLAN International partnered in the implementation of one of the 10 CGAP-Ford Foundation Graduation pilot programs. The pilot reached 800 households in the Cusco region with the full complement of Graduation services, with participants launching livelihoods in livestock, agriculture, and small trade. The success of the pilot, as noted in the randomized control trial study conducted by Innovations for Poverty Action, led to strong interest from the government of Peru in adapting and scaling the Graduation Approach.

Carolina Trivelli, who was the Minister for Development and Social Inclusion (the lead agency responsible for creation of Haku Wiñay) when the program was

launched, noted that Peruvian policymakers recognized the need for the additional skills-building services that a Graduation Approach provides. Poverty experts in Peru (and elsewhere) are generally realistic about the capacity of any one intervention to “graduate” anyone from poverty permanently. Ms. Trivelli described the power of the Approach as one that gives participants hope and a sense that they are embarking on a different, more purposeful way of life.

My Productive Farm was another important model for Haku Wiñay. The Cooperation Fund for Social Development (FONCODES), a division of the Ministry for Development and Social Inclusion (MIDIS), administered My Productive Farm, a program under which farm families were trained by peers (other small farmers living in the area), learning a standard set of ten technologies to diversify and upgrade agricultural production. An evaluation conducted by Swisscontact in 2012 found that 85 percent of the participating families increased their agricultural production by at least 50 percent, the number of households using irrigation more than quadrupled, and health and nutrition practices improved. Based on these findings, the evaluation recommended that My Productive Farm be scaled up.⁹

⁹ FONCODES. August 29, 2012. “85% de usuarios de “Mi Chacra Productiva” aumentaron su producción agropecuaria.” Press Bulletin



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Next Iteration of Government-led Implementation at Scale

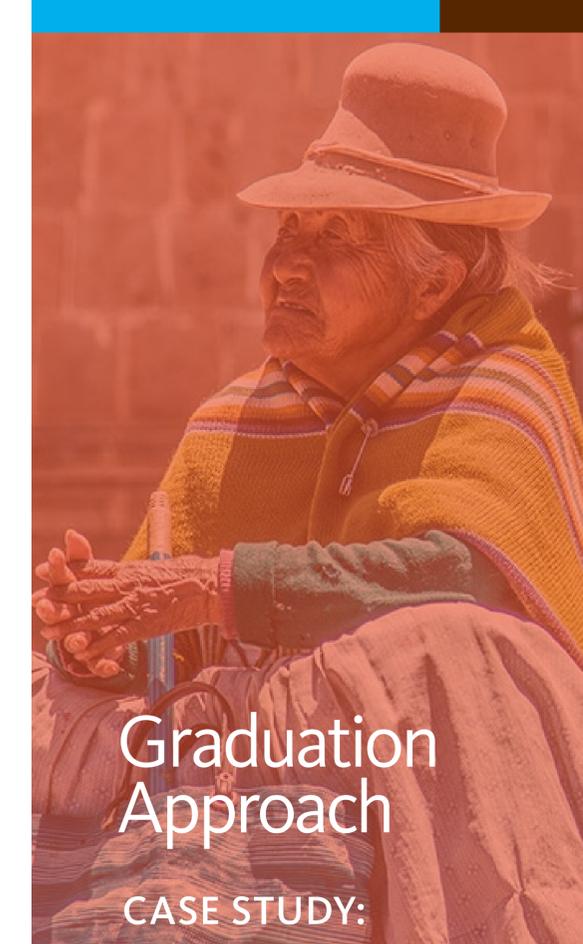
Government officials and advisors added new elements, building on My Productive Farm, the Graduation pilot, and other Peruvian development initiatives, to create My Entrepreneurial Farm, the program that eventually became Haku Wiñay. One important innovation that the program designers made to the “classic” Graduation Approach model was to have the skills training conducted by peer trainers, as had been done with such positive results during My Productive Farm. (As will be discussed extensively throughout this document, those peer trainers, called *Yachachiqs* [Quechua for “teachers”], would become one of the most important elements of My Entrepreneurial Farm and, later, of Haku Wiñay.) The program was expanded to include training in sustainable agricultural technologies, household sanitation, and financial education. This program, as noted, became the immediate precursor of Haku Wiñay.

My Entrepreneurial Farm launched during 2012 as a pilot program of FONCODES, coordinated with the Juntos cash transfer program. It served 930 farming families in the highland region (or department) of Ayacucho. An evaluation found the incomes of participating families increased considerably, by about USD 500 per year. Their stock of small farm animals and production of vegetables rose and food consumption increased. Families reported

an increase in their well-being, empowerment, and ability to conduct market transactions.¹⁰

As noted, the successful My Entrepreneurial Farm pilot was rolled out in 2012 under its new name, Haku Wiñay, launching in Ayacucho and expanding by the end of that year to three more highland departments. In 2013, the program was scaled up to reach 22,000 families in 11 departments, including two in the jungle. In 2014, a total of 35,528 families were served in 17 departments. Federal funding increased ten-fold from 2012 to 2014 to reach a total of USD 77.4 million. Scaling up has continued. By 2015 the program had covered 20 departments, and reached 90,000 families, according to María Peña Wong, executive director of FONCODES. Crucially, the program built in a strong monitoring program from the beginning; the MIDIS Monitoring and Evaluation Division issues reports every month on its programs for vulnerable groups, including Haku Wiñay, and presents the results of the social inclusion strategy annually to Congress. (See also the *Monitoring* section below.)

¹⁰ Escobal, Javier, Carmen Ponce, Mauricio Espinoza, and Cynthia Paz. October 2014. “Primeros resultados de la evaluación de impacto del Proyecto Haku Wiñay (mi Chacra Emprendedora) en usuarios de JUNTOS.” GRADE (PowerPoint presentation); and Escobal, Javier, and Carmen Ponce. 2015. “Combining Social Protection with Economic Opportunities in Rural Peru: Haku Wiñay,” *Policy in Focus*, Vol. 32. Brasilia: IPC-IG. (p. 24-5).



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Country Facts

Peru has made significant recent progress in reducing poverty. The economy expanded rapidly during the past 10 years as annual growth averaged 5.9 percent.¹¹ This environment allowed employment and incomes to rise, and poverty was reduced from 55.6 percent to 21.8 percent between 2005 and 2015.¹² The extremely poor make up 4.3 percent of the population.¹³ Encouraging as Peru's poverty reduction has been, millions of Peruvians still lack basic services such as water, sewers, health care, and electricity, and also lack access to formal education or financial services.

Poverty in Peru is concentrated in the rural areas where, in 2014, 46 percent of all inhabitants were poor.¹⁴

The government's anti-poverty programs operate predominantly in the highlands (*sierra*) and also in the Amazon Basin jungle region (*selva*) and serve families whose small plots of land typically range from one to three hectares (about 2.5 to 7.5 acres).

¹¹ World Bank. Peru Country Overview. <http://www.worldbank.org/en/country/peru/overview>

¹² Ibid.

¹³ Instituto Nacional de Estadística e Informática (INIE). April 2015. *Evolución de la Pobreza Monetaria 2009-2014*. Lima: INIE. Informe Técnico (p. 33, p. 39) and Ministry of Development and Social Inclusion (MIDIS). December 2014. *National Strategy for Development and Social Inclusion "Include to Grow."* Lima: MIDIS. (p. 19).

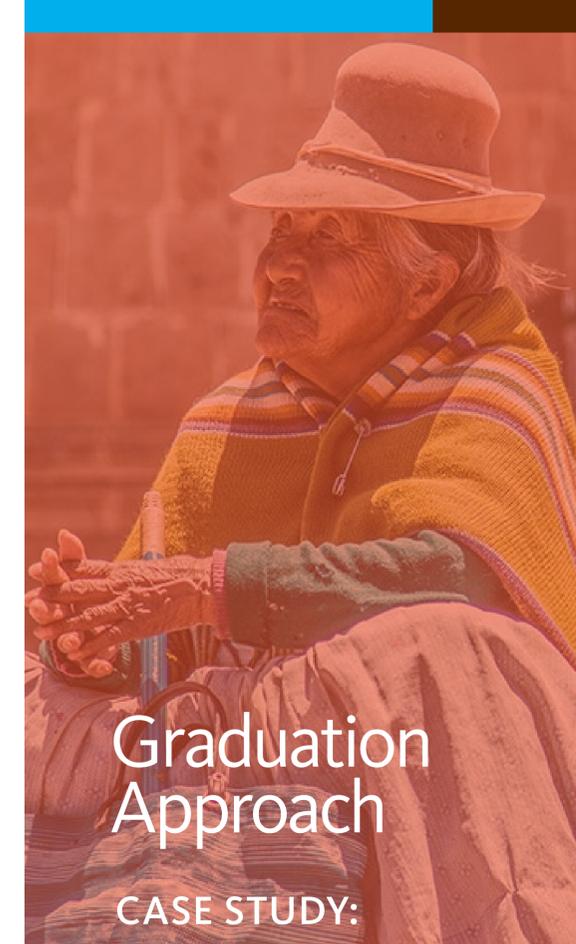
¹⁴ INIE 2015.

Regions and Towns Selected for the Graduation Project

In order to focus on areas with a high incidence of poverty, Haku Wiñay centers its efforts on areas where Juntos operates. In these settlements, at least 75 percent of the homes lack at least one basic necessity — water, sanitation, electricity, or telecommunications. By these criteria, a total of 3,414 small communities, mostly in the highlands, qualify for intervention by Haku Wiñay.¹⁵

Many of these settlements are located two to eight hours by road from a mid-sized city or district center. In jungle regions, Haku Wiñay operates in areas where communities are located several hours by boat from a district center. The remoteness of the locations was a deliberate choice, according to Luz Urbina, chief of the FONCODES Unit for Generating Economic Opportunities, one intended to ensure that Haku Wiñay would reach the least-served populations.

¹⁵ MIDIS. December 2014 (p. 15)



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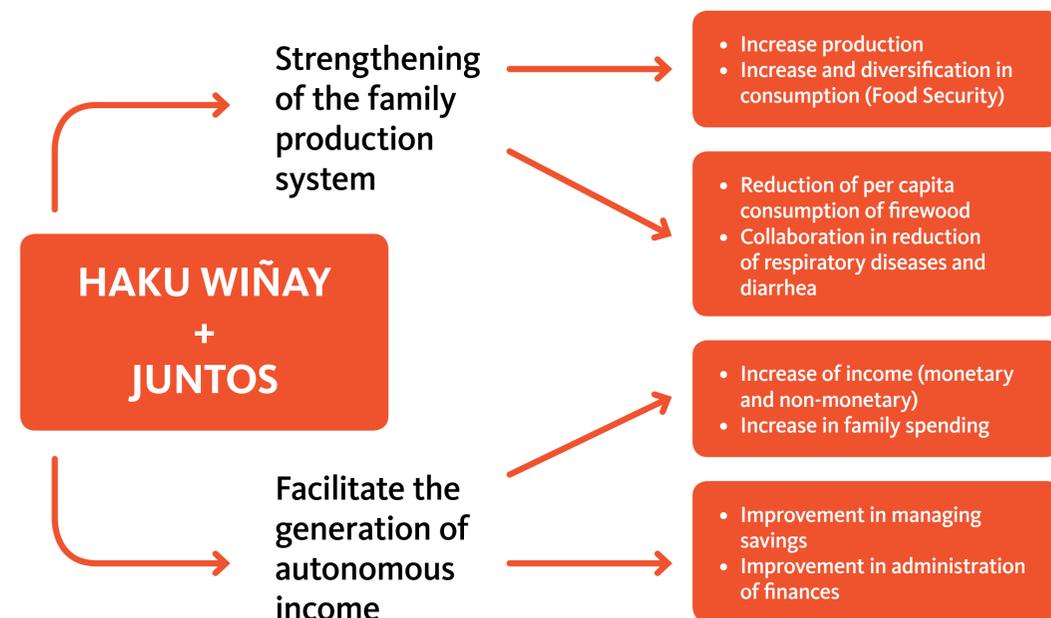


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Program Objectives and Theory of Change

The theory of change underlying Haku Wiñay is that people in extreme poverty suffer multiple deprivations, so their needs must be addressed with a range of tools combined in a bundled response. According to Norma Vidal, MIDIS vice minister for social benefits, the Peruvian government deliberately channels several assistance programs to the same extremely poor areas, such as Juntos combined with Haku Wiñay. The interaction of Haku Wiñay and Juntos in promoting economic inclusion is seen in the following chart.

TABLE 1: Objectives of Haku Wiñay and Juntos

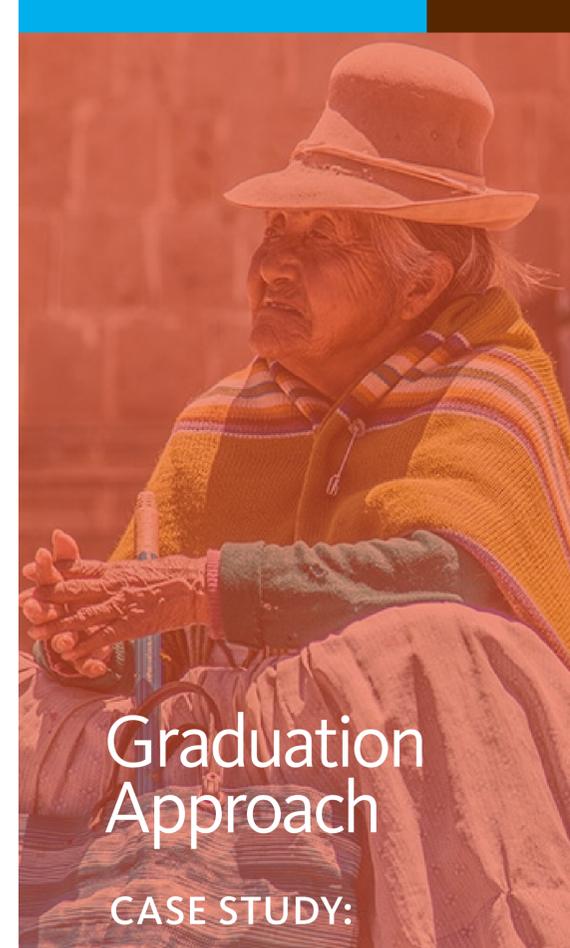


Source: Escobal, Javier, Carmen, Pance, Maurício, Espinoza and Cynthia Paz. GRADE (Grupo de Análisis para el Desarrollo). "Primeros resultados de la evaluación de impacto del Proyecto Haku Wiñay (Mi Chacra Emprendedora) en usuarios de Juntos", Ppt. Oct. 2014.

As a reminder, the classic Graduation Approach leads with consumption support, based on the insight that people cannot focus on longer-term goals until their urgent needs for food and other basics have first been met. Eighty percent of the Haku Wiñay families received consumption support through Juntos, so that initial step in the Graduation Approach had already been addressed, leaving Haku Wiñay to focus on the other Graduation Approach elements of asset transfers, skills training, savings mobilization, and life skills coaching. (Most of the 20 percent of Haku Wiñay participants who do not qualify for stipends from Juntos do not have school-age children, a key eligibility criterion for the CCT.)

With the exception of the consumption support (which as noted was delivered by Juntos rather than Haku Wiñay itself), Haku Wiñay covered most of the same activities as the “classic” Graduation Approach: skills training (for farming, in Haku Wiñay’s case), transfer of assets (again, Haku Wiñay’s focused on assets to boost agricultural production), and financial education and promotion of savings.

Unlike other Graduation programs, Haku Wiñay does not include a separate life skills coaching component. Several aspects of the program design, however, do reflect alternative ways to provide the goal-setting and regular follow up, and to embed many of the other key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from



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the local communities and creating local decision-making structures (both discussed in detail below) are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component of the Graduation Approach.

Haku Wiñay also includes two components that are not included in the classic Graduation Approach: training in sanitation practices (called “healthy housing”) and promotion of small rural businesses, rather than only microenterprises. (These are discussed further below under *Unique Aspects of Haku Wiñay*.)

Finally, the bundled-services philosophy underpinning Haku Wiñay’s own theory of change is also the general philosophy of MIDIS, the Peruvian government ministry responsible for launching Haku Wiñay. Former minister Carolina Trivelli explicitly noted that families could escape poverty more quickly if they had complementary non-economic services such as better infrastructure and connectivity. By channeling diverse interventions to the rural poor, Trivelli writes, “participating families will not leave poverty immediately, but they will develop abilities to do so gradually, and they will do so more quickly if they have other services, more and better infrastructure, with more connectivity.”¹⁶

MIDIS works to reduce rural poverty on a regional level through multiple interventions. Its Fund for Economic

¹⁶ Trivelli, Carolina. March 2016. “Bien por ‘Haku Wiñay’, creciendo juntos.” Perú 21 (online edition).

Inclusion in Rural Areas (FONIE) complements Haku Wiñay by financing construction of rural roads, water and sewage systems, schools, health centers, and electricity and telecommunications infrastructure in impoverished areas to improve services and linkages with markets.

Target Participants, Scale of Program

In addition to living in isolated rural villages, the extremely poor families eligible for Haku Wiñay have incomes so low that they are unable to afford a basket of basic foodstuffs.¹⁷

Haku Wiñay has expanded rapidly to a nationwide effort that now reaches a significant percentage of the extreme poor in rural areas. Haku Wiñay is projected to serve more than 120,000 households in 2,100 settlements by the end of 2016.¹⁸

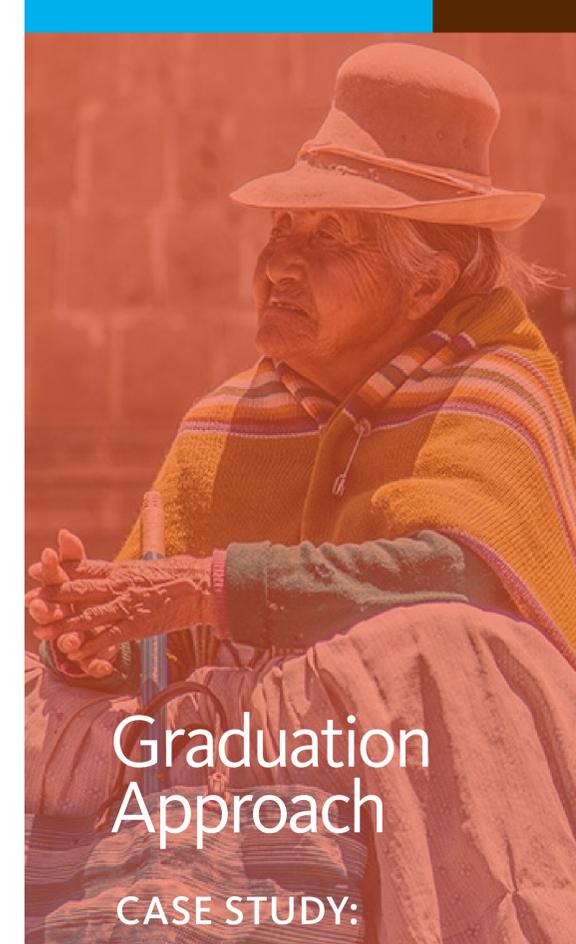
Implementation

Structure and staffing

The chart on the following page depicts Haku Wiñay’s staffing structure. Ultimate responsibility for the program rests with MIDIS. MIDIS and FONCODES officials based at the headquarters in Lima and staff from the regional offices are responsible for directing and supervising

¹⁷ MIDIS. December 2014. (p. 14)

¹⁸ FONCODES. October 2013. *Reporte de Seguimiento a “Haku Wiñay,” Número 1*. Lima: MIDIS. (p. 7)



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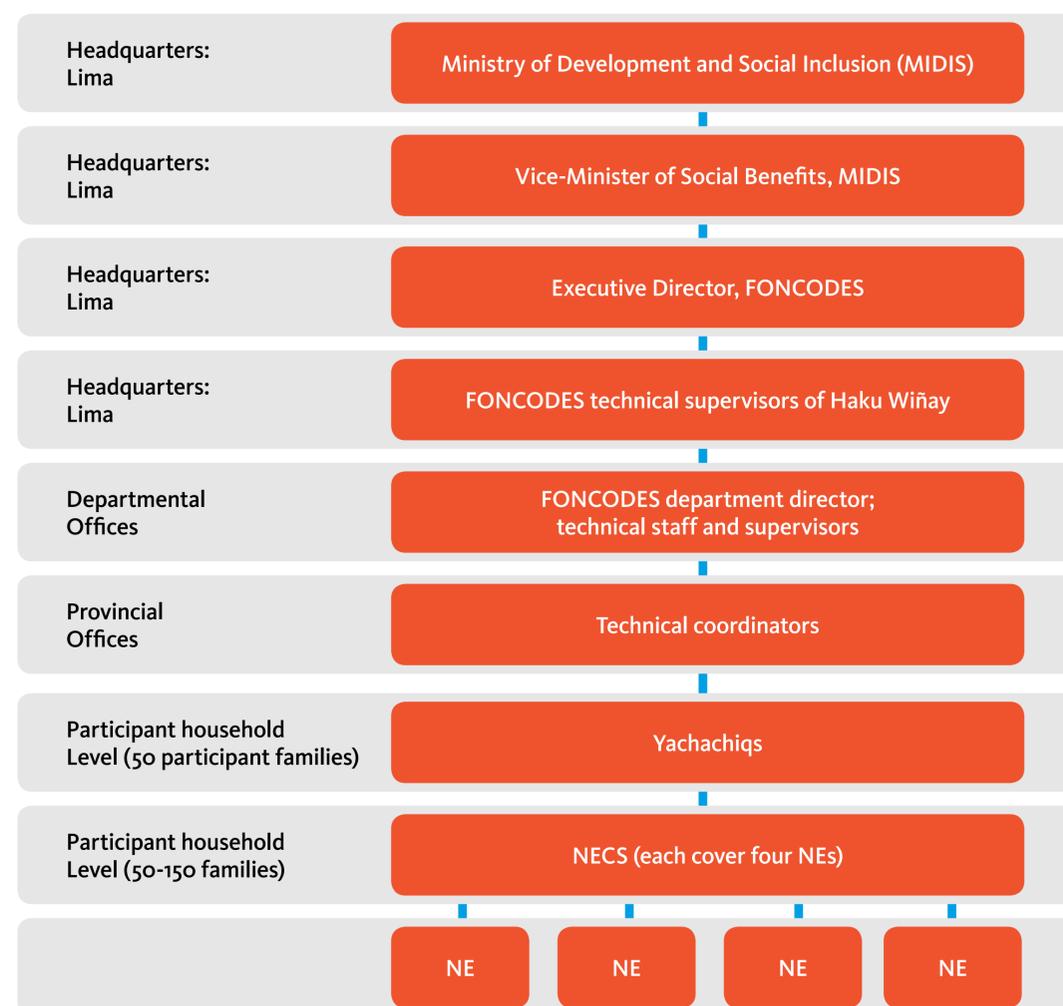
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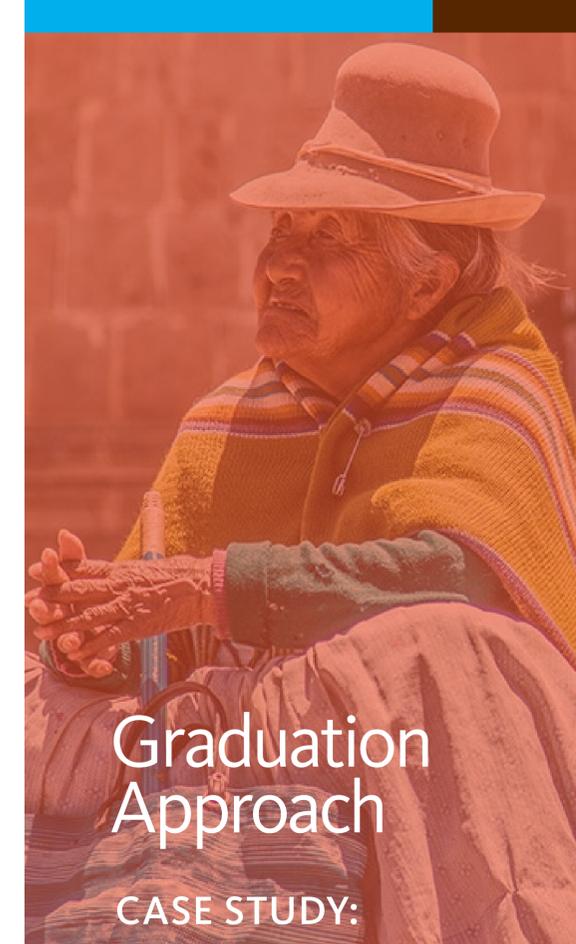
the program. Any adjustments in program design are decided by senior officials of MIDIS and the Lima-based team of FONCODES technicians who make up the Unit for Generation of Economic Opportunities (known by its Spanish acronym of UGOE). Technical coordinators, usually based in larger towns, offer support and guidance to field operations across several provinces or districts. Finally, the *Yachachiqs*, the local people contracted to provide training for production or financial education, are peers who live in the communities where the program is carried out and cover the nearby area, making bi-monthly visits to between 35 and 50 families.

It is important to note that community leaders, elected representatives, members of local organizations and farmers based in extremely poor rural districts are also part of the staffing structure of Haku Wiñay. People selected from these groups of local residents carry out functions that are vital to program operations. Their activities underscore the participatory nature of Haku Wiñay and its potential for empowerment of the rural poor.

Table 2: ORGANIZATION CHART of Haku Wiñay.



Note: This organization chart is not official



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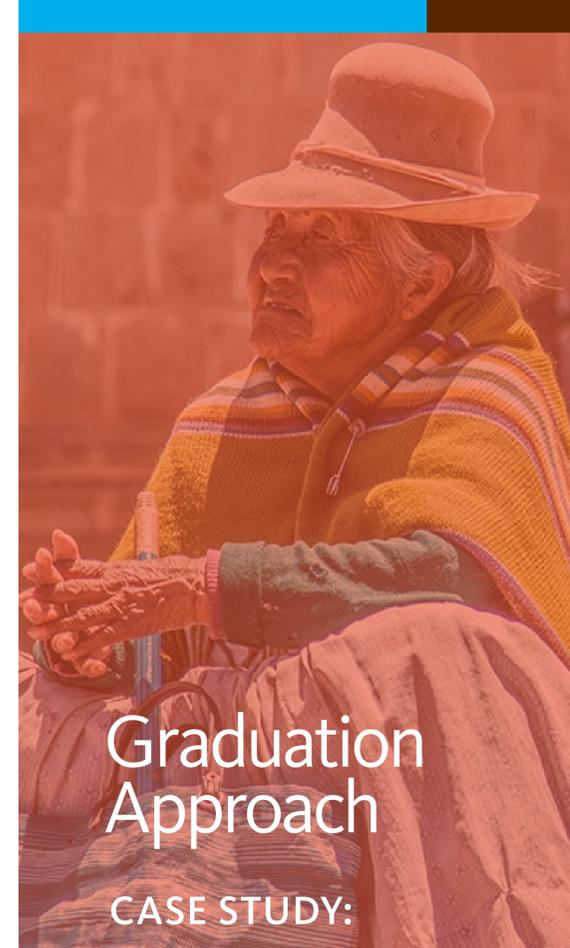


Yachachiqs, or trainers, are selected from among farmers living in communities served by the program; Haku Wiñay program designers, technical staff and evaluators all underscore the benefits of peer training. Barriers to communication are minimized by having local farmers provide technical training to program participants in the local dialect. Selected for their knowledge, the *Yachachiqs* who provide technical training for farm production are familiar with local customs, agricultural techniques, and the ecosystem. A different group of *Yachachiqs* provides the financial education component of the program. Those *Yachachiqs* are also drawn from Haku Wiñay communities, and receive training to prepare them as peer trainers specialized in the financial system.

The local implementing group, called “executing nucleus” (NE, or *núcleo ejecutor* in Spanish), is elected by community members. The NE is responsible to the community for administering certain FONCODES funds and for hiring the *Yachachiqs*. Each NE oversees Haku Wiñay activities for an area that covers about 100 participating families, and a central implementing group, known by its Spanish acronym of NEC, supervises the operations of four NEs, contracts regional technicians, and supervises *Yachachiqs* in the area covered by the NEC. The NE/NEC structure is not unique to Haku Wiñay: it has a history of implementing government programs at the grassroots level in rural Peru for more than 20 years.

LESSONS LEARNED: STAFFING

- Haku Wiñay has a clearly delineated staffing structure, combining a central oversight body of the responsible government ministry (MIDIS and its FONCODES division) with decentralized field operations that incorporate long-standing grassroots governance structures and recruitment of local people for delivering technical support.
- The frequent contact of FONCODES technicians based in regional offices with Haku Wiñay communities provides technical support to field staff and participating farmers, as well as monitoring of program progress.
- The mechanism of peer training, i.e., the contracting of local farmers (known as *Yachachiqs*) to train participating farmers is considered a key to the success of Haku Wiñay. The use of peer trainers reduces barriers to communication to a minimum and builds trust.



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Key partners

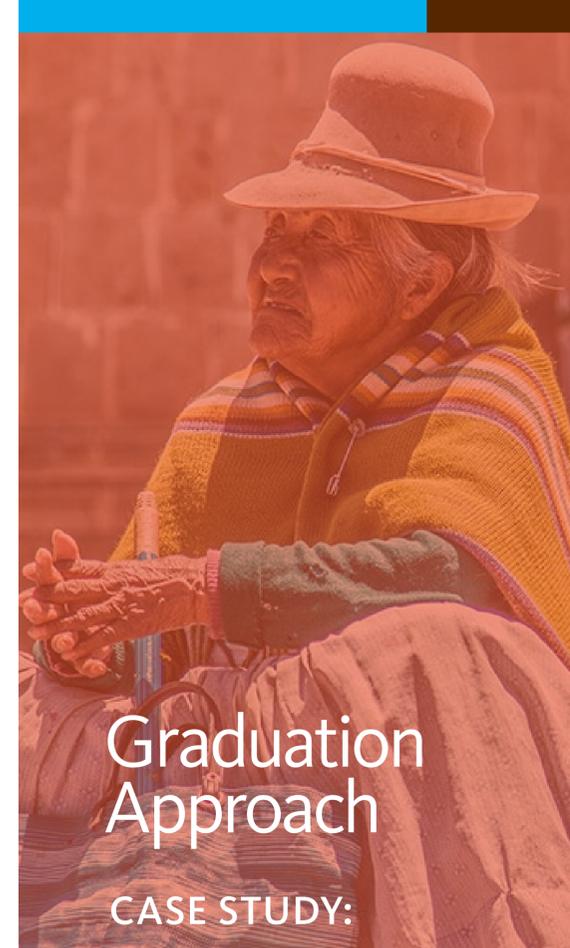
Haku Wiñay activities are supported by partnerships between MIDIS and other federal government agencies, as well as with municipal governments, bilateral aid organizations, development-focused non-governmental organizations, and coalitions and citizen groups. The program is implemented through a formal agreement between MIDIS-FONCODES, municipal governments, and the NEs (see above), the implementing groups made up of elected representatives from the communities served. The program delegates responsibilities and autonomy to community representatives who manage purchasing and make field staffing decisions.

FONCODES provides funding, technical assistance, and program supervision for Haku Wiñay, and municipal governments contribute financial and in-kind (e.g., transportation, office space) support. Municipal governments also convene local authorities and leaders from within Haku Wiñay communities to lay the groundwork for program implementation. The municipal government selects the members of the Local Committee of Resource Allocation (known by its Spanish-language acronym CLAR). The CLARs consist of civil society leaders and representatives, and they act as judges to decide the winners of grants for setting up small rural enterprises (discussed below under *Unique Aspects of Haku Wiñay*).

Peruvian and international nongovernmental organizations and bilateral aid agencies provide technical assistance and funding that support specific Haku Wiñay activities and strengthen the skills of *Yachachiqs* and technical coordinators. For example, the German Cooperation Agency (“GIZ”) provides funding for improved cook stoves in participants’ homes. An environmental consortium of government agencies and NGOs called PACC Peru works with Haku Wiñay on projects for adaptation to climate change. The Instituto de Investigaciones de la Amazonía Peruana research institute provides technical support to Haku Wiñay in the jungle region.

LESSONS LEARNED: KEY PARTNERS

- Haku Wiñay is supported by a broad array of partnerships with local, national, and international organizations and agencies that help provide funding, technical assistance, and in-kind support.
- These partnerships increase Haku Wiñay’s capacity in intangible as well as tangible ways, strengthening connections between the remote villages it serves with technical expertise drawn from local, national and international sources.



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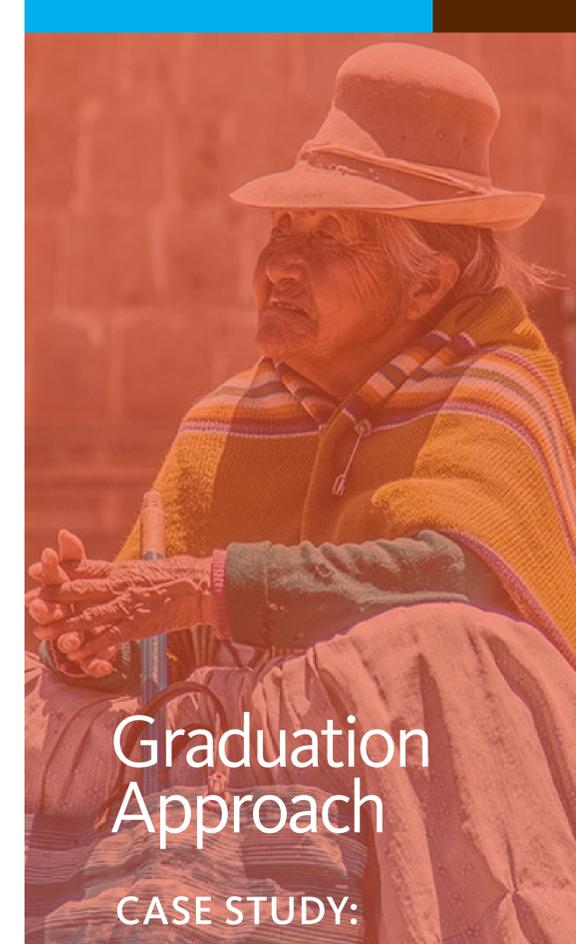
Graduation criteria

The vision for Haku Wiñay is that, by the time the extremely poor complete the program, they will have more diversified sources of income, be better planners, hold savings, and make use of other financial services. The skills learned from Haku Wiñay are meant to set extremely poor families on a path that allows them to build up their assets and income and reduce their vulnerability. Participants who win funds to set up rural enterprises (about which more below) should, by the end of three years, be operating viable businesses that are poised to grow, increase non-farm income, and enhance the resilience of the partners in the enterprise.

The indicators FONCODES developed for evaluating Haku Wiñay appear in the following chart, but the overarching goal is to contribute to economic inclusion of rural families with subsistence incomes. The evaluation design that is being developed by MIDIS now includes more extensive indicators that will be measured by the UGOE.

Table 3: Haku Wiñay Evaluation Indicators

Level of objective	Name of Indicator
Final Result Contribute to economic inclusion of rural households with subsistence economies	Annual change in per capita income and average spending in households in Haku Wiñay communities
	Change in total value of agricultural production destined to sales to families living in Haku Wiñay communities
Specific result	% of households that have increased their income relative to total households that received technical assistance for developing rural businesses
	% of homes that have applied technologies relative to total households served in the community
Product 1 Program participants receiving technical assistance and training for developing productive skills	% of households that have developed productive skills relative to total households served in the community
	% of enterprises operating relative to number of enterprises launched
Product 2 Program participants receiving technical assistance, training and a portfolio of assets for operating rural enterprises	% of households that have increased their income relative to the total number of households that received technical assistance for operating small rural enterprises



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Consumption support

Consumption support underpins Haku Wiñay. Over 80 percent of Haku Wiñay families receive conditional cash transfers (CCTs) distributed by Juntos. Eligible families receive the CCTs throughout Haku Wiñay's three-year duration. This ensures that extremely poor families have subsistence support while they are learning new skills and working to create more value from the assets received from Haku Wiñay. Participation in and completion of the Haku Wiñay program in no way jeopardizes a family's right to continue to receive Juntos support.

Juntos and Haku Wiñay work alongside each other since so many families are served by both programs. MIDIS deputy minister Vidal predicts that the two programs will be even more closely coordinated in the future.

As noted earlier, the 20 percent of Haku Wiñay participants not eligible for Juntos do not receive any consumption support, as they are considered by the government to be not as poor as the Juntos families.

LESSONS LEARNED: CONSUMPTION SUPPORT

- Haku Wiñay leverages the consumption support already available to extremely poor families, building on existing government programs serving the same population.
- Participation in (or completion of) Haku Wiñay does not disqualify families from ongoing access to CCTs or other government social protection programs.



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Savings

Financial education is a structured component of Haku Wiñay. It is led by financial *Yachachiqs*, peer trainers who have received instruction in the information they are to present to program participants. MIDIS provides the financial *Yachachiqs* with a set of teaching modules describing the financial system and financial products and services, including insured deposit accounts, responsible credit, inclusive insurance, and how to use a debit card. The modules include teaching aids such as a large chart that displays typical sources of family income and expenses (to illustrate how to budget and plan for savings) and an oversized cardboard likeness of an ATM machine.



A demonstration of how to use an ATM as taught by financial Yachachiqs.

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More than 28,800 program participants have received this basic training about the financial system and have learned about financial services, including how to save formally. Haku Wiñay has succeeded in helping participants develop confidence in the financial system: FONCODES reports that from 2012 to September 2015, 22 percent of participants (or about 16,000 families) used formal financial services, including passbook savings accounts, time deposits, microloans, and insurance. Some 6,700 participants have opened savings accounts.¹⁹ Compared to a control group of Juntos beneficiaries, an additional 14 percent of Haku Wiñay users express a preference for saving in a financial institution.²⁰ Nearly 400 program participants requested loans for financing their economic enterprises.²¹ Despite this progress, it is important to remember that a number of factors, such as illiteracy and the cost and risks of travel from remote villages to financial institutions, could continue to be constraints against higher usage of banks.

Poverty experts and government officials, such as MIDIS vice minister Vidal, point to a significant change of mentality produced by the program that could help promote the savings habit among participants.



Trígida Aranda Garagati, a settler in the Chinchao Alto jungle region, proudly shows off her savings.

¹⁹ FONCODES content from [Proyectos Haku Wiñay/ Noa Jayatai](#) (landing page on [foncodes.gob.pe](#)) and personal correspondence dated November 6, 2015 between Carlos Herrera and the author.

²⁰ Escobal, Javier. Preliminary notes (unpublished) from Escobal, Javier and Carmen Ponce (editors). May 2016. *Combinando protección social con generación de oportunidades económicas: Una evaluación de los avances del programa Haku Wiñay*. Lima: GRADE and the Ford Foundation.

²¹ FONCODES. *Proyectos Haku Wiñay/ Noa Jayatai*.

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LESSONS LEARNED: SAVINGS

- Haku Wiñay’s financial education uses standardized modules taught by peer trainers to expand knowledge of financial services and increase confidence in using the financial system.
- The training modules are carefully designed to be relevant and meaningful to program participants.

“Access to the financial system opens up an outlook of managing money over time ... the main thing is to open the possibility of planning, budgeting, making small investments.”

Carolina Trivelli
Former minister, MIDIS

Market analysis

Haku Wiñay does not carry out market analysis based on value chains. In general, knowledge of markets for rural products is lacking in Peru, a longstanding issue according to MIDIS vice minister Vidal. Research organizations or consulting firms specialized in this field are also lacking.

Yachachiqs offer some limited market advice to Haku Wiñay participants who may be generating a surplus from

farm production. The standard advice seems to be to sell excess produce or livestock to neighbors, schoolteachers, and other professionals who serve the communities, and in local and regional fairs.

As a marketing strategy, Haku Wiñay encourages participants to form groups to pool production and sell jointly. This strategy has been especially successful in the jungle where producer groups hired small boats for shipping their goods directly to market, increasing their incomes three- or four-fold, according to FONCODES executive director Peña.

Haku Wiñay’s greatest focus on marketing plans occurs with the component of rural businesses (also discussed in more detail under *Unique Aspects of Haku Wiñay*). *Yachachiqs* and technical coordinators provide guidance about identifying a local or regional market for enterprise products to the small partnerships of rural businesses. The CLAR (Local Committee of Resource Allocation) panel acts as a filter to discard unfeasible business ideas that will not have a market. These judgments are informed opinions, but are not equivalent to a market study. Once a business wins prize money, its partners are given more specific marketing advice from the technical advisor hired by the partners. Marketing strategies focus primarily on local and regional markets. The technicians of FONCODES have their sights set on moving Haku Wiñay products up the value chain into international

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markets and specialty niches such as organic and certified food products. Penetrating these higher value markets will require deeper market analysis as well as increased technical support to meet international standards.

LESSONS LEARNED: MARKET ANALYSIS

- Market analysis as conventionally understood has not been a part of Haku Wiñay program activities. This lack of market analysis is not specific to the program but rather is characteristic of Peru generally. Senior officials and field staff alike recognize that there is a lack of information for identifying markets for participants' products and for understanding how to link farmers with markets.
- During the initial stage, the surplus produced has been small and can be sold mostly to neighbors and in local fairs.
- Stronger expertise in value chains that can link rural areas with larger markets should be developed as part of the Haku Wiñay expansion.

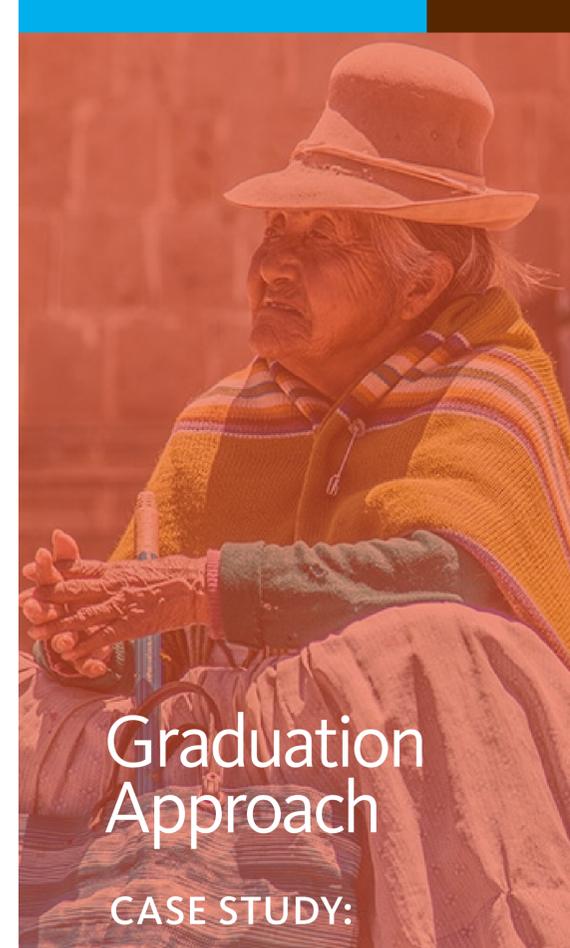
Asset transfer

Graduation Approach initiatives may provide participants with assets in-kind or give the participants the cash to purchase the asset themselves. There are advantages and drawbacks to both approaches but in the Haku Wiñay program, assets are always given to families in-kind. Families receive a modest bundle of assets—a few chickens or guinea pigs, improved seeds, coffee bushes, stevia plants, and the like, depending on what product is appropriate for the ecosystem and fits the needs of participant farmers. By transferring in-kind assets, Haku Wiñay aims to avoid one of the biggest drawbacks to cash transfers—the diversion of funds to non-productive uses.²²

The asset package varies greatly with the geographical location of participants. Eating *cuyes* (guinea pigs) is culturally ingrained among indigenous groups living in the highlands, so demand to receive *cuyes* as assets is widespread across the sierra, and highland farmers will find a market for the *cuy* meat they produce. In the high and low jungle, chicken is a widely preferred dish, and Haku Wiñay families request chicks for their asset transfers.

Demand for seeds or plants differs between the highland and jungle regions, and also varies according to the

²² There are also advantages to cash-based asset transfers, such as eliminating the additional step of the program having to manage the asset purchases and distribution and the opportunity for participants to manage the cash. These are explored in the Colombia case study.



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micro-climates found at various altitudes in the sierra. Coffee is viable only in the high jungle, bananas grow across a range of altitudes in the tropics, and quinoa is traditionally popular among sierra natives living at altitudes as high as 13,000 feet. The availability of resources such as water for irrigation also affects the viability of certain crops or forage plants. This wide variation explains why Haku Wiñay is designed as a standardized program that can nevertheless be adapted to specific contexts.

Yachachiqs discuss with farmers what crops or animals they wish to raise, and the needs (for water, feed, on-going care) associated with those particular assets determine the goods ultimately transferred to the families. In the case of equipment, such as irrigation sprinklers, the asset transfer is always less than what is needed to cover the entire family plot, FONCODES officials explain. In other words, farm families must contribute with their own resources to obtain a full complement of agricultural technology.

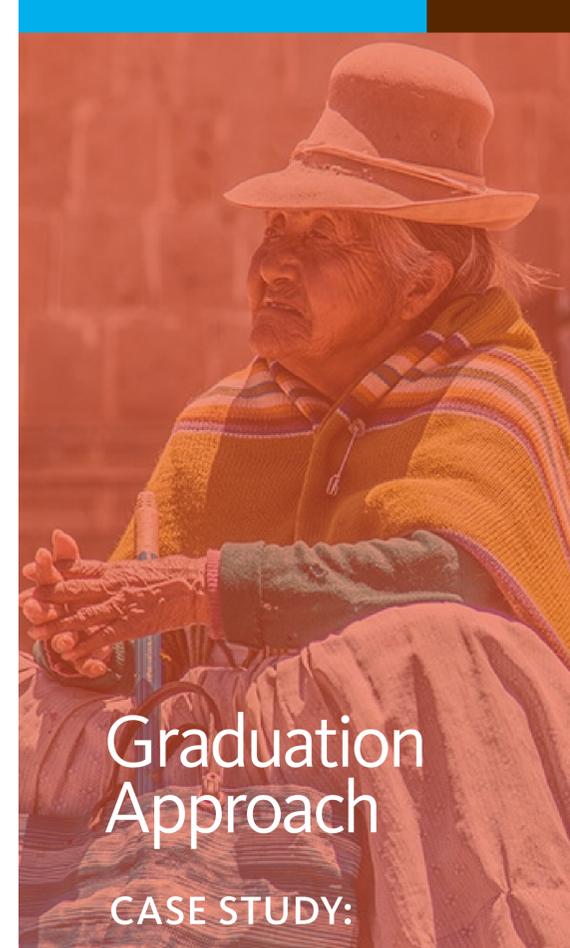
The purchase and delivery of assets is managed by the NEs (local implementing groups) which act as middlemen. These elected representatives of farm communities obtain three price quotes before purchasing the assets and then see they are distributed among Haku Wiñay farmers.

The partnership of Haku Wiñay with NEs and NECs (central implementing group that supervises the operations of four NEs) is the mechanism that facilitates the process of asset transfer. The NEs and NECs are made up of local citizens and they administer government (FONCODES) funds for the asset transfers. The NE offers direct contact, representation, and engagement of grassroots communities with the national government and its anti-poverty program.

The cost of asset transfer, including technical assistance (described below), was PEN 2,689.60 per household in 2015, the equivalent of about USD 800.

LESSONS LEARNED: ASSET TRANSFER

- Haku Wiñay uses a demand-driven in-kind asset transfer to increase the likelihood that assets will be used productively by farmers and will be suitable for the local ecosystem.
- Haku Wiñay successfully built on more than two decades of experience in Peru with local implementing committees of elected farmers administering government funds. The purchase of assets and their transfer to families is managed by community representatives, an efficient structure for delivering assets on a national scale that also enhances local participation and empowerment.



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Technical skills training

Haku Wiñay participants receive the agricultural assets they prefer and are then taught improved means of cultivating them (e.g., better animal husbandry or crop-growing techniques) by their local *Yachachiqs*. (All agricultural practices and technologies introduced by Haku Wiñay are eco-friendly.) The first two years of skills training are the most intensive, with the third year meant to focus mainly on follow-up. In addition to home visits, *Yachachiqs* also offer training workshops that are open to anyone in the community.

A FONCODES report (covering the period January 2012 through April 2015) offers an example from the Huánuco region about the intensity of the Haku Wiñay skills training component. More than 13,000 sprinkler irrigation systems are in use, over 30,000 families raise vegetables on their plots, some 16,000 families raise *cuyes*, and 18,900 households had statistically significant increases in the cultivation of fruits, vegetables, and pasture crops, production of eggs, and the sale of vegetables. The users of irrigation more than doubled. Diets became diversified and nutrition improved: consumption of animal protein, grains, tubers, and vegetables expanded significantly. Families now spend 33 percent less on food, a statistically significant improvement attributable to Haku Wiñay. An evaluation by a GRADE team²³ confirms that Haku Wiñay families, compared to those receiving only Juntos transfers, achieve increases in agricultural production, earnings, and consumption.

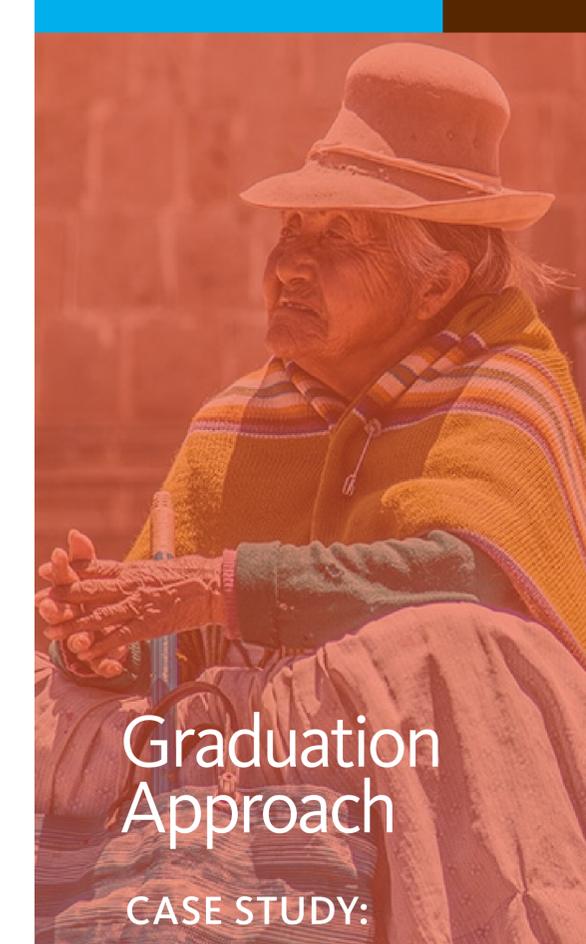
Results from Haku Wiñay in the Huánuco region are summarized in Table 4.

²³ Escobar, Javier. Preliminary notes (unpublished) from Escobar, Javier and Carmen Ponce (eds). May 2016.

Table 4

Representative results of Haku Wiñay: Huánuco Region. 2012-October 2015	
Practice introduced	Results Number of Households
Entrepreneurial Farm:	
Sprinkler irrigation	2,700
Mini plots of grains	6,668
Vegetable gardens	4,247
Forestry/fruit trees	4,033
Organic fertilizer	3,842
Raising small animals	4,895
Healthy housing	
Improved stoves installed	2,600
Boiling and storing clean drinking water	6,659
Financial literacy	
Financial workshops	749
Number of people trained	25,812
Financial transactions conducted by participants*	4,732
Inclusive Rural Businesses	
Rural businesses operating	226
Lines of businesses	87
Contests for business grants	169

Source: FONCODES Regional Office of Huánuco
*Includes deposits and withdrawals from savings accounts as well as loans.



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The Haku Wiñay model of demand-based training promotes autonomy and enterprise among participants. The GRADE evaluation of Haku Wiñay participants found statistically significant differences in their perception of their own abilities to negotiate transactions. Program participants report an improvement in their ability to negotiate the price of their products or services. They ranked themselves as having greater capacity to obtain lower prices for inputs and to calculate the costs of their production while also having gained more control over where their products are sold. Participants also report improvements in their capacity to earn money and reduce their vulnerability to external shocks.

“(Haku Wiñay participants) have initiative—no one is telling them what they have to do. The state (is sending the message that) ‘with your effort, your own plan, you will get ahead’—this is an enormous change in expectations both for them and for the state.”

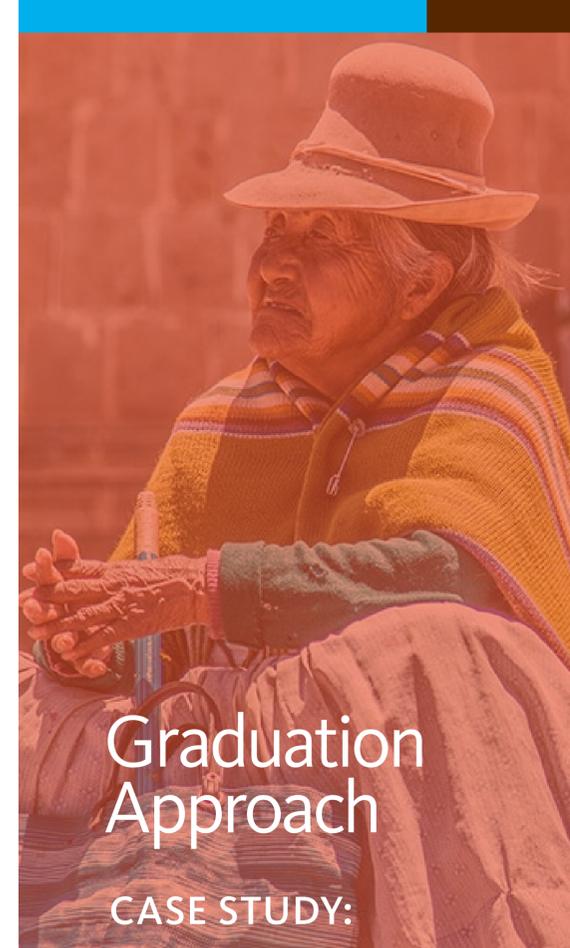
Carolina Trivelli
former MIDIS minister

LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Skills training is flexible, based on the demand and production plans of participants.
- Agricultural skills training offers only ecological methods of cultivation and production to promote adaptation to climate change. This makes farming more sustainable over time.
- Asset transfer and skills training will have a greater impact if complemented with government efforts to strengthen infrastructure (e.g., roads and telecommunications). If the settlements of Haku Wiñay participants become less isolated, they will have greater access to information and markets and gain more leverage for market transactions.

Life skills coaching

Life skills coaching as conventionally understood in Graduation programs is not a component of Haku Wiñay. However, participants receive steady attention and technical training through the bi-monthly on-site visits and the workshops conducted by *Yachachiqs*, and the periodic visits by local and regional technicians. These activities are similar to the process of life skills coaching. Interactions with technical-skills *Yachachiqs* begin in the first year and continue throughout the three-year program period. In the early years of Haku Wiñay,



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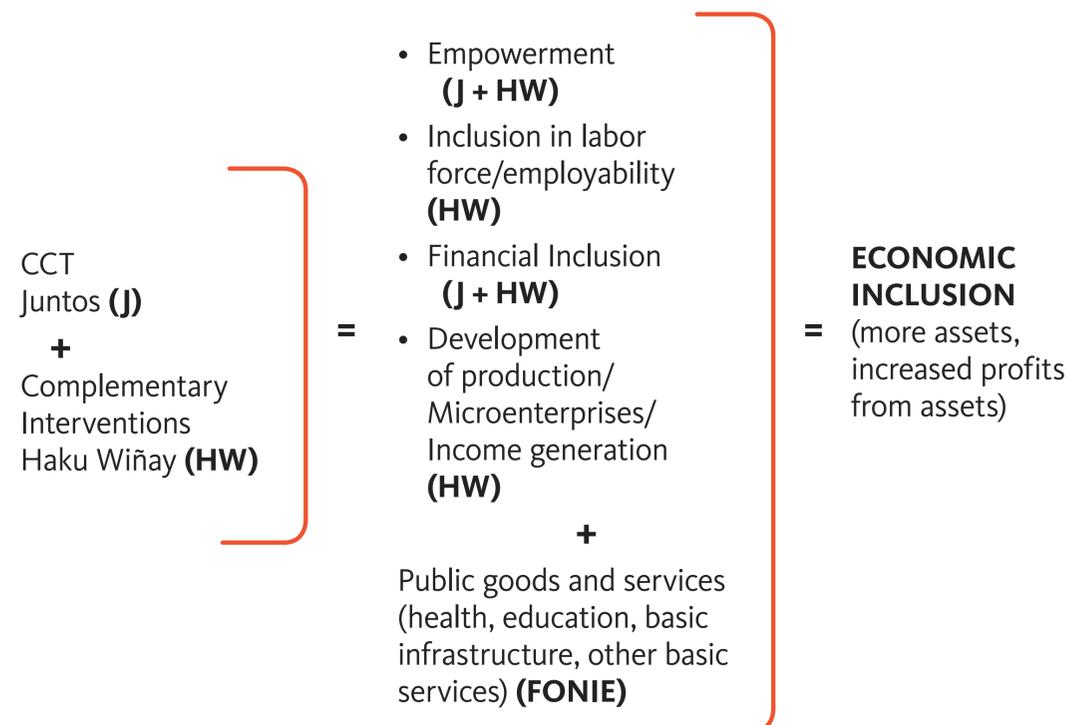
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financial education began only after some time delay, but once in place, the training by financial *Yachachiqs* is ongoing.

There is some evidence to suggest that the farming and financial skills learned from *Yachachiqs* and the interactions with FONCODES technical staff and supervisors do produce changes in outlook and attitudes similar to the results achieved with life skills coaching. The GRADE evaluation found that participants build skills for market transactions and reinforce their confidence.²⁴

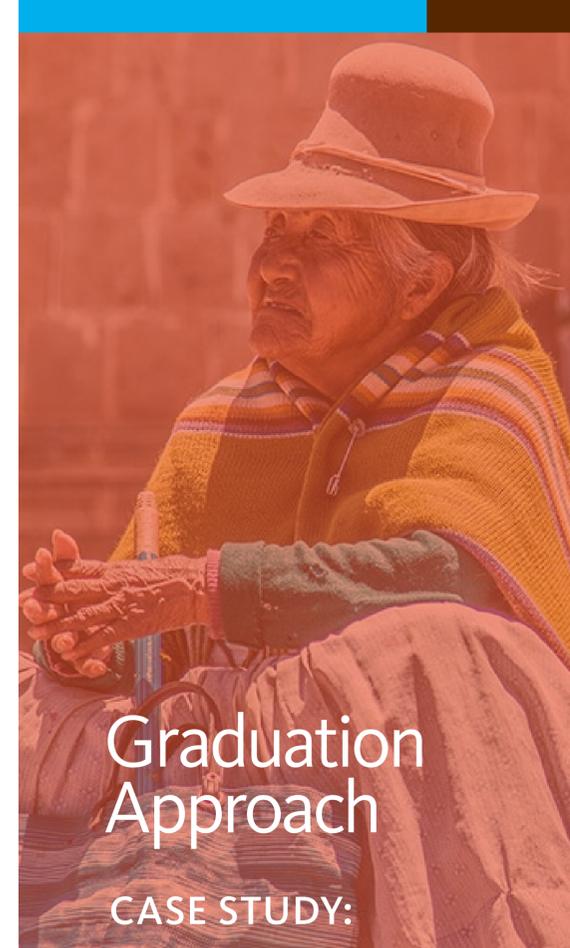
TABLE 5: Economic Inclusion Based on the MIDIS “Graduation” Model of Coordination



²⁴ Ibid.

LESSONS LEARNED: LIFE SKILLS COACHING

- Haku Wiñay does not include a separate life skills coaching component. Instead, the program’s design includes alternative ways to embed many of the key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from the local communities and creating local decision-making structures are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component.
- Participants receive ongoing attention through bi-monthly on-site visits by the local technical and financial trainers, as well as direct engagement in the governance and decision-making processes of the program through participation in local implementing committees.
- Program participants have the experience of being involved with groups at group training sessions offered by financial *Yachachiqs* or through being elected to represent their community in the local implementing committees.



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Monitoring

FONCODES monitors Haku Wiñay’s ongoing progress through several mechanisms. The SEJPRO (*Seguimiento a la Ejecución de los Proyectos* or “Follow-up to Project Execution”) system captures data on project implementation and financials based on monthly reports from offices in the departments. Those reports, in turn, are prepared by technical specialists at FONCODES headquarters based on data provided from technicians in regional offices, technical coordinators at the field level, and *Yachachiqs*. Progress on the program nationwide is posted monthly to MIDIS and FONCODES websites.²⁵

In the future, a mobile module will be deployed to allow FONCODES staff or *Yachachiqs* to capture information about project implementation and participants’ gains in technical capacity in real time, while they make on-site visits, decreasing paperwork and increasing timeliness of the data.

As noted earlier, robust monitoring is an integral part of the entire national social inclusion strategy, not just for Haku Wiñay. The full range of MIDIS’s extensive social programs is monitored to identify effective interventions, to foster accountability, and to facilitate alliances with other government agencies carrying out programs that could complement MIDIS efforts.²⁶

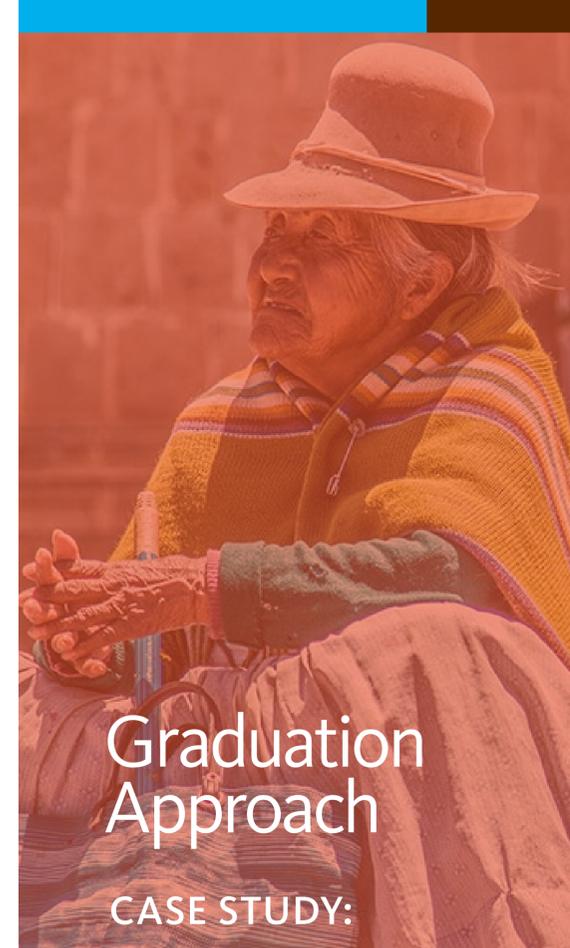
²⁵ MIDIS and FONCODES report the progress every month of Haku Wiñay coverage at: <http://www.midis.gob.pe/mapas/infomidis/>

²⁶ MIDIS. December 2014. (p. 20).

MIDIS is developing a “Knowledge for Inclusion” strategy that aims to create a continuous learning process. Peru has recently created its first-ever national registry of users of social programs.

LESSONS LEARNED: MONITORING

- Monitoring of coverage, scaling up, and implementation of program activities has been included in Haku Wiñay since the pilot was launched, so the program’s advance over time can be tracked.
- The monitoring records provide accountability for the use of government funds and demonstration of effective implementation that can help Haku Wiñay maintain or expand its allocation in the federal budget.
- The data gathered in monitoring create baseline information that is essential for impact evaluations.
- Using mobile devices during on-site visits to capture information about project implementation and participants’ gains should increase monitoring efficiency.



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Unique Aspects of Haku Wiñay

Haku Wiñay includes two unique components, distinct from the standard Graduation Approach: sanitation practices (called “healthy housing”) and promotion of small rural businesses rather than microenterprises exclusively. The healthy housing component consists of on-site training by *Yachachiqs* in the installation and use of more efficient, cleaner-burning stoves (an initiative supported by the German development agency GIZ, as noted earlier), boiling water for drinking, and management of solid wastes. To promote inclusive rural businesses, Haku Wiñay provides technical assistance from *Yachachiqs* to groups of four to six people who develop small businesses that respond to local demand. These are described below.

Healthy housing

The healthy housing component of Haku Wiñay teaches hygienic practices to improve sanitation and health in the home. Families are also encouraged to adopt ecological practices by learning how to reduce their use of firewood, recycle solid waste, and make compost.



Hilaria Ayra stands beside the improved stove in her kitchen.

Haku Wiñay has installed better stoves in more than 20,000 homes. The new stoves reduce smoke inside the kitchen and reduce the use of firewood by cooking faster, with the aim of lowering the incidence of respiratory illnesses as well as reducing carbon emissions and preserving trees. Improved stoves are used in 75 percent of homes and have reduced the weekly consumption of firewood by nearly 10 percent since the beginning of the program. An additional 48,000 improved stoves were slated for installation during 2015.

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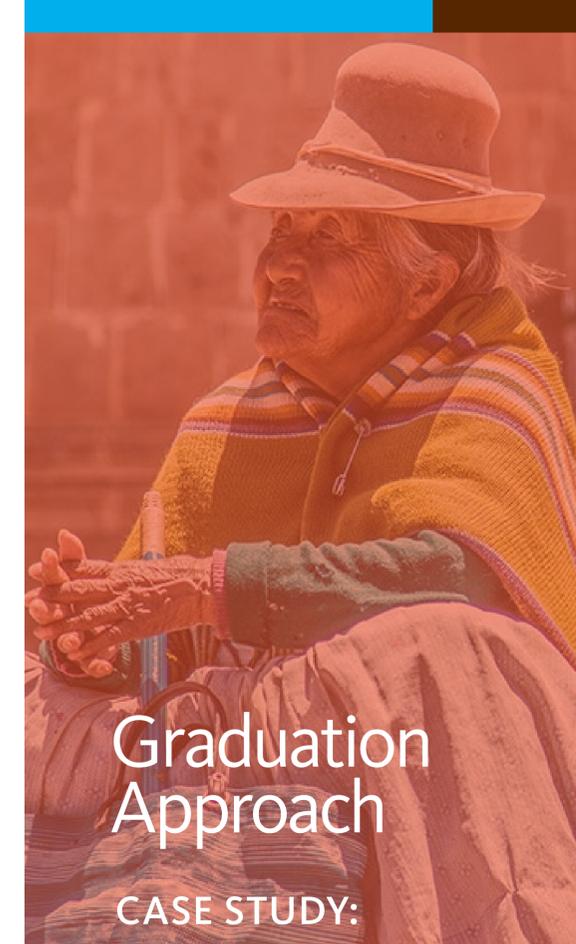
The healthy housing component successfully teaches and persuades families to change a host of old habits. Most Haku Wiñay participants no longer throw trash on their land, cook in smoky kitchens where farm animals run free, or drink untreated water. Training produces statistically significant results in reducing consumption of firewood, improving solid waste management, and upgrading hygiene, according to the GRADE evaluation. The number of program users who produce compost nearly doubled and an additional 27 percent of participants began washing their hands between the beginning and ending of the program. A total of 26,000 families now consume safe water after being taught to boil and store it.

Much of the home-skills training involves responsibilities traditionally handled by women. The fact that women have changed ingrained customs and adopted new practices and technologies suggests the effectiveness of peer training and frequent household visits as an alternative to classroom-based workshops or lectures (to which women, who are less likely on average than men to have attended school, may be less receptive). A number of women participants said they are no longer ashamed of their home as in the past and they show off their clean and well organized homes with pride. This attitude seems to reflect a new sense of confidence in their ability to manage the home and care for their children's health.

Inclusive rural businesses

Creation of group-based rural businesses is an integral part of Haku Wiñay. *Yachachiqs* promote rural businesses by encouraging participants to form groups of four to six partners interested in working together to develop a business idea. *Yachachiqs* provide guidance about how to produce and market the goods or services the group has in mind, then each group prepares three business proposals and pitches the plans to the CLAR panels. The panels in turn decide which businesses are the most feasible and award each winner the equivalent of about USD 2,500 in start-up funding provided by FONCODES. The business typically spends roughly half the grant money on equipment purchases and the other half on technicians to teach necessary skills.

In judging business plans, CLARs make a preliminary market analysis, though this does not include formal market studies (formal market studies being, as noted earlier, an underdeveloped capacity in Peru in general). Market potential is gauged informally by the opinions of *Yachachiqs*, FONCODES technical coordinators, and the CLAR panels. Once the business is running, the partners receive help connecting with markets from their contracted technical advisor and from Haku Wiñay coordinating technicians. The partners receive training in business bookkeeping and profit sharing, and in how to make expansion decisions.



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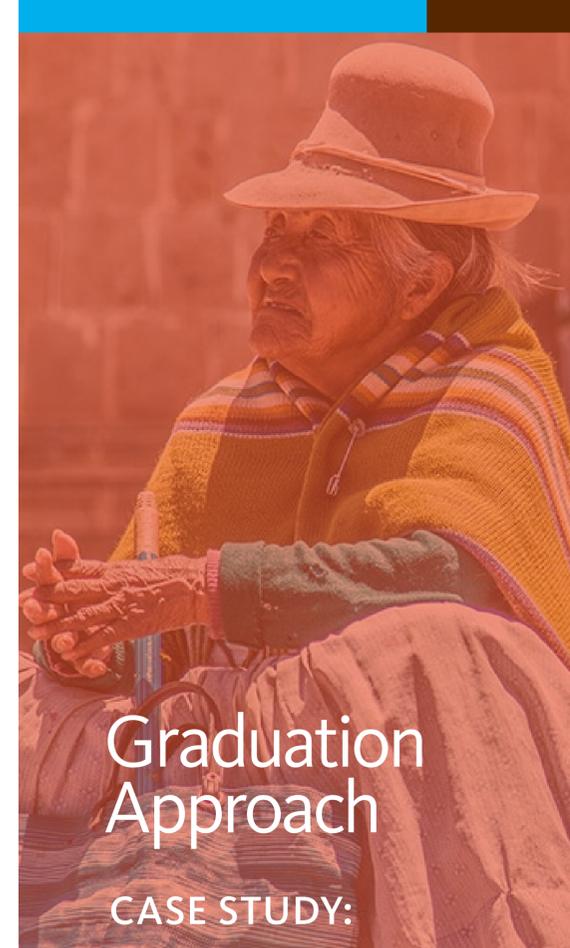


Haku Wiñay's rural business promotion component has expanded rapidly: as of 2015, about 2,000 enterprises were up and running, providing jobs for more than 7,500 people. The businesses range from animal husbandry and agricultural production to handcrafts, food processing and packaging, beauty salons, and car washes. In some cases, producers market their products jointly to secure a better price.

The Haku Wiñay experience demonstrates that it is possible to create small businesses even in remote rural areas where severe poverty prevails. The decision to make the application for start-up funding a competition fosters in contestants the business mentality that will be an indispensable ingredient for future success. And the diversity of the enterprises also suggests the potential for meaningful economic development which can make local communities more lively and vibrant while reducing their collective dependence on mono-product (i.e., agricultural) sources of income.

Although, as noted above, the number of the businesses in operation has grown rapidly, those businesses have been operating for only one or two years. It is too early to tell whether they are solid and capable of expanding, or are vulnerable and may fail or require special assistance. Because, as noted, no formal market study is performed before the grants are made, the businesses launch with at best a loose sense of how to link into the value chain. The prospects for success would likely be improved if market analysis and information about the value chain and national and specialized markets were developed for Haku Wiñay overall and for each region, sector, or business line.

The business environment for enterprises could also improve if telecommunications services were more widely available to facilitate access to pricing information and market opportunities. Better roads would also expand market opportunities. FONIE can play a role in strengthening the potential for success of rural enterprises.



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A partner in the Samae unisex beauty salon cuts a customer`s hair.



Darwin Fabián, head of a coffee roasting business, inspects the roaster bought with funds won in a contest organized by Haku Wiñay.

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Post-Graduation Program

Initial results

Haku Wiñay completes its three-year cycle during 2016, so it is too early to know the lasting impact of the program on participants' lives. A study released just as this case was going to press, however, offers clues about future trends.²⁷

GRADE surveyed families who both receive consumption support from Juntos and are Haku Wiñay participants. As of September 2015, 63 percent of participants had increased their annual income by nearly USD 300 as a result of the program. The growth in income has led participant families to shift their labor to salaried activities that offer better pay.²⁸ The value of participants' assets increased by 30 percent, a result which the report's author believes can reasonably be causally attributed to the program.

The skills training and healthy home components appear likely to remain effective post-graduation. As noted, research found that participants' diets improved notably. The number of times per year that family members eat leafy green vegetables, orange vegetables, and red meats increased by 50 percent or more. The more

efficient stoves are permanent fixtures, as is the lower consumption of firewood associated with them, so this efficiency may ensure that families continue to boil their drinking water post-graduation and also continue to benefit from a reduction of respiratory illnesses.

Participants' self-confidence for doing business is enhanced to a degree that is statistically significant, GRADE finds. Haku Wiñay users perceive themselves to be more knowledgeable about business and to have improved negotiating skills.

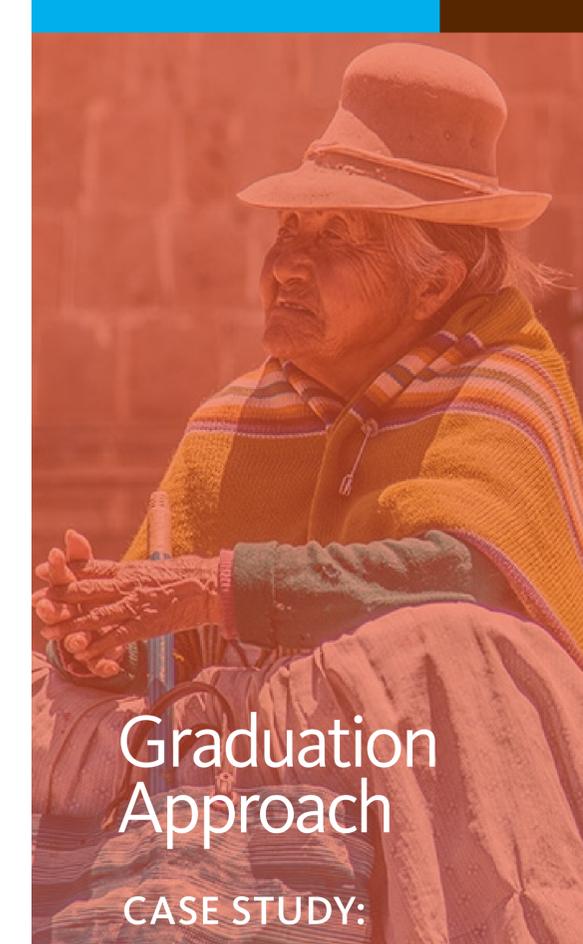
Plans for scaling up and next steps

Haku Wiñay is expected to expand its coverage by about 20 percent by the end of 2016. An additional 20,000 families will be included, mainly in new regions, bringing the total number of participant households to over 120,000. Plans for scaling the program up even further will be decided during 2016 discussions between FONCODES with the Ministry of Economy and Finance.

Current and former officials of Haku Wiñay are optimistic about the program's future notwithstanding Peru's July 2016 transition to a newly elected government. FONCODES administrators believe that Haku Wiñay's manageable costs, its innovative approach, its focus on the poorest rural families, and of course its documented successes make a compelling argument for continued funding.

²⁷ Escobal, Javier and Carmen Ponce (editors). May 2016. *Combinando protección social con generación de oportunidades económicas: Una evaluación de los avances del programa Haku Wiñay*. Lima: GRADE and the Ford Foundation.

²⁸ Escobal, Javier. Preliminary notes (unpublished) from *Escobal, Javier and Carmen Ponce (eds), May 2016*.



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MIDIS officials are studying an adjustment in the current sequencing of Haku Wiñay’s program components. Deputy minister Norma Vidal believes that the rural business promotion component and the financial training should be developed more forcefully from the outset. She believes the program’s effectiveness will be enhanced if all components (skills training, asset transfer, rural business promotion, financial training, healthy homes) are given equal weight throughout the three-year program cycle.

Implementation of the program has been more problematic in some areas than in others. Some local governments that came to power after Haku Wiñay was underway are reluctant to fulfill commitments made to the program by their predecessors. The current model for assuring continuity of Haku Wiñay activities will be altered because it is not operating well in those locations.

Impact studies

No formal impact study has been carried out on Haku Wiñay but the earlier (2006-2014) round of ten Graduation Approach pilots led by CGAP and the Ford Foundation had included a program in Peru. That pilot, implemented in Peru’s Cusco region by Arawiwa (a Peruvian microfinance institution) and the local office of PLAN (an international NGO) was found to be successful by a randomized control trial study conducted by the Innovations for Poverty Action Lab.

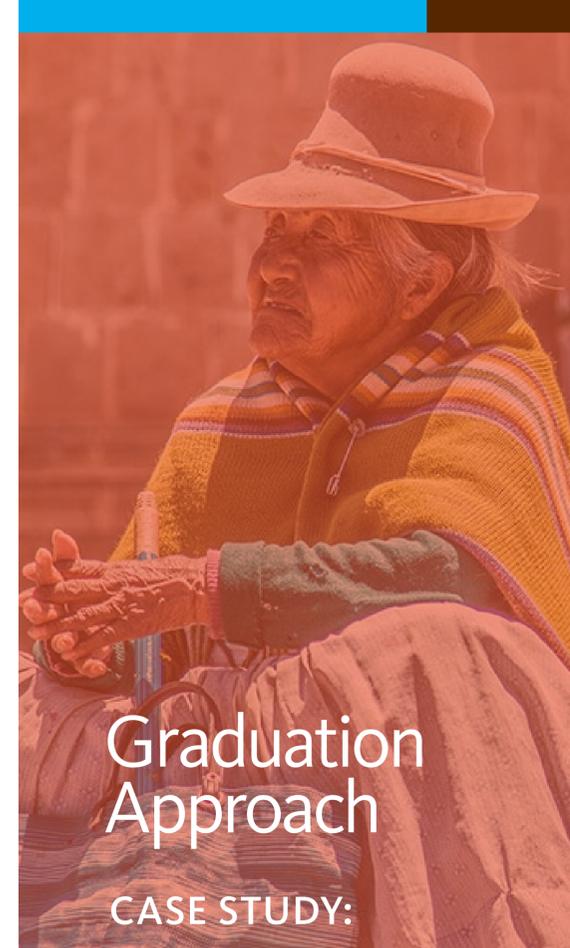
After the program concluded, the randomized trial found statistically significant impacts on per capita consumption, household assets, and food security in the six Graduation programs studied. In Peru as elsewhere, the Graduation program caused participants’ income to rise by a significant amount. The substantial gains in consumption were found to remain in place one year after the program ended. The Peruvian program was cost-effective. The report noted that even in Peru, where we see gains on fewer variables than in other countries, the gains in food expenditures per capita, assets, livestock revenues, physical health, and mental health are all positive and significant.²⁹

Within the operating structure of Haku Wiñay, MIDIS is responsible for conducting impact evaluations. The economic opportunities division of FONCODES will carry out surveys to measure Haku Wiñay outcomes. Research centers, such as GRADE, have conducted impact evaluations and can be expected to do so in the future.

Costs

The cost of Haku Wiñay is PEN 3,800 per family (about USD 1,100, depending on the rate of exchange) over the three-year intervention. The distribution of program costs is shown in the chart below.

²⁹ Banerjee, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, et al. “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12.



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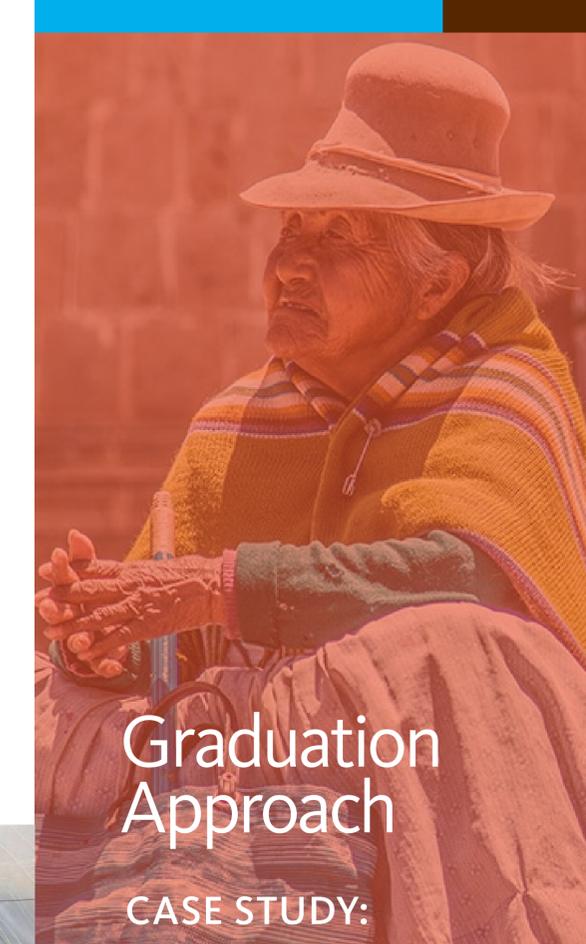


Table 6:

OPERATING COSTS OF HAKU WIÑAY: 2015				
Item	Total Cost	Cost Paid FONCODES	Cost Paid by Municipal Government	Cost per Household
Development of Productive Capacities - Entrepreneurial Farms				
Promotion of NECs and Nes	S/.	--	--	--
Design Technical Assistance and training*	12,240.00	12,240.00	--	122.40
Implement Technical Assistance and Asset Transfer+	284,010.00	268,960.00	15,050.00	2,689.60
(Sub-total: Productive Capacities)	296,250.00	281,200.00	15,050.00	2,812.00
Development of Rural Businesses**				
Promotion of contests	2,250.00	2,250.00	--	22.50
Implementation of Specialized Technical Assistance and Grants for Businesses	91,740.00	89,940.00	1,800.00	899.40
(Sub-total: Rural Businesses)	107,201.00	98,800.00	8,410.00	965.50
GRAND TOTAL: HAKU WIÑAY	403,460.00	380,000.00	23,460.00	3,777.50

Source: FONCODES.
 Note: Average exchange rate of the Peruvian New Sol to the Dollar for 2015: US\$1.00 = s/. 3,17 per <http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates>
 *Includes honoraria of project design technician and modest expenses of NECs to manage development of design of training.
 +Includes honoraria, transportation, and insurance of NEC coordinators, farmer-to-farmer training (honoraria, transportation, and insurance of Yachachiqs for three years, skills training in use of technologies); field trips to train Yachachiqs; installation of productive technologies on family farms; transportation and per diem of NEs and NECs, and administrative support.
 **Includes technical assistance, training, and funding to promote inclusive rural businesses.

The Haku Wiñay budget does not include the consumption support that Juntos provided to 80 percent of Haku Wiñay households. The Juntos stipend totaled approximately USD 1,260 per family during the three-year duration of Haku Wiñay. (Juntos funds are managed separately from those of Haku Wiñay in the government budget.) FONCODES finances 94 percent of Haku Wiñay’s costs; the remaining six percent is funded by municipal governments.



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Key Lessons Learned

LESSONS LEARNED: STAFFING

- Haku Wiñay has a clearly delineated staffing structure, combining a central oversight body of the responsible government ministry (MIDIS and its FONCODES division) with decentralized field operations that incorporate long-standing grassroots governance structures and recruitment of local people for delivering technical support.
- The frequent contact of FONCODES technicians based in regional offices with Haku Wiñay communities provides technical support to field staff and participating farmers, as well as monitoring of program progress.
- The mechanism of peer training, i.e., the contracting of local farmers (known as *Yachachiqs*) to train participating farmers is considered a key to the success of Haku Wiñay. The use of peer trainers reduces barriers to communications to a minimum and builds trust.

LESSONS LEARNED: KEY PARTNERS

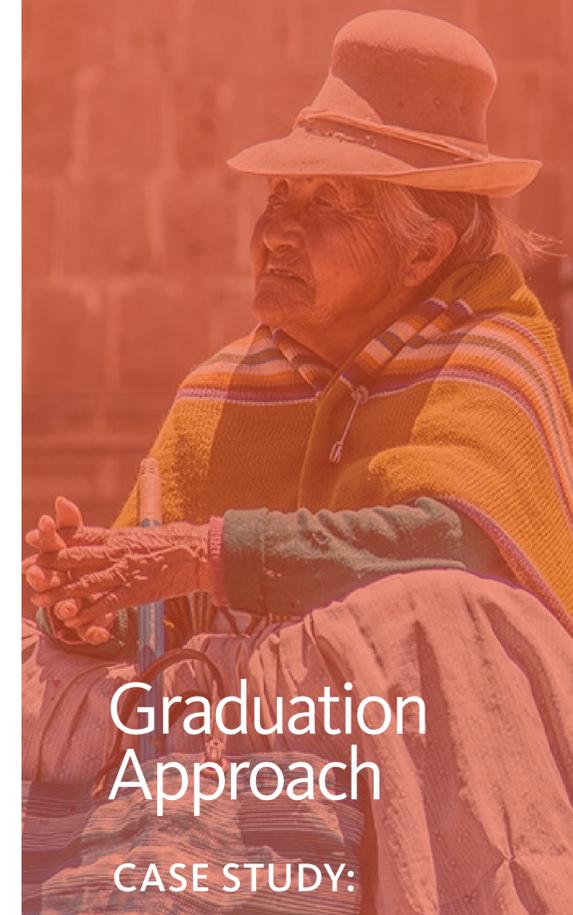
- Haku Wiñay is supported by a broad array of partnerships with local, national, and international organizations and agencies that help provide funding, technical assistance, and in-kind support.
- These partnerships increase Haku Wiñay's capacity in intangible as well as tangible ways, strengthening connections between the remote villages it serves with technical expertise drawn from local, national and international sources.

LESSONS LEARNED: CONSUMPTION SUPPORT

- Haku Wiñay leverages the consumption support already available to extremely poor families, building on existing government programs serving the same population.
- Participation in (or completion of) Haku Wiñay does not disqualify families from ongoing access to CCTs or other government social protection programs.

LESSONS LEARNED: SAVINGS

- Haku Wiñay's financial education uses standardized modules taught by peer trainers to expand knowledge of financial services and increase confidence in using the financial system.
- The training modules are carefully designed to be relevant and meaningful to program participants.



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LESSONS LEARNED: MARKET ANALYSIS

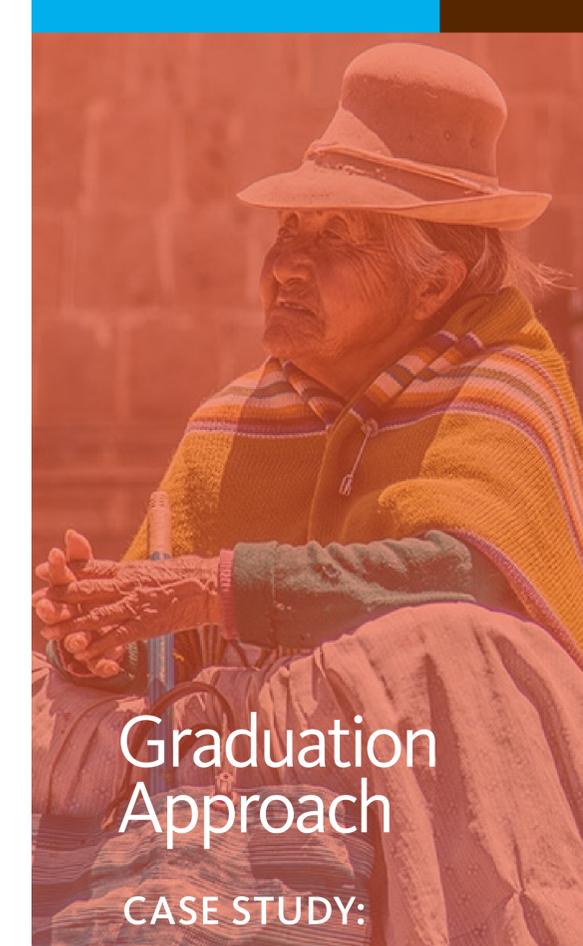
- Market analysis as conventionally understood has not been a part of Haku Wiñay program activities. This lack of market analysis is not specific to the program but rather is characteristic of Peru generally. Senior officials and field staff alike recognize that there is a lack of information for identifying markets for participants' products and for understanding how to link farmers with markets.
- During the initial stage, the surplus produced has been small and can be sold mostly to neighbors and in local fairs.
- Stronger expertise in value chains that can link rural areas with larger markets should be developed as part of the Haku Wiñay expansion.

LESSONS LEARNED: ASSET TRANSFER

- Haku Wiñay uses a demand-driven in-kind asset transfer to increase the likelihood that assets will be used productively by farmers and will be suitable for the local ecosystem.
- Haku Wiñay successfully built on more than two decades of experience in Peru with local implementing committees of elected farmers administering government funds. The purchase of assets and their transfer to families is managed by community representatives, an efficient structure for delivering assets on a national scale that also enhances local participation and empowerment.

LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Skills training is flexible, based on the demand and production plans of participants.
- Agricultural skills training offers only ecological methods of cultivation and production to promote adaptation to climate change. This makes farming more sustainable over time.
- Asset transfer and skills training will have a greater impact if complemented with government efforts to strengthen infrastructure (e.g., roads and telecommunications). If the settlements of Haku Wiñay participants become less isolated, they will have greater access to information and markets and gain more leverage for market transactions.



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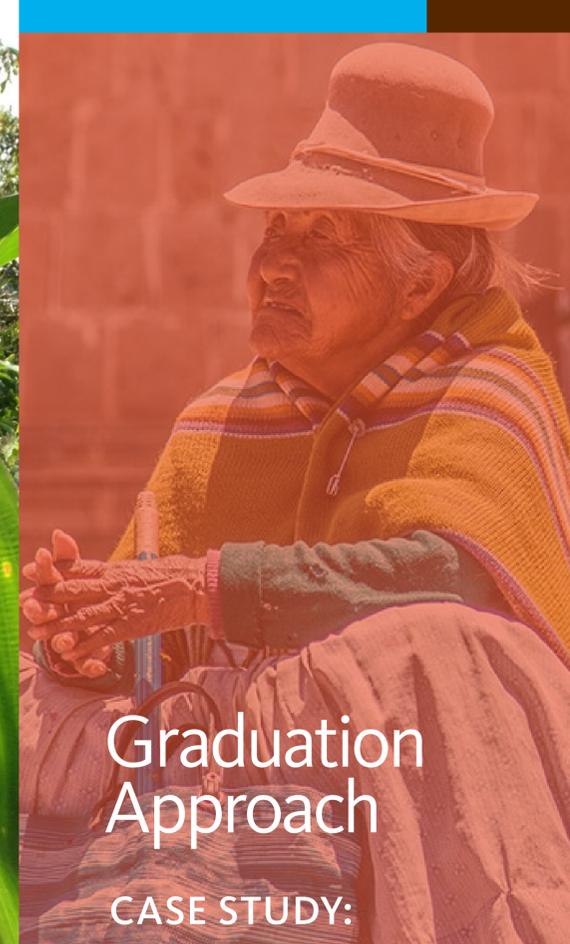


LESSONS LEARNED: LIFE SKILLS COACHING

- Haku Wiñay does not include a separate life skills coaching component. Instead, the program's design includes alternative ways to embed many of the key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from the local communities and creating local decision-making structures are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component.
- Participants receive ongoing attention through bi-monthly on-site visits by the local technical and financial trainers, as well as direct engagement in the governance and decision-making processes of the program through participation in local implementing committees.
- Program participants have the experience of being involved with groups at group training sessions offered by financial *Yachachiqs* or through being elected to represent their community in the local implementing committees.

LESSONS LEARNED: MONITORING

- Monitoring of coverage, scaling up, and implementation of program activities has been included in Haku Wiñay since the pilot was launched, so the program's advance over time can be tracked.
- The monitoring records provide accountability for the use of government funds and demonstration of effective implementation that can help Haku Wiñay maintain or expand its allocation in the federal budget.
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Haku Wiñay is a groundbreaking program for Peru, the first to combine peer training with a transition from subsistence- to market-focused farming—and to take it to nationwide scale, according to César Sotomayor, director of FONCODES at the time Haku Wiñay was launched. Haku Wiñay is also a young program, and MIDIS, the ministry responsible for its implementation, is a relatively new agency. But the MIDIS leadership was committed to finding effective responses to extreme poverty, and the impact of Haku Wiñay on the rural extreme poor, on family farms, and in rural communities has been demonstrated to be positive and significant.

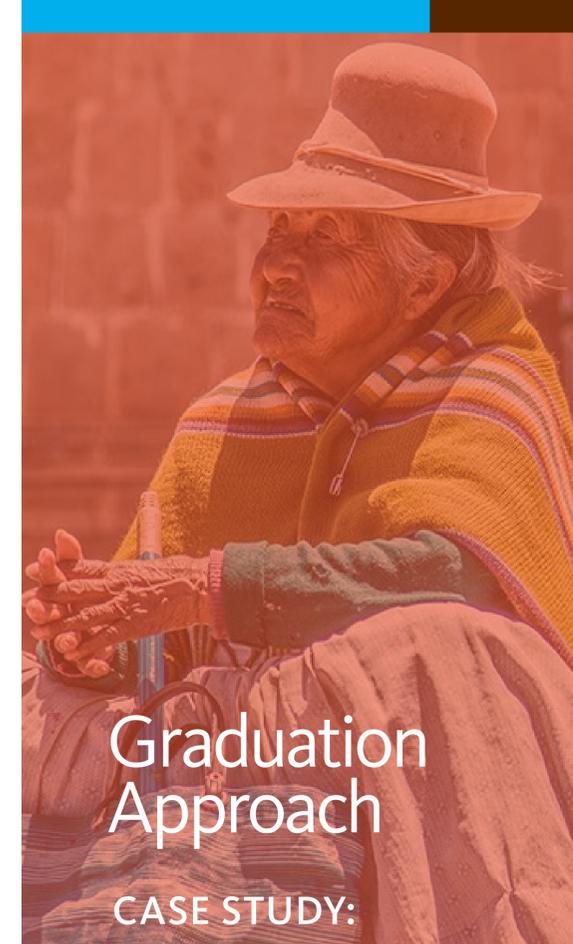
The lesson from Haku Wiñay is that Graduation programs that are adapted to local circumstances and include additional programmatic innovations (e.g., the healthy houses and rural business promotion components) can work well and achieve the desired outcomes. Important benefits also come from adapting asset transfers to the context and needs of program participants.

Flexibility is a hallmark of Haku Wiñay, and deserves a closer look. The supervising agency, MIDIS, is mandated to work across sectors—dealing with areas including agriculture, health, sanitation, and education—for the purpose of combating poverty and promoting social inclusion. FONCODES is also flexible because it is able to work across sectors in implementing Haku Wiñay. FONIE, the rural infrastructure fund, is flexible because it, too,

works across sectors including transportation, education, health, and telecommunications. The components of the Haku Wiñay program itself are also flexible: asset transfers and the associated training are demand-driven, by market conditions and the circumstances of the individual participants.

Several elements of Haku Wiñay implementation empower program participants. The local implementing group (*Núcleo Ejecutor*) structure gives power to the grassroots, elected representatives of rural communities, to administer government funds. The *Yachachiqs* empower program users because they are themselves farmers drawn from the same rural communities where Haku Wiñay operates. Haku Wiñay has produced positive results in empowerment, reducing vulnerability, and increasing participants' ability to identify market opportunities and negotiate business transactions.

Haku Wiñay achieved these increases in participant empowerment and confidence without including life skills coaching as a distinct component, as earlier Graduation Approach programs have done. An important success factor is the peer-to-peer training. Apparently, participants “identify in” with the *Yachachiqs*, who are themselves members of the community, in a way that enhances confidence and empowerment along with achieving the actual transfer of knowledge.



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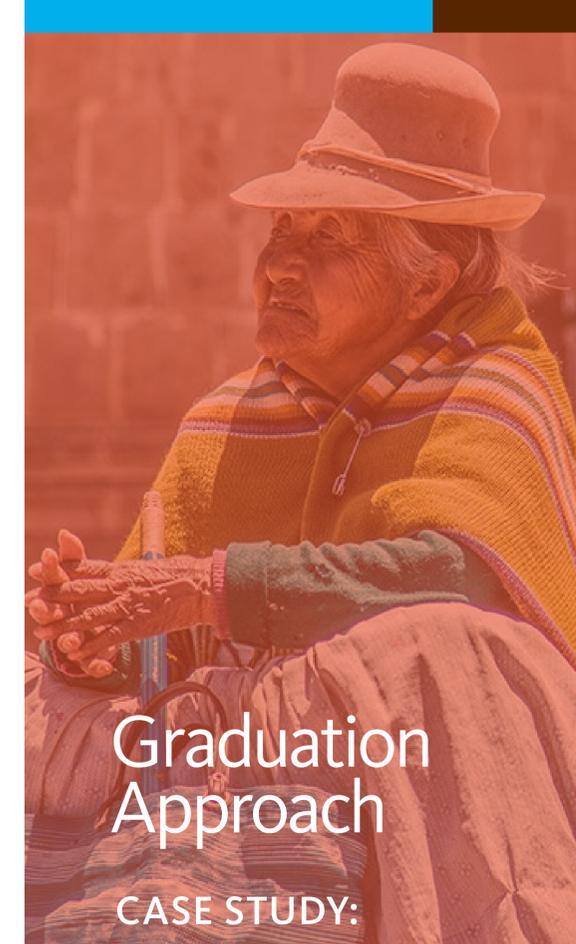
Haku Wiñay’s effect on participants’ self-esteem is especially important to the extremely poor in the highlands (sierra). The identity traditionally attributed to these people was that of “impoverished” and “peasant.” The public policies and demand-driven model at the heart of Haku Wiñay facilitate the transition—mental as well as logistical—from subsistence farmers to agricultural entrepreneurs.

Haku Wiñay faces several challenges as the program evolves. Coordination between Haku Wiñay and Juntos (the government’s conditional cash transfer program), especially the capacity-building aspects of each program, must be tightened so the two programs are linked from the time Haku Wiñay launches in an area.

Scaling up Haku Wiñay will also require more staffing at all levels. Senior officials are concerned about the ability of the program to recruit and retain *Yachachiqs*. The pool of local people with whom the participants can comfortably identify, yet who are skilled enough to impart knowledge the participants need, is limited. Deputy minister Norma Vidal has identified the recruitment and training of additional *Yachachiqs* as a top priority for Haku Wiñay’s expansion.

About 40 percent of the entrepreneurs operating rural businesses are women. The impact on women is ambiguous, however, because the program can give women new roles—operating sprinkler irrigation systems, running a business—but does not work to change the role of men in the family. Also, some of the changes in women’s roles are due to cash transfers from Juntos and thus cannot be attributed exclusively to Haku Wiñay.

As noted earlier, preliminary evaluations of Haku Wiñay do show significant positive changes across an array of indicators. Program participants improve the conditions of their households, increase food security through raising a greater variety of crops and livestock and harvesting them all year long, and some participants launch new businesses. The most significant shift, however—and the one most likely to determine Haku Wiñay’s ultimate prospects for success—is the change in participants’ sense of personal agency. All stakeholders have remarked on the noticeable shift in participant attitudes toward planning for a future over which they believe they have some control, setting goals, working to achieve them, and taking pride when those goals are achieved. To the extent that this sense of empowerment becomes permanent, the beneficial practical effects that empowerment makes possible may become permanent as well.



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“The state is in the role of facilitator . . . (FONCODES) listens to the initiatives of communities or individuals, and (supports) those initiatives through the transfer of funds.”

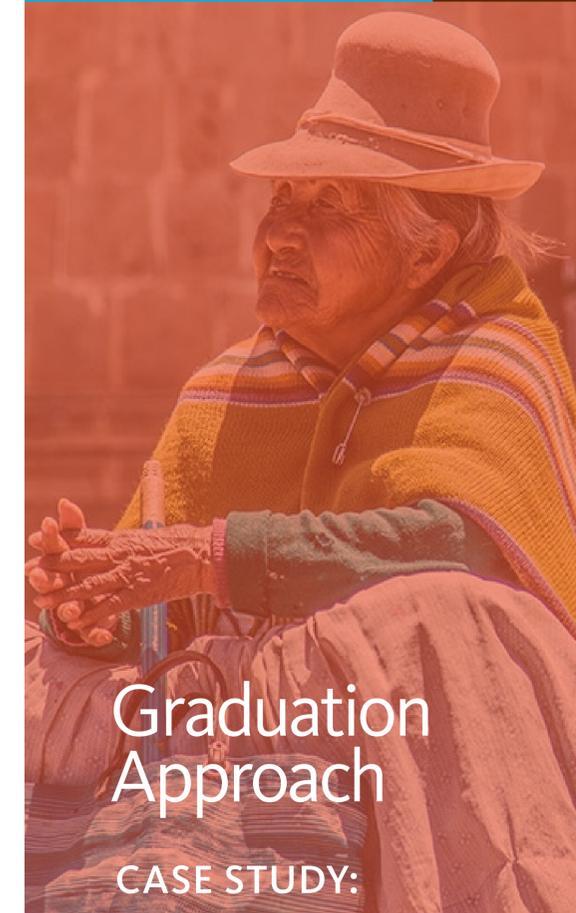
César Sotomayor,
director of FONCODES at Haku Wiñay’s launch

“Haku Wiñay’s use of the Yachachiqs means that it retrieves the knowledge and culture of the local community. Local farm families become the drivers of their community’s development.”

César Sotomayor,
director of FONCODES at Haku Wiñay’s launch

“People begin to think in a new way. They focus on their advancement, their place in society, their living conditions. They have a better quality of life, and can feed themselves. They are planning and putting their lives in order.”

Norma Vidal
MIDIS vice minister



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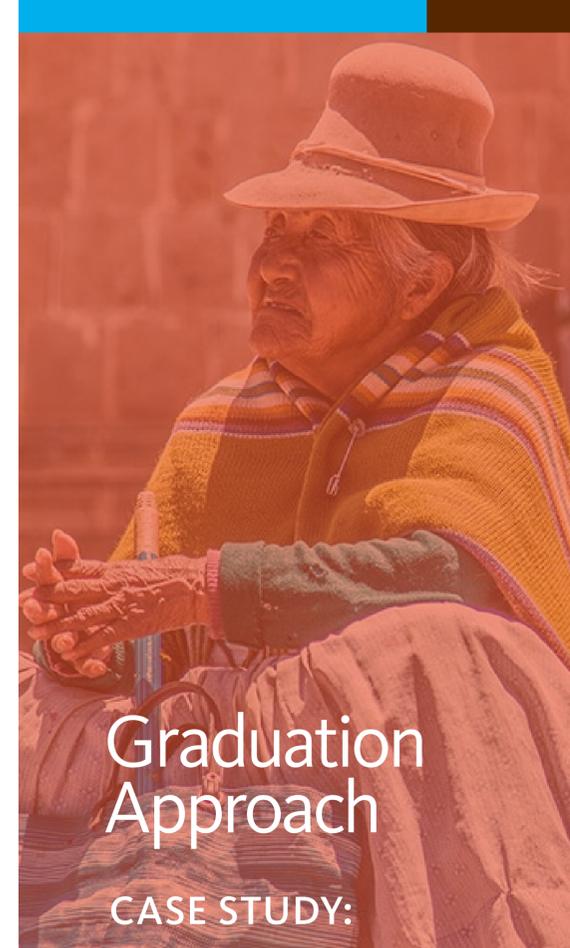
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ABOUT THE AUTHOR

Lucy Conger is a journalist who has reported on finance, economics, and development issues from Peru and elsewhere in Latin America for 25 years. She co-authored, with Richard Webb and Patricia Inga, *The Mustard Tree: A History of Microfinance in Peru*, and a recent study of Mexico's economic reforms and economic competitiveness, *A Mandate for Mexico*, supported by the Mexico Institute of the Wilson Center. She holds a master's degree in international relations with a concentration in development economics from The George Washington University and a bachelor of arts in history from the University of Pennsylvania.

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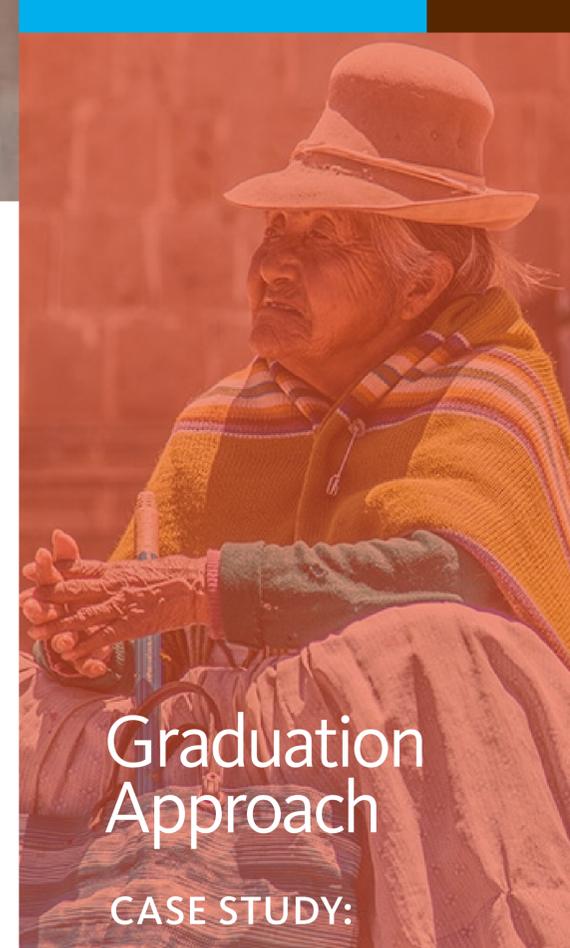
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