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## UNDERSTANDING THE CHALLENGES OF ESTABLISHING AN URBAN ULTRA POOR PILOT

The Vaaradhi Pilot Case Study  
2010 - 2011

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## KRITI SOCIAL INITIATIVES

Kriti Social Initiatives (Kriti), a not-for-profit enterprise working with the urban poor in Hyderabad, was founded in 2009 by two senior professionals with a blend of corporate and development sector experience. Its vision is to “*make a sustainable improvement to quality of life of the urban poor by providing them with required services in the areas of livelihoods, health care and education.*”

The core belief at Kriti is that high quality services need to be implemented in a complementary manner in order to achieve a sustainable impact on peoples’ income levels and quality of life. Each individual service that fills an existing gap is likely to have a positive impact, however, together they are likely to contribute to a more lasting change. For more information about Kriti, please visit [www.kriti.org.in](http://www.kriti.org.in).

## UNITUS LABS

Unitus Labs is a USA 501(c)(3) nonprofit focused on reducing global poverty through economic self-empowerment. Unitus Labs’ unique focus is harnessing market forces to drive substantial increase in economic opportunity for those at the base of the economic pyramid (“BoP”) in developing markets. Unitus Labs attempts to leverage its influence by not just demonstrating the commercial viability of BoP strategies, but by drawing other players into the space in a way that dramatically accelerates the scaling of proven ideas. Unitus Labs’ current focus is to create improved income-generating livelihood opportunities for millions battling global poverty. Unitus Labs was founded in 2001 and is based in Seattle and Bangalore. For more info, see [www.unituslabs.org](http://www.unituslabs.org).

## SORENSEN - UNITUS ULTRA POOR INITIATIVE

The Sorenson-Unitus Ultra Poor Initiative (UPI) was established as a project of Unitus Labs in October 2008 with support from the Sorenson Legacy Foundation. The UPI’s aim is to stimulate the microfinance industry to deliver sustainable services that provide opportunity to the poorest of the poor to improve their standard of living. To that end, Unitus Labs funds effective solutions to serve the critical needs of this population and provides hands-on support and strategic guidance to our partners.

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## EXECUTIVE SUMMARY

In 2010, Kriti Sustainable Livelihoods launched a program called the Vaaradhi pilot, one of the first programs in India to focus on urban ultra poor populations. Located in Hyderabad in the southern state of Andhra Pradesh, its purpose was to provide a holistic array of services to help households achieve a sustainable change in their income levels and quality of life. While there are proven models for working with ultra poor populations in rural areas, very few organizations have attempted to target and work with this population in urban settings. This case study highlights some of the areas where adaptation of rural models to urban environments is vital in order to achieve optimal impact.

After thorough market research, Kriti determined it was essential for any ultra poor initiative to include program components addressing livelihoods and healthcare. These became the primary interventions of the Vaaradhi pilot, and were supplemented by additional interventions in financial literacy and supplemental education.

The Kriti team based their approach on traditional models of working with the rural ultra poor as well as thorough market research. They found that all program elements required some adjustment in order to have the desired impact in an urban environment. Some components needed more fine-tuning while others required less. Following is a high-level summary of the lessons learned from Kriti's experience with the Vaaradhi pilot. A list of recommendations based on the lessons learned can be found in the conclusion.

### LOCATION AND BENEFICIARY SELECTION

Kriti was based in Hyderabad and the project was set up in one of the surrounding slums. The team knew that they would be more likely to find ultra poor populations in a non-notified (illegal) slum, but these areas are under constant threat of eviction and have much more transient populations. Ultimately, the team chose to work in the notified (legal) slum of Film Nagar in order to ensure that beneficiaries would not leave in the middle of the program. It is important to note that Hyderabad has a comparatively high presence of nonprofit organizations and microfinance institutions (MFIs), even within the surrounding slums.

#### *Summary Lessons Learned*

This decision to work in a notified slum outside of Hyderabad, with comparatively lower ultra poor populations, made the process of finding program participants tedious and time consuming—it took three months to find 220 beneficiaries. There

is also some question as to whether the selected beneficiaries truly fit the ultra poor profile. Kriti chose to work with the entire slum population and thus the selection process served to identify the poorest populations relative to that particular slum. As a result, a large number of the beneficiaries were not truly ultra poor. This likely contributed to the difficulties Kriti experienced with other elements of the program, as it was designed specifically for ultra poor populations.

## LIVELIHOODS

This component of the program intended to enhance the income of households by providing training in various activities that could supplement the primary occupation. Kriti designed livelihood programs that were: 1) flexible and home-based, 2) low-skill (easy to learn), 3) feasible in small spaces, and 4) able to generate adequate income.

All livelihood activities experienced problems with high attrition of participants. Contributing factors included: long training periods, lack of sufficient or timely income generation after the training period, difficulty attaining necessary skill level, and general lack of sustained interest from participants. An additional factor that may have led to the observed attrition is a lower number of ultra poor beneficiaries than expected in the selected group.

### *Summary Lessons Learned*

Livelihood training is one area that requires considerable tailoring not only to make it appropriate to an urban setting, but also to the specific target population. People living in urban areas have a wider range of options available to them, whereas rural areas have a more limited set of livelihoods. The bulk of rural ultra poor programs focus on livestock transfers, an option not suitable to an urban context. As Kriti experienced, identification of suitable livelihood activities that can provide sustainable income to a large number of urban households is a challenge.

One reason cited by women that did not continue with the livelihoods, was that the income generated from activities was not sufficient. It is important for any program to conduct market research in the target area and estimate a range of incomes its beneficiaries are likely earning in their current jobs. New livelihood activities must produce incomes above this range in order to be considered worthwhile.

The amount of time between training and income generation must also be kept to a minimum, as beneficiaries need to be able to see tangible benefits early on from the livelihood activities. Hence it is critical that market linkages for the activities should

be established before the project begins so that there is no delay in generating income once the beneficiaries are trained. If training needs to be extended to allow for skill development, stipends need to be provided during the training period so that ultra poor households are able to participate in the program.

## HEALTHCARE

The lack of access to quality, affordable healthcare is a major problem in the slums. Therefore, the Kriti team identified healthcare and health awareness as integral parts of its overall intervention. The Vaaradhi program included a preventative healthcare education program along with a high quality primary healthcare facility located within Film Nagar that provided free and reduced-cost care to not only the selected beneficiaries, but also the larger slum population.

This is another area where the rural model of providing healthcare had to be altered to fit the needs and challenges of an urban population. In rural areas, problems stem from the long distances that must be travelled to arrive at clinics, as well as the loss of wages associated with the loss of a day's work. Since Film Nagar was located near Hyderabad, the distance to doctors and clinics was not the biggest challenge. Instead, the challenge was to create a model where slum dwellers had affordable access to physicians and specialists in and around the area in which they lived.

### *Summary Lessons Learned*

Key take-aways were that services had to be high quality, accessible, and affordable. As long as there is a need for healthcare services and these criteria are met, Kriti's experience is that the program will see positive results regardless of whether the population is urban or rural. Because of its proximity to other programs and services, Kriti was able to partner with government programs, local hospitals, and other treatment facilities to refer tertiary and critical cases. This was another key aspect of the program's success.

## FINANCIAL INCLUSION

Kriti sought to increase access to financial services and financial literacy. Each beneficiary was provided a savings account in a mainstream bank and financial literacy training. Unlike most rural ultra poor programs, savings was not a compulsory part of the Vaaradhi program; beneficiaries were expected to save voluntarily using their new bank accounts.

This aspect of the Vaaradhi pilot was met with mixed results. Attendance at financial literacy training sessions was low and many of those who did attend were not

particularly engaged. Many beneficiaries also seemed to focus on short-term needs and preferred to rely on microcredit loans or moneylenders for unexpected expenses as opposed to building their own savings.

### **Summary Lessons Learned**

Both of these observations could be attributed to the comparatively high presence of MFIs in Film Nagar. A significant difference between rural and urban populations is that in rural areas, the ultra poor are often much more isolated and therefore much less likely to have had prior exposure to formal financial services.

The area in and around Hyderabad had a relatively high concentration of MFIs so many of the program participants had access to microfinance services. Access to credit was so readily available that people in Film Nagar had developed a reliance on credit for unexpected expenses as opposed to savings. While financial literacy training helped to clarify some financial concepts for the beneficiaries, it was not sufficient to result in a behavioural change. Future endeavours may need to include saving as a compulsory element of the program, with the hope that it will become habit.

## **SUPPLEMENTARY EDUCATION**

The Vaaradhi program also contained two components to address education. Two preschool centres were established to teach two- to five-year-olds basic skills and help prepare them to be successful in school while allowing their mothers time to leave the home to earn an income. Kriti also identified and worked with children who had dropped out of school for various reasons, and helped to re-enrol them in an appropriate school.

### **Summary Lessons Learned**

Preschool centres were successful because they were located close to beneficiary homes and run by women who were trusted and part of the community.

For the go-to-school project, Kriti had planned to work with residential bridge schools—residential schools that specialise in helping academically prepare out-of-school children for regular schools—to help children who had dropped out quickly catch up to their peers. However, few parents agreed to send their children to a bridge school, preferring that their children remain with them. Kriti then partnered with another organisation to set up remedial centres in the community. This was part of a two-pronged approach that involved working with families to ensure enrolment in schools, along with establishing remedial centres to help children keep up with their studies, which helped them stay in school.

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## INTRODUCTION

Representing the more than one billion people globally living on less than \$1.25 a day, the ultra poor are considered the poorest of the poor, belonging to the bottom of the economic strata.<sup>1</sup> They are typically in poor health and are socially marginalised. Many are unable to find work, and those who do often continue to live in poverty due to poor wages and inconsistent incomes. The small and erratic incomes of this vulnerable group are often not sufficient to cover their basic needs, let alone unexpected expenses.

Although microfinance has reached over 150 million individuals worldwide and given millions of working poor access to financial services for the first time, moving them toward economic stability, for the most part, microfinance institutions (MFIs) have been unable to access and serve large numbers of the poorest of the poor.<sup>2</sup> Some development practitioners also question whether microfinance is an appropriate first intervention for this population, as the ultra poor are in need of assistance in multiple areas in order to stabilize their lives.

Given the myriad of hardships that the ultra poor face, any intervention that focuses on only one dimension is unlikely to have much of an overall effect. In 2010, Kriti Sustainable Livelihoods, a division of Kriti Social Initiatives, launched a multi-faceted urban ultra poor program called the Vaaradhi pilot, (Vaaradhi is a Telugu word meaning “bridge”). Kriti determined that providing access to healthcare and helping individuals establish sustainable livelihoods were critical components to any ultra poor program.

Helping families establish sustainable livelihoods ensures more predictable and higher incomes that can help stabilize a household’s precarious position, allowing them to save for unexpected expenses and exert more control over the betterment of their lives.<sup>3</sup> Healthcare is also an important program component, as good health is the foundation upon which anyone can be productive and active in meeting their day-to-day obligations. The Kriti team also found a lack of quality, accessible, and affordable healthcare in the region. Thus, the Vaaradhi pilot was designed to focus on providing access to healthcare and helping ultra poor individuals establish sustainable livelihoods. Additionally, the pilot included financial literacy and supplemental education program components.

1 Ravallion and Chen, *The Developing World is Poorer Than We Thought, But No Less Successful in the Fight Against Poverty*.

2 Daley-Harris, *State of the Microcredit Summit Campaign Report 2009*, pg 3.

3 Gutta, *Sustainable Employment: A necessary intervention for the poor*.

It is difficult to uniformly define or classify the ultra poor, as they often have different characteristics in different contexts. For example, in an urban setting, the ultra poor could be slum or pavement dwellers, whereas in rural areas they could be remote tribal populations, each with very different attributes, needs, and challenges.

Several organizations have developed effective models to successfully work with ultra poor populations in rural areas. One such model that has proven its ability to reach and serve vulnerable populations is the BRAC graduation model.<sup>4</sup> This model combines support for immediate needs such as food security, with longer term needs like skills training, financial literacy, and livelihood development to help the ultra poor become self-sufficient. According to the model, once their lives become more stabilized, they are transitioned out of these safety net programs and into income earning activities. The graduates are also then eligible for microfinance.

As mentioned, the BRAC graduation model is particularly targeted toward rural ultra poor households. The industry has yet to see models for the urban poor that have achieved scale. The challenge now lies in adapting successful program components from rural models to the distinctively different circumstances of urban populations. The Vaaradhi pilot is one of the first urban ultra poor programs to be implemented in India. Our hope for this case study is to provide much needed insight into not only working with urban ultra poor populations, but adapting rural models to fit the unique characteristics of urban communities, so that others may learn from our experiences and design progressively more targeted and impactful programs to reach this neglected population.

## BACKGROUND

### CHARACTERISTICS OF URBAN SLUMS IN INDIA

Sustained growth in population, coupled with large-scale migration to cities, has led to massive levels of urbanization in India. The urban population has grown from 78.9 million in 1961 to 286 million in 2001 and is estimated to double in the next 25 years.<sup>5</sup> This has led to the exponential growth of slums in many cities and

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<sup>4</sup> BRAC stands for the Bangladesh Rural Advancement Committee. The BRAC program is also known as the BRAC TUP (The Ultra Poor) program.

<sup>5</sup> Ministry of Housing and Urban Poverty Alleviation, *Report of the Committee on Slum Statistics/Census*, pg 1.

towns. Most migrants come to the city in search of opportunity and a better life. Far too many find neither and become one of the millions living without basic services in India's slums. The 2001 Indian Census defines a slum as "a compact area of at least 300 in population or about 60-70 households of poorly built, congested tenements in an unhygienic environment usually with inadequate infrastructure and lacking proper sanitary and drinking water facilities."

In 2001, about 25% of India's urban population lived below the poverty line. The bulk of urban poor workers are engaged in the informal sector.<sup>6</sup> Their employment is sporadic, their wages low, and they often lack both the skills and opportunities to enter the formal sector.

Apart from financial insecurity, for many the situation is made worse by the lack of access to safety nets such as insurance, savings, and strong social networks. Some of the immediate needs of these under-privileged communities are:<sup>7</sup>

- Education and mentoring
- Employment
- Preventive healthcare and health education
- Hygiene and sanitation

## ABOUT THE REGION – HYDERABAD

Kriti is based in Hyderabad, capital of the state of Andhra Pradesh. It is the sixth most populous city in India and more than one-third of the city's population resides in slums and other poor settlements.<sup>8</sup>

Andhra Pradesh is one of the most socially progressive states in India and has been very open to development sector initiatives. Hyderabad is headquarters to international venture funds, established NGOs, and widely acclaimed government initiatives like Aarogyasri<sup>9</sup> and the National Rural Employee Guarantee Act<sup>10</sup> (NREGA).

The presence of so many institutions and government initiatives has had a positive impact on the lives of the poor in Hyderabad. Most slums have benefitted some

<sup>6</sup> The new census is due in late 2011. At the time of writing this case study, only the provisional data was reported.

<sup>7</sup> Sir Dorabji Tata Trust, *Annual Report 2009-2010*, pg 19.

<sup>8</sup> Greater Hyderabad Municipal Corporation, *Hyderabad - City Development Plan*, Chapter 5.

<sup>9</sup> Aarogyasri is the flagship program of the State Government of Andhra Pradesh with a mission to provide quality healthcare to the poor.

<sup>10</sup> Initiative to enhance the livelihood security of people in rural areas by guaranteeing one hundred days of wage-employment in a financial year to rural households whose adult members engage in unskilled manual labour.

from NGO programs focused on improving healthcare, access to clean water, child education, and more.

Hyderabad is considered the capital of microfinance in India, and is home to several large microfinance institutions (MFIs) such as SKS, Spandana, Basix, Share, and Asmitha. This has led to a high presence of MFIs even within the slums of Hyderabad. However, MFIs have traditionally failed to reach the ultra poor populations within these slums, deeming them to be too much of a credit risk. The ultra poor are left to depend on moneylenders<sup>11</sup> and other informal sources for their financial needs.

## OVERVIEW OF THE VAARADHI PILOT

In 2010, Kriti Sustainable Livelihoods launched the Vaaradhi pilot, which focused on urban ultra poor populations and worked with selected poor households in an urban slum. Its purpose was to provide a holistic array of services through a time-bound, structured program, to help the households achieve a sustainable change in their income levels and quality of life.

The main objectives of the Vaaradhi pilot were to:

1. Utilize rigorous selection processes that involved the community
2. Provide opportunities for beneficiaries to engage in sustainable livelihoods in order to enhance their household incomes
3. Increase the ability of households to become more stable and self-sustainable by:
  - Providing structures such as health services, life insurance, and savings, which enhance a household's ability to cope with unexpected expenses
  - Providing structures that remove existing barriers to better earnings, such as crèches (day care centres) for children, financial literacy, counselling for alcohol abuse<sup>12</sup>, and increased access to government services available to those falling below the poverty line

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<sup>11</sup> A moneylender offers small loans at high rates of interest, usually higher rates than those charged by commercial banks or microfinance institutions. For a vast majority of the poor in India, informal moneylenders are the only source of credit.

<sup>12</sup> The alcohol addiction treatment was not implemented due to a lack of interested partners. See appendix C for more details.

#### 4. Ensure effective tracking and monitoring of impact

### TARGET BENEFICIARIES

Kriti Sustainable Livelihoods chose to focus its efforts on a slum in the greater Hyderabad region. The team utilized a rigorous targeting and selection process to identify 220 beneficiaries from the Film Nagar slum of Hyderabad. While the target beneficiaries of the pilot were the ultra poor, Kriti also wanted to work with the larger slum population, making many services available to all slum residents irrespective of their income levels. The 220 beneficiaries designated as ultra poor, were relatively speaking, the poorest in the slum that Kriti was working in.

### PROGRAM COMPONENTS

Slum dwellers in and around Hyderabad lack basic necessities such as adequate housing and sanitation facilities, as well as access to clean water, schools, and healthcare. In April 2009, the Kriti team conducted an exhaustive market study to more fully understand this population and their needs. The exercise entailed five focus group discussions followed by 400 quantitative surveys.

Some of the key findings from the study highlighted the following characteristics of urban ultra poor populations.<sup>13</sup>

- The ultra poor lived in a *kaccha*<sup>14</sup> or *semi-pucca*<sup>15</sup> residences in the slums
- About 60% of women and 45% of men reported no formal education
- 20% of households were headed by women and cited an inability to work because of poor health, or other reasons
- 18% of households had children in the age group of 5-18 that were not attending school
- In 40% of households, men engaged in unskilled labour with only intermittent work
- Most of those surveyed lived a hand-to-mouth existence with little or no savings
- Households typically visited a health clinic once per quarter, which in most cases, consisted of a visit to a registered medical practitioner<sup>16</sup> (RMP) who

<sup>13</sup> Vishwanatham and Gupta, *Market Research Findings*, pg 20-21.

<sup>14</sup> Kaccha is short-lived structure made of natural materials such as mud, grass, bamboo, thatch or sticks.

<sup>15</sup> Semi-pucca is house that has fixed walls made of stones, cement, timber, etc. but a roof made of un-burnt bricks, bamboo, grass, thatch, etc.

<sup>16</sup> A large number of RMPs don't have the qualifications or the technical know-how to treat patients. They get their certificates and registration numbers through unscrupulous methods. Even RMPs who are qualified and have genuine certificates have restrictions on their practices that they rarely adhere to. Some of them are allowed to practice only a particular form of medicine such as allopathy, homeopathy, etc.

was unqualified to provide consultation and dispense medication

Based on the findings of the study, Kriti determined that livelihood development and healthcare were key elements that should be included in the Vaaradhi program design:

### ***Livelihoods***

Helping individuals establish a sustainable livelihood was an important aspect of the program. Kriti planned to provide skills training to its beneficiaries and then support income generation by providing supply chain linkages and market access.

### ***Healthcare***

1) Preventive healthcare – Kriti believed that most ailments could be avoided if necessary precaution was taken, or cured if detected at an early age. The goal of this element of the program was to ensure that beneficiaries understood the importance of preventive healthcare and became educated about diet and nutrition.

2) Primary healthcare – Health infrastructure for the poor in Hyderabad is substandard with limited options. Through the Vaaradhi pilot, Kriti sought to give its beneficiaries access to affordable and quality healthcare by establishing a primary healthcare clinic in Film Nagar.

### ***Financial Inclusion***

Another important aspect of the program was to foster a culture of long-term, voluntary saving. Having savings to draw upon during especially difficult times or for unanticipated expenses helps provide a safety net for the family as well as reduce the need to borrow from an external source. In order to facilitate this, the Kriti team helped beneficiaries open savings accounts in mainstream banks. The program also offered financial literacy training, which focused on financial planning, borrowing, and saving.

### ***Supplemental Education***

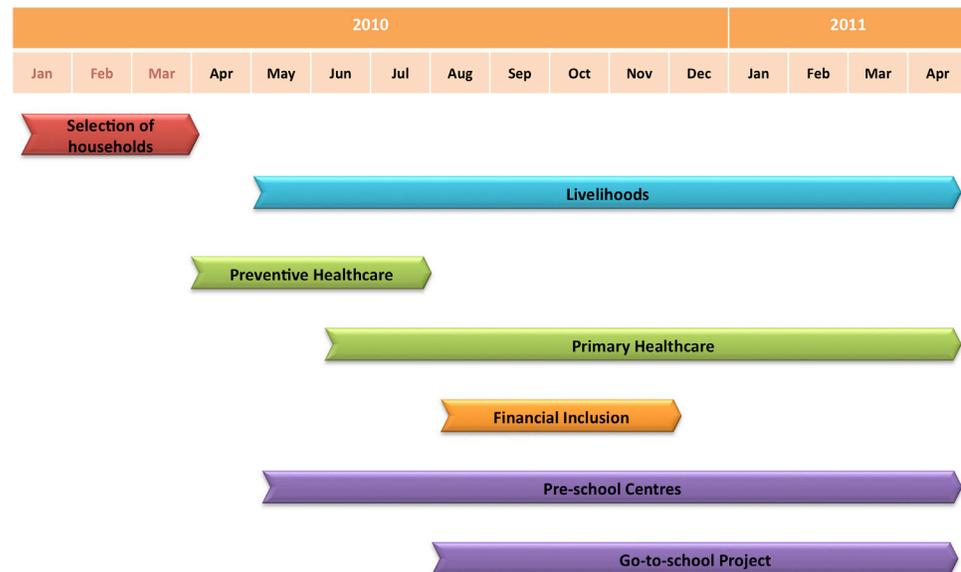
1) Preschool centres – In order to prepare children for school and instill the importance of education at an early age, Kriti opened two preschools for the children of slum dwellers in Film Nagar. The goal was to provide quality education to children near their home, and also provide an opportunity for women to work while their children were in the preschools.

2) Go-to-school project – The Kriti team identified every child within the Film Nagar slum that had either never been to school or had dropped out of school at some stage, with the goal of re-enrolling them in a suitable school.

## PROGRAM TIMELINES

The Vaaradhi pilot was a 16-month program that consisted of the livelihood, healthcare, financial inclusion, and supplemental education components described above. The following figure illustrates the timeline of each component over the program period.

FIGURE 1: PROGRAM TIMELINE



## SELECTION PROCESS OVERVIEW

### LOCATION SELECTION

The dynamics of urban ultra poor households differ significantly from their rural counterparts. Because of these differences and the currently limited data available about the urban ultra poor, programs endeavouring to work with this population are still struggling to find the right metrics to select program participants.

The first step in the selection process is slum identification. Following are the

criteria that Kriti used to identify a potential location for the program.

- 1) High likelihood of ultra poor populations residing within slum, with limited access to:
  - *Infrastructure* - limited or no electricity, presence of open drains, lack of sewage infrastructure
  - *Government linkages* - limited access to public distribution system<sup>17</sup> (PDS) cards, health care, and other government schemes
  - *Microfinance services*
- 2) Presence of a settled population that was likely to remain in that location throughout a two-year program.<sup>18</sup> This was tracked through years of residence in slum (>10 years).
- 3) Limited number of other NGOs working in the area

There are two main classifications of slums in India: notified (legal) and non-notified (illegal). A government notified slum means it has approved legal status, so there is less fear of imminent eviction and a more permanent population. Households within notified slums typically have been living there for generations. This relative stability leads to better infrastructure and increased access to public distribution systems, NGOs, and MFIs. The probability of finding ultra poor populations is thus lower in these areas.

The non-notified, or illegal, slums tend to have poor infrastructure, less access to government or NGO programs, and no access to formal financial services. The probability of finding ultra poor populations in a non-notified slum is much higher. However, a large percentage of the inhabitants of non-notified slums are also highly migratory in nature, with the ever-present possibility that they will be evicted and their homes bulldozed.

The Kriti team chose to work in the notified slum of Film Nagar for the Vaaradhi pilot, due in large part to the non-migratory nature of its inhabitants. The team did not want to take the risk of having their beneficiaries leave in the middle of the program.

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<sup>17</sup> The Public Distribution System (PDS) is a system developed by the government of India to manage the scarcity of food grains and their distribution at affordable prices.

<sup>18</sup> Some clusters of urban poor, such as those living in small settlements along road sides, construction workers on construction site camps, pavement dwellers, etc. were deemed not suitable for the program as they were either transient populations not amenable to a 16-month program, or they lived in very small and highly dispersed enclaves and hence were not conducive for the operations of the intervention.

After selecting the location of Film Nagar, a detailed map of the slum was created.<sup>19</sup> Since slums don't have officially named streets, it was often difficult to pinpoint a particular street or location. Only a few houses in the slum had numbers and they often did not follow a pattern. It was not uncommon to find one house with the number A1 followed by another with K2. To accurately and easily locate a particular house on the map, Kriti took the following steps:

- 1) Clearly marked the boundaries of the slum and key landmarks.
  - Landmarks included schools, government buildings, temples/churches, staircases, major roads, etc.
- 2) Formed clusters based on approximate number of houses in the different parts of the slum.
  - Each cluster had roughly 35-40 houses (more if the area was extremely densely populated, such as in the government housing schemes)
  - A detailed map of each cluster was created. Each house was given a unique Kriti house code, consisting of the slum name, cluster number, and house number. For example, a house with the code FMN I – 12 referred to the Film Nagar slum (FMN), I was the cluster number, and 12 was the house number.

## BENEFICIARY SELECTION

Kriti used a two-step survey process to identify individual households. The first was a brief survey taking approximately 5-7 minutes to administer, covering 100% of the households in Film Nagar. This was known as the Brief Household Survey (BHHS).<sup>20</sup> From these, roughly 30% of households were selected for a more in-depth survey known as the Detailed Household Survey (DHHS).<sup>21</sup> In the urban context, door-to-door surveys seemed more suitable for obtaining information about poverty levels than community-based tools such as participatory rural appraisals (PRAs).<sup>22</sup> The purpose of this survey was to utilize metrics to gauge whether or not a household was considered ultra poor. Some of the questions (like those related to assets) were observatory.

The team created a target beneficiary profile<sup>23</sup> based on the data from multiple field

<sup>19</sup> See Appendix E for an example of the slum map.

<sup>20</sup> See Appendix A for complete survey.

<sup>21</sup> See Appendix A for complete survey.

<sup>22</sup> Approach used by developmental organizations to incorporate the knowledge and opinions of rural people in the planning and management of development projects and programmes. PRA is commonly used in the BRAC ultra poor program.

<sup>23</sup> See Appendix D for target beneficiary profile.

visits and the market research that the Kriti team conducted before implementing the pilot. Developing this client profile prior to starting the program helped Kriti cater its primary and secondary interventions to the needs of the community, as well as allowed the team to compare the target profile to the metrics collected through the survey.

### ***Brief Household Survey – BHHS***

Some of the key questions in the BHHS referred to:

- Duration of stay at the residence
- Ownership of the residence (owned vs. rented)
- Education level of children
- Number of income earning household members, their skills, and wage rates
- Participation in microfinance or self help groups (SHGs)<sup>24</sup>
- Household assets

Once this information was collected, field officers completed a screening form based on their observations and the respondent's answers. The households that did not meet basic eligibility criteria were eliminated. The remaining households were assessed with respect to various vulnerability metrics, such as occupation, ability to invest in children's education, health conditions, etc. In order to be selected for the detailed survey, a household had to be found vulnerable in a minimum of three categories.

### ***Detailed Household Survey (DHHS)***

Once households were shortlisted from the BHHS, detailed surveys were administered to validate the selection at the first stage and eliminate households that did not meet the ultra poor criteria. A detailed cash flow analysis was also conducted for each household to assess income and assets.

Some of the key questions in the DHHS addressed:

- Details of savings, if any
- Insurance held, if any
- Total loans held, including with MFIs, SHGs, moneylenders, friends, etc.
- Household assets
- Health and hygiene, including safe drinking water, access to toilet, etc.

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<sup>24</sup> Self help groups refer to groups of people that save together and pool their resources to lend funds to members of the group as needed. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending.

- Information on any alcoholics in the family<sup>25</sup>

### **Analysis and Selection**

After completing the DHHS form, the surveyor provided comments as to whether he or she felt the household should be selected or not. In addition to analysing the specific vulnerability factors, this process gave the surveyor a chance to contribute his or her observations on the quality of housing, motivation of the household, and any other factors. The team took into consideration these comments when recommending a selection decision.

After the team recommendation was indicated on the form, it was sent for data entry. All households were again assessed against the vulnerability criteria. The Grameen Foundation Progress out of Poverty Index™ (PPI™) score and per capita income were also calculated.<sup>26</sup> The final selection decision was made based on vulnerability criteria, PPI score, per capita income, as well as the recommendations and notes of the field staff. The list of selected and dropped households was reviewed a final time by the team for any discrepancies.

### **Lessons Learned**

There is no doubt that the beneficiaries selected for the pilot were poor households living in substandard conditions, however there is question as to whether the selected beneficiaries truly fit the ultra poor profile. This may be due to Kriti's decision early on to work with a settled slum with a lower proportion of ultra poor populations. This meant that the beneficiaries eventually selected were the relative poorest among the group, but may not be classified as ultra poor in an absolute sense.

Another factor in location selection was the high penetration of financial and social services already present throughout the Hyderabad area, including in the surrounding notified slums. Even among the beneficiaries that were selected as the poorest, most had access to credit in some form, which is unusual for ultra poor populations. Within the Film Nagar slum, Kriti found it extremely difficult to find ultra poor beneficiaries that lacked access to financial services. This uncertainty around selection potentially affected the outcomes of some of the program components.

<sup>25</sup> Alcohol addiction treatment was part of the original intervention plan but was not implemented due to the lack of active support from partner organizations. See Appendix C for more details.

<sup>26</sup> The Progress out of Poverty Index™ (PPI™) is a simple and accurate tool that measures poverty levels of groups and individuals. Using the PPI, organizations can better determine their clients' needs, which programs are most effective, how quickly clients leave poverty, and what helps them to move out of poverty faster. For more information, please refer to [www.progressoutofpoverty.org](http://www.progressoutofpoverty.org).

Following are some of the key observations from this phase of the program.

***Location selection: Notified slum vs. Non-notified migratory slum***

Kriti did not want to take the risk of having its beneficiary population migrate to another area during the program and thus chose to work in the more settled, notified slum of Film Nagar. The trade-off of this stability was that Film Nagar had a higher presence of NGOs and MFIs than a non-notified (and more migratory) slum. This led to a tedious selection process and lower number of ultra poor beneficiaries. It took the team three months to select 220 households.

***Target beneficiary selection: Absolute poverty vs. Relative poverty***

In the absence of very clearly defined metrics for assessing urban poverty, Kriti's selection process served to identify the poorest populations relative to that particular slum rather than benchmarking against any absolute poverty level. As a result, a large number of the beneficiaries were not truly ultra poor. This likely contributed to the difficulties Kriti experienced with other elements of the program, as they were designed specifically for ultra poor populations.

***Higher PPI scores***

Due to higher incomes and the presence of more household assets, PPI scores of the urban poor are higher compared to those in rural areas. Items such as a TV may be a luxury in rural settings, but are much more common in urban areas. Similarly, cooking gas, which may not be available in many rural areas, is more easily available in urban areas. In some cases, political parties and/or NGOs donated assets such as bicycles and fans, which raise a family's PPI score. The presence of these assets only serves to inflate the PPI score but does not reflect an improved quality of life or better financial situation when compared to similar rural populations. Practitioners in an urban setting must be prepared to see much higher PPI scores than in rural areas.

***Maintaining data quality***

When collecting data for the BHHS, Kriti preferred to interview the head of household. However initially, they also collected data from household children or neighbours when the parents or head of household were not home. After performing quality checks, Kriti found many errors in the data. As a result, it became mandatory to only collect data for the BHHS

by interviewing the head of the household or spouse. Since in urban areas usually both men and women work during the day, data collection during this time was slow. Field officers had to go either early in the morning or late in the evening to collect data. Although this was tedious and time consuming, it eliminated a lot of errors.

### ***Guarding against misrepresentation of information***

Many of the households that were not ultra poor in the notified slums were accustomed to interventions by development organizations and some understood the benefits of misrepresenting data in order to make themselves or their families appear poorer than they actually were. Thus, Kriti field officers had to be cautious and utilize various methods of verifying information, such as ration cards, electricity bills, and the physical presence of various assets. They had to be knowledgeable of the income levels for different kinds of jobs in order to verify the authenticity of the information provided.

### ***Questions practitioners should keep in mind***

The following questions arose from Kriti's experience with location and beneficiary selection. Practitioners implementing urban ultra poor programmes should keep these types of questions in mind when finalizing their own location selection and program design.

- While Kriti was based in Hyderabad, it did not have a proportionately high ultra poor population. Should the selection process begin by selecting a city that has a high proportion of ultra poor?
- Would it have been easier for the team to find ultra poor beneficiaries in poorer states like Jharkhand and Orissa?
- Do urban ultra poor beneficiaries exhibit substantially different characteristics in different cities? If yes, should organizations have different selection criteria for each city?

## VAARADHI PROGRAM INTERVENTIONS

### LIVELIHOODS

The formal sector in India is facing a shortage of skilled labour while the informal

sector is overflowing with poor unskilled labourers from rural areas.<sup>27</sup> Many of Kriti's beneficiaries were unskilled labourers who had migrated from rural areas, some recently and some generations ago, in the search for better employment opportunities.

Access to land and other natural capital in rural areas make livelihoods like crop cultivation, raising livestock, forestry and fishing, commonplace. Non-agricultural livelihoods, such as the production and selling of goods, are more common in urban areas. Unlike in rural areas, people in urban slums are more culturally diverse and socially fragmented. They tend to be more comfortable engaging in individual livelihoods rather than those that require group cohesion.

Additionally, the urban poor need higher cash incomes to survive. Since urban areas are more commercialized, basic necessities like food and housing must be bought or rented, unlike in rural places where most households cultivate their own food, and laws regarding land documentation are either non-existent or not enforced. In rural areas, people tend to pay for products and services through a barter system, often trading agricultural goods or other services. Such arrangements are much less common in urban areas.

Kriti's beneficiaries worked in various capacities such as domestic servants, construction workers, and workers in small and informal manufacturing units. Construction activities were the largest source of livelihoods as they employed a very large share of casual labour. Even though this sector engaged women, they were employed at only the lowest skill levels. The sporadic income generated by these livelihoods with only one member of the family earning an income was highly inadequate to meet the basic needs of the household, let alone bring them out of poverty.

The livelihood component of the program intended to enhance the income of selected households by providing training in various activities that could supplement the primary occupation. Since most of the primary wage earners were men, the livelihood activities selected were largely female-oriented. However, they were also offered to any male family member who had the time or interest to participate. The implications of the different activities in terms of training time, ability to work from home, expected income, risk involved, etc. were explained to the households over a series of three meetings, at the end of which, each group member selected the activity he or she wanted to pursue.

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<sup>27</sup> Peardon and Sharma, *Where are India's Skilled Workers?*

### **Livelihood Selection**

In the Film Nagar slum where Kriti worked, there was a large Muslim population. Even though the family may have needed extra income, it was considered socially unacceptable for many Muslim women to work outside of the house. In rural environments this translated to women working only in their own fields, while in urban areas this meant they were confined to the home. Even for women of other religions, there were a number of constraints that Kriti had to consider while designing livelihoods for its female beneficiaries. Due to these constraints, Kriti was tasked with designing livelihood programs that were:

- **Flexible and home-based** – This option gave the flexibility to work from home and still earn an income. There were various reasons that prevented a beneficiary from seeking work outside the home. For example, women had to:
  - stay home to take care of infants;
  - be back in the house before children came home from school;
  - fetch drinking water during the day. (The slums received water only at certain times during the day so the women had to be present at that time and location in order to collect water.)
- **Low-skill (easy to learn)** – It was critical to ensure a short amount of time between the training period and actual income generation.
- **Feasible in small spaces** – Homes were often small and cramped so the livelihood activities could not take up a large amount of space.
- **Able to generate adequate income** – In order to generate and sustain interest among its beneficiaries, Kriti needed to guarantee that the potential income from a livelihood was above an optimum number.

Based on these criteria, Kriti chose to implement trainings for the following livelihoods: *agarbatti* rolling (incense stick rolling), paper bag making, micro-entrepreneurship, and tailoring.<sup>28</sup>

### **Lessons Learned**

The livelihood portion of the program was not considered as successful as some of the other components. All livelihood activities experienced problems with high attrition of participants. Some of the contributing factors included:

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<sup>28</sup> See Appendix B for a complete description of the individual livelihoods and lessons learned for each.

- Long training periods
- Lack of sufficient or timely income generation after training period
- Difficulty attaining necessary skill level
- General lack of sustained interest and commitment from participants

The project location and beneficiary selection process are vital when developing the livelihood component of a program. One factor that may have led to the observed attrition is a lower number of ultra poor beneficiaries in the selected group than expected, leading to a mismatch of livelihoods.

There are significant challenges to identifying suitable livelihoods for urban areas. In most rural ultra poor programs, beneficiaries received livestock to help generate income. Livelihoods involving livestock are much less feasible in urban areas, especially in a settled slum. Micro-businesses also face a lot of competition due to the existence of many businesses and the duplication of services. Creating new livelihood opportunities requires both skills training as well as market linkages in order to ensure sufficient income for a large number of beneficiary households.

Each livelihood also had its own set of programmatic setbacks, including difficulty establishing market linkages and finding a sustainable demand. These problems led to longer lag times between training and sustained income generation. One of the key takeaways was to have a marketing plan and market linkages established prior to the beginning of the livelihoods program in order to ensure timely and consistent income generation.

Beneficiaries could have also lost interest in livelihood activities because of a discrepancy between the level of income expected from each activity and the level of income actually earned. For some livelihood activities, the amount of effort expended was not commensurate with the income potential, especially given the other livelihood opportunities in the urban setting. A woman, for example, may decide to continue working as a domestic servant if she feels that incense stick rolling (the activity she was recently trained to do in the Vaaradhi pilot) would not yield an equal or higher level of income. It is important for any program to conduct market research in the target area and estimate a range of incomes its beneficiaries are likely earning in their current jobs. New livelihood designs must produce incomes above this range.

*For a complete explanation of each livelihood activity and the lessons learned, see Appendix B.*

## HEALTHCARE

The lack of affordable and accessible healthcare presents grave challenges to the people of India, especially to those at the bottom of the pyramid. Disease and the lack of preventive care take a significant toll on the lives of the poor, often affecting development.

Statistics of infant and maternal mortality remain high in India, both compared to other countries in the region and those at similar income levels. Despite health improvements over the last 30 years, many lives continue to be lost to early childhood diseases, inadequate pre and postnatal care, and childbirth-related complications. Common problems include:

- High infant mortality rate
  - 50 per thousand in India compared to China's 20, Vietnam's 17, and Sri Lanka's 14<sup>29</sup>
- Lack of qualified doctors
- Ineffective or non-existent referral systems, resulting in under-utilization of healthcare professionals, over-utilization of hospital services, and/or duplication of services and cost
- Inaccessibility of health clinics
  - Loss of wages due to loss of work day
- Abundance of under-qualified or unqualified practitioners
  - Registered medical practitioners (RMPs) have been a long-standing challenge for those wanting to improve healthcare for the poor. While unqualified to dispense medical advice, these practitioners live in the community and are usually an integral part of it.
- Inadequate attention to health education

The slums in Hyderabad and those of Film Nagar lack basic civic amenities like paved roads, drainage, a clean water supply, and an adequate number of community toilets. Drains are open and clogged most of the time, thus becoming breeding grounds for mosquitoes. This has led to multiple cases of malaria, jaundice, typhoid, dengue, and other illnesses. Ineffective outreach, weak referral systems, and lack of hygienic practices limit the average urban poor family's access to healthcare services.

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<sup>29</sup> United Nations Population Division - UN Data, "Infant mortality rate per 1,000 births."

The ultra poor in Film Nagar had limited options. Government urban health centres were few and far between, and their hours were not conducive to usage by working people. Unfortunately, the remaining options were often the untrained practitioners commonly known as registered medical practitioners RMPs, who, contrary to their name, were usually unqualified and ill equipped to dispense medical advice.

The Kriti team identified healthcare and health awareness as integral parts of its overall intervention. The Vaaradhi program included a preventative healthcare education program and a primary healthcare facility.

### ***Preventive Healthcare***

The goal of this component of the program was to ensure beneficiaries understood the importance of preventive healthcare and became educated about diet, hygiene, and nutrition. Kriti's trained healthcare team worked with the community to educate people about health risks and disseminate preventive care information. The following health education modules were delivered to beneficiaries:

- Women's Reproductive Health

- Health workers provided training on the basics of the reproductive system, menstrual cycle, infections, hygiene, and general do's and don'ts.
- Individual health issues were also identified and a senior gynaecologist provided consultation at the Kriti Health Centre, a primary healthcare facility located within the slum and established as part of the Vaaradhi pilot. Tests and follow throughs were conducted as needed.

- Pre and Postnatal Care

- This module included a thorough check by a doctor followed by three days of training that included nutrition, common facts and myths, as well as pre and postnatal care.

- Child Health

- Training was given to expectant mothers and other women with young children about feeding practices, and the prevention and management of infections such as diarrhoea, pneumonia, and malaria.
- Beneficiaries were also provided with information regarding immunizations for common childhood diseases and de-worming. The Kriti team identified every child in the slum and worked with the government urban health post to facilitate the immunization process for each child.

- Nutrition
  - Health workers provided training on the basics of nutrition and the essentials of a balanced diet.
  - Group activities focused on introducing nutritional recipes into the family meals.
- Cleanliness and Sanitation
  - Health workers also conducted trainings about maintaining personal hygiene and cleanliness in the home, as well as in the community.
  - Group activities focused on reducing the incidence of mosquitoes in and around homes.
- Eye Camps
  - The LV Prasad Eye Institute, one of the largest eye care institutions in India, conducted free community screening programmes twice a month and also eye screening programmes for children in the schools. The beneficiaries were then taken to the hospital for any further necessary care and provided glasses, if required, at subsidized rates.
- Emergency Care
  - The Kriti team worked with GVK EMRI<sup>30</sup> to educate beneficiaries about various services offered by EMRI and ways to access them.

### **Primary Healthcare**

The Kriti team believed that adequate healthcare could be provided at an affordable cost to help improve the current medical conditions in Film Nagar.

This is one of the areas where the rural model of providing healthcare had to be altered to fit the needs and challenges of an urban population. In rural areas, problems stem from the long distances that must be travelled to arrive at clinics, as well as the loss of wages associated with the loss of a day's work. Because of these challenges, rural models focus on delivering medical advice remotely using technology,<sup>31</sup> or by training health workers in the village who can then provide

30 An emergency management services provider in India. EMRI handles medical, police and fire emergencies through the "1-0-8 Emergency service."

31 This type of model uses a central call centre staffed by paramedics and doctors. A village-based health worker acts as the communication link between the patient and the doctor. The worker records patient history through a simple form, measures vitals such as blood pressure, temperature, and weight then contacts a paramedic through the call centre. The paramedic asks a series of questions to the health worker, who in turn repeats them to the patient. The responses are communicated back to the paramedics, then based on the data, the paramedic makes a clinical decision and gives a provisional diagnosis and prescription. The prescription is vocally transmitted to the patient through the health worker.

a diagnosis and medication for simple ailments. For more complex problems, patients are referred to larger health centres.

Since Film Nagar was located near Hyderabad, the distance to doctors and clinics was not the biggest challenge. Instead, the challenge was to create a model where slum dwellers had affordable access to physicians and specialists in and around the area in which they lived.

To provide affordable, accessible, and high quality healthcare to beneficiaries of the program, Kriti set up a healthcare clinic called Kriti Health Centre (KHC) within the Film Nagar slum. The main goal of the KHC was to provide a large number of slum dwellers (not just the selected beneficiaries) with access to trained healthcare professionals in an effort to reduce disease and suffering, and improve quality of life. Patients of KHC received detailed attention and a standard of care similar to that of any private institution. The program made sure that the KHC:

- ***Was adequately staffed***

The KHC had one MBBS<sup>32</sup> doctor, one clinic manager, and three community health workers, as well as specialists who visited on a regular basis.

- ***Was affordable***

A doctor's consultation was priced affordably at Rs. 20. (approximately \$0.45).

- ***Provided low-cost medicine***

The centre stocked generic drugs, which were dispensed per the doctor's prescription. These drugs were priced considerably lower than their branded equivalents, resulting in considerable cost savings for patients.

- ***Was accessible***

The clinic was open to all members of the slums. However, to encourage Vaaradhi beneficiaries to access the clinic, Kriti provided them with a health card that provided free consultation over the course of the intervention. Other slum residents had to pay a nominal fee for services.

- Program beneficiaries also received an 80% subsidy on the cost of medication for two visits per month to the KHC. If specialized care was needed, the KHC team assisted patients in getting that care through government or private hospitals.

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<sup>32</sup> Bachelor of Medicine and Bachelor of Surgery degree accredited by the Medical Council of India.

By the end of March 2011, the KHC in Film Nagar served over 1,500 registered patients and covered 40% of its cost with revenues.

### ***Lessons Learned***

Overall, this component of the program was highly successful. There was a significant need for the services provided by Kriti, not only by the selected beneficiaries, but the broader slum population as well, suggesting that this type of intervention is not particularly dependent on highly targeted selection. However, it was important to accurately assess the strengths and challenges of the urban environment and alter the existing model accordingly. Working in the densely populated slum, the Vaaradhi program was able to positively impact a proportionately large number of people. This intervention helped the Vaaradhi pilot and Kriti team to gain credibility and legitimacy in the eyes of the larger slum population.

Following are some important observations from this aspect of the program.

#### ***Low cost medication***

Generic drugs were very well accepted in the community as cheaper alternatives. The Kriti team had expected this to be a challenge.

#### ***Married, local health workers***

When Kriti began recruiting health workers, there were no requirements regarding the candidate's prior level of experience in healthcare or their exposure to the Film Nagar community. Initial staff that joined Kriti were first time workers. They were not disciplined about timing and maintaining records, and were hesitant to take on a training role where they would have to approach other women in the locale. Based on this experience, Kriti began hiring married women that were stable in the community and had some previous work experience. This was critical, as unmarried women would often move to a new location with their husbands after marriage, leaving Kriti to search for a replacement.

#### ***Marketing***

Marketing was critical to ensure many people utilized the services of the clinic. Some of the successful mediums that Kriti used were:

- Audio-video vans – These were organized by the Lepra Society<sup>33</sup> and showed educational videos about tuberculosis, HIV, polio, etc. on the back side of the van to raise awareness about these diseases.
- Fliers – These information cards explained the services offered by the KHC along with the prices, helping to inform the community of the services available.
- Free service coupons – The Kriti team organized a campaign in which they offered a free consultation during a certain month. As a result, the number of visits increased significantly for that month.

### **Referral Program**

Referrals from the KHC to specialists and larger hospitals were a great added value to the program. As a result, beneficiaries with complicated problems that otherwise would not have been able to receive care, often approached Kriti for assistance.

Kriti also helped some of the beneficiaries leverage the state healthcare program, Aarogyasri<sup>34</sup>, for heart surgeries, cataract surgeries, etc.

### **Location**

The KHC was located uphill from where a lot of slum dwellers stayed and thus it was sometimes difficult for beneficiaries to visit the clinic. The terrain of Film Nagar did not provide for a central location that was easily accessible to everyone. While it may not be possible to find a location that is universally accessible, it would be important for future programs to at least look for a more geographically accessible location when setting up a clinic.

### **Building trust among beneficiaries**

Initially, Kriti saw lower than expected traffic in the clinic even though most beneficiaries acknowledged that the KHC provided quality, low-cost treatment. The team saw a gradual increase in the number of patients as they began to gain the trust of the community.

Given the poor state of India's healthcare infrastructure, especially in disadvantaged urban and rural communities, most healthcare interventions have

<sup>33</sup> The Lepra Society is a non-governmental organization that promotes quality health care, initiates and fosters new developments and implementation.

<sup>34</sup> For more information, see Aarogyasri Healthcare Trust at: <https://www.aarogyasri.org/ASRI/index.jsp>.

a high degree of success as long as the above six observations are kept in mind when designing the healthcare component, with a special emphasis on ensuring accessibility and affordability.

## FINANCIAL INCLUSION

The savings initiative included in the BRAC graduation model has been very successful in helping families in rural areas guard themselves against income shocks through their own savings. According to this model, women save a small part of their income in the form of cash and/or rice, at weekly meetings. They are also taught the importance of planning and budgeting through innovative lectures and games.

Savings was also identified as a critical need for urban ultra poor families. Because of the proximity of financial institutions, Kriti sought to formalize these savings by linking them to mainstream bank accounts and providing education regarding key aspects of financial management.

The Vaaradhi pilot provided each participating household with the following services:

- A bank account: Each household received a “no frills” savings account with Andhra Bank. They were encouraged to transact on the account by voluntarily saving on a regular basis and withdrawing funds when necessary.
- Life and accident insurance: The head of household and spouse received life and accident insurance, which was delivered through the Labour Welfare Board for beneficiaries associated with construction.

Kriti developed a financial literacy training module to help beneficiaries understand their cash flows and plan accordingly for better management and more efficient use of their available funds. The training modules developed were based on material from the Indian School of Microfinance for Women (ISMW) in Ahmedabad, and included topics such as financial planning, saving, and borrowing. These modules were delivered to the beneficiaries on a fortnightly basis. Kriti’s belief was that through effective financial planning, the beneficiaries would be better prepared to handle any adversities and perhaps be better able to overcome the trap of poverty.

### ***Lessons Learned***

This aspect of the pilot was met with mixed results. Attendance at financial literacy training sessions was low and many of those who did attend were not particularly engaged. Many of the beneficiaries also seemed to focus on short-term needs. Although they identified likely events such as old age or a child's marriage for which they would need funds, most felt that it was unrealistic to save for the long term and preferred to rely on a microcredit loan or moneylenders for unexpected expenses.

Both of these observations could be attributed to the comparatively high presence of MFIs in Film Nagar. This is a significant difference between rural and urban populations. In rural areas, the ultra poor are much more isolated and therefore much less likely to have had prior exposure to formal financial services, whereas in urban areas, populations are dense and experiences can be much more mixed.

In and around Hyderabad there was a relatively high concentration of MFIs even within the slums, so many of the program participants had access to microfinance services. This would help explain their reliance on credit for unexpected expenses as opposed to savings, as well as the observed lack of interest in financial literacy trainings.

Another key point of difference was that the savings component of the Varaadhi pilot was voluntary. It was not compulsory for the households to save in order to remain part of the program and since the savings were not collected in a group setting, there was no peer pressure to encourage savings. It may be helpful for future programs to make savings compulsory by linking the receipt of other program benefits to regular savings by the household.

Following are additional observations from this element of the program.

#### ***Difficult to access the mainstream banking system***

Even though the mainstream partner banks intended to help Kriti's beneficiaries, their cumbersome processes sometimes made it impossible for them to open and operate accounts. For example, one of the application forms required seven signatures from the beneficiary, and in most cases the signatures differed a little, causing the applications to be rejected. Another example was that the joining package, which included account details, debit card, etc., was sent only through couriers. In many cases the courier personnel were not able to

locate the beneficiary's house, so the packages went undelivered.

Unfortunately, most banks<sup>35</sup> that Kriti worked with failed to make necessary adjustments to their processes and documentation in order to make it easier for the beneficiaries to become clients. It is thus critical for practitioners wanting to link the urban ultra poor with mainstream banks, to fully understand the bank's requirements and work with institutions that are ready to simplify their processes for this population. It is also important to ensure that beneficiaries receive training about the application process, for example the need for using consistent signatures and the importance of being able to accurately identify their address, etc.

### ***Improper utilization of microcredit funds***

Due to the availability and subsequent dependency on microcredit loans for their immediate needs, the urban poor in Film Nagar had not established a culture of saving for future needs. Microcredit loans that were meant for livelihood activities were in most cases used for consumption. Many of the female beneficiaries felt it was easy and convenient to borrow, and some even cited group pressure to renew loans so that the group could stay active with a particular MFI and have access to credit.

Kriti unsuccessfully tried to educate beneficiaries about the risks of relying on credit for consumption. As long as micro-credit was freely available, it was difficult to discourage this practice. The women would often eagerly demonstrate their ability to make the weekly repayments. The cost of utilizing credit—i.e., the interest rate—seemed like a reasonable price for the convenience the loans afforded them.

## **SUPPLEMENTAL EDUCATION**

The rural ultra poor models, including the BRAC graduation model, do not typically include interventions regarding child education. This is due in part to the lack of formal schools in most villages that rural pilots operate in. There is also a shortage of educated youth who could provide tutoring or after-school instruction to the children.

The Kriti team believed that educating children was a critical step in bringing a family out of poverty. In the long term, education could help children secure white

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<sup>35</sup> These were commercial banks that included State Bank of India, Andhra Bank, and HDFC Bank.

collar jobs and sustain their families. The BRAC graduation model, while it does not provide for interventions around child education, does note that investment in children is critical to having any impact on intergenerational poverty. Results from some of the BRAC pilots in Haiti and India show an increase in school enrolment rates due to higher income levels and awareness among beneficiaries.<sup>36</sup> The Kriti team also believed that an increase in family income, provided by the program's livelihood activities, would motivate parents to send their children to school.

The team observed a lack of preschools in Film Nagar, which led to children staying at home and thus not receiving an education. This also meant that women were not able to go out to work because they had to care for the young children that were in the home.

The only educational options for older children in the slum were government schools or small private schools that often lacked quality infrastructure and faculty. Most parents aspired to send their children to English language private schools, but are not able to because they cannot afford the tuition. The few that are able to afford the cost, often become dissatisfied as their children are not able to keep up with the academic standards of these schools due to weak academic foundations and lack of support structures such as private tutors.

Based on these assessments, the Kriti team decided to implement two interventions around education: i) preschools for young children and ii) a go-to-school project for older children.

### **Pre-school Centres**

Children living in adverse conditions often have learning disabilities that affect their ability to read and comprehend. Too frequently, they do not have adequate facilities in their homes for pursuing their studies. In some cases, lack of electricity and lighting facilities mean that school children either have to do their homework outside in public spaces during the day or in the evenings under street lights. They are often behind their wealthier counterparts in education, in some cases by a few years. Through preschool centres, children can learn basic skills that help prepare them both socially and academically for school and, in essence, increase their chances of success in school.

Kriti started two preschools in Film Nagar for children ages two- to five-years old. Schools were based out of teachers' homes and were also close to children's

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<sup>36</sup> Hashemi and de Montesquiou, *Reaching the Poorest with Safety Nets, Livelihoods, and Microfinance*.

homes. Each preschool served 10-15 children. The friendly environment and company of other children helped them learn quickly and feel safe.

### ***Go-to-school Project***

In rural locations, the cost of living is lower and children who need to contribute to the family income have the option of working in their own fields or on their family farm. They thus have the flexibility of attending school during the day (provided there is a school nearby) while also being economically active.

Contrary to this, children in urban areas do not necessarily have the flexibility of working while attending school. It is common in urban slums to find children involved in child labour, providing additional income for their families. Some have never gone to school, while others had to drop out when their family ran into a financial crisis and needed additional income. Often, parents are very busy earning their livelihoods in order to provide for basic needs such as food and shelter, and are not able to focus on their children's education. If these children attend school, they are typically government schools that are crowded and situated in noisy areas. Given the expensive real estate in cities, urban schools also lack infrastructure like toilets and playgrounds.

The Kriti team identified 105 children in Film Nagar who had either never gone to school or who had dropped out. The goal of this intervention was to send these children back to a suitable school, based on their needs.

Kriti engaged in detailed discussions with the children and their parents to identify the best ways to send them back to school. Based on their level of education, Kriti evaluated whether children should be enrolled in a regular school (private or government) or a residential bridge school.<sup>37</sup> Children that have been out of school for long periods of time need remedial coaching to get them caught up to their peers. Residential bridge schools serve this purpose as they house the students while they focus on preparing them academically for eventual re-enrolment into regular schools. Kriti worked with the Mamidipudi Venkatarangaiya Foundation (MVF)<sup>38</sup> residential bridge school to enrol children who had a large gap in their education, and also partnered with the government's Sarva Shiksha

<sup>37</sup> The residential bridge school is one option for out of school children. Students live at the school, which focuses on equipping children with the necessary competencies for eventual enrolment into regular schools.

<sup>38</sup> MVF, a not-for-profit based in Hyderabad, is working in the areas of child education and child labor abolition, health, and natural resource management. MVF has pioneered the idea of a residential bridge school (RBC) since the early 90s. The RBC concept, pedagogy, methodology and the curriculum have been adopted by many NGOs. For more information, see: <http://www.mvfindia.in/index.html>

Abhiyan program.<sup>39</sup>

The Kriti team conducted several counselling sessions with parents to help them understand the importance of education for their child's future, and tried to motivate them to send their children to school. Some of the women were also participating in Kriti's livelihoods program; therefore the additional income reduced their dependency on the child's income.

Lastly, the program started a library and activity centre to supplement the children's education. The centre was open every day for three hours after school for the children to learn and play games. The Kriti team also organized events over the weekends and obtained computers to train the children and youth on basic computer and internet skills.

### **Lessons Learned**

The preschools that Kriti set-up were considered very successful. This success was due in large part to the fact that the centres were established within the slums and the teachers were local women. This ensured that children were close to their parents' home and under supervision of a woman whom the community trusted.

The go-to-school project re-enrolled 49 children into schools, however the program experienced an unforeseen difficulty in getting parents to allow their children to attend the residential bridge schools. Most parents chose not to send their children to a bridge school, preferring that they remain with them. These children instead attended Kriti's remedial centre. The remedial centre originally was established to provide after-school support to children attending regular schools. However, children who had dropped out of regular school but could not attend the bridge schools also attended the remedial centres for after-hours instruction. As a result, the centre had to cope with children of widely varying ages and requirements.

Due to the resistance Kriti experienced to sending children away to bridge schools, it would be beneficial for other organizations attempting similar projects to create partnerships with NGOs to start bridge schools within the slum community, so that children are not far from home. It would also be important to counsel the beneficiaries on the advantages of a bridge school from the beginning of the program so they become comfortable with the idea.

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<sup>39</sup> A flagship programme of the Government of India for achievement of universalisation of elementary education in a time-bound manner, as mandated by the 86th amendment to the Constitution of India, making free and compulsory education to children of ages 6–14 a fundamental right.

Many children drop out of school because they are not able to keep up. Sending these children to remedial centres allows them to receive the support they need in order to keep pace with their studies and motivate them to stay in school. Following are additional observations from the supplemental education program.

### ***Curriculum***

Since the Kriti team didn't have experience running preschools, they had to depend on other organizations to provide a curriculum. However, this curriculum was incomplete. The preschools would have been more successful had they had a complete curriculum package with detailed day-to-day activities for children ages two- to five-years-old, and which covered all the pre-primary curriculum objectives.

### ***Strategic Partnerships***

Since preschools were not a core competency of Kriti, it would have been more effective to form a partnership with another organization to carry out this aspect of the program. This would have allowed the Kriti team to focus their resources on other areas.

### ***Beneficiary Selection***

A child not going to school was an important criterion for the selection of ultra poor households. The Kriti team found over 100 households that had one or more children at home or working. This was because the family either didn't have enough income to afford school or it was dependent on the income earned by the child.

### ***Importance of double-checking***

Validating the list of dropout children took a lot of effort. The team had to check against school records to ensure that all the children who said they were going to school, actually were.

### ***Individualised Intervention***

It was important to understand the circumstances of each child not attending school and design an intervention that addressed those circumstances.

### ***Follow-up***

It was imperative to continuously follow up with children who were re-enrolled in school for a certain period, as some of them tended to drop out of school again.

## CONCLUSION

There will be over 93 million slum dwellers in India by the end of 2011 and this number is likely to double by 2030.<sup>40</sup> Around 5% of this population, or about 5 million people, are ultra poor. While there have been successful models for the rural ultra poor, the urban ultra poor have been rather neglected by development organizations. As a whole, the development community is in need of fresh and innovative approaches to help urban ultra poor populations pull themselves out of poverty.

As pointed out in this case study, the ultra poor are not uniform in profile. They have different characteristics, different needs, and require different approaches depending on their location, professions, and the circumstances around them. It is critical for development practitioners to design effective approaches that suit the particular context of the community and environment they are operating in, as well as learn from others' experiences.

Due to the distinct differences in urban and rural populations and the currently limited data available about the urban ultra poor, programs endeavouring to work with this population are still struggling to find the right mixture of program components, effective program design, and targeted beneficiary selection. Kriti's Vaaradhi pilot was one of the first urban ultra poor pilot programs in India and thus had little precedence to learn from. Some of the program components were drawn from rural ultra poor models and altered to fit the needs of urban populations, taking into consideration the needs of the community as identified through market research. Although some of the challenges that Kriti encountered, like targeting and selection, were similar to those faced by rural ultra poor pilots, other challenges were unique to the urban environment and population that Kriti chose to work with.

Within the Sorenson / Unitus Ultra Poor Initiative, it was important to test how one could design interventions to work with the poorest in both notified and non-notified slums, while also mitigating the risks that these slums offer. Lessons around non-notified slums are covered in the forthcoming case study on the nonprofit Partners in Prosperity, based in Dehradun, Uttarakhand, and they provide interesting contrast and equally onerous obstacles to the challenges described here in Kriti's experience.

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<sup>40</sup> Singh, *93 Million Slum Dwellers by Next Year*.

The nature of urban poverty poses specific challenges around education, health, housing, livelihoods, and sanitation. Kriti has learned many valuable lessons from its experience with the Vaaradhi pilot that other organizations can build from. Below are recommendations for other practitioners to take into consideration when designing and implementing their own urban ultra poor programs.

## RECOMMENDATIONS

### Location Selection

1

One of the most critical decisions that a practitioner needs to make while designing an ultra poor intervention is the location of the pilot. This has a large impact on the targeting and selection process, as well as on the overall success of the pilot.

Although poverty is spread throughout India, some states are poorer than others. It is important to note that Hyderabad had a comparatively high presence of non-profit organizations and MFIs, even within area slums.

Future endeavours desiring to work with the ultra poor should identify the poorest states and districts with the most need. Another factor to consider is the decision to work in a notified slum versus a non-notified slum. For Kriti, working in a notified slum meant compromising the level of poverty that they could target for their interventions.

### Beneficiary Selection

2

It is important to clearly identify the population one is going to be working with and design a program accordingly. This includes developing a client profile (*a list of 10-12 indicators that typify the client segment one wishes to target*) and ensuring that a sufficient number of households in the selected area fit the client profile. Kriti's decision to work in a notified slum in Hyderabad resulted in significant difficulty finding ultra poor beneficiaries that fit the ideal client profile.

3

PPI scores tend to be deceptively inflated in urban settings. Be sure to look at PPI scores within the context of the geography and location of the program. A higher PPI score in an urban area doesn't necessarily mean a higher standard of living. Practitioners should develop customized criteria based on the location and type of customer (*for example, urban slum dweller*) to complement the PPI.

## Livelihoods

4

Some of the most important lessons learned came from the livelihood intervention. Though Kriti offered livelihoods that were flexible, home based, and low skilled, the team still saw a significant dropout rate both during the training and in the production phase.

It is important for practitioners to design livelihoods that have an income potential that is higher than what the beneficiaries could otherwise earn. It would be important for future programs to conduct a survey of current professions and associated incomes to ensure the creation of alternative livelihoods that yield a higher income and provide better quality of life than the current options. These livelihoods should generate immediate interest among the beneficiaries.

If the population is familiar with development interventions, the program may also need to account for the possible under-reporting of household income.

5

It is crucial to establish strong market linkages at the outset of the program in order to avoid long lag times between training, production, and income generation. Beneficiaries need to quickly see the benefits of adopting a new livelihood. There can be great reluctance on the part of slum residents to relinquish their current livelihood, even if it is an exploitative one.

## Healthcare

6

Quality, affordable, and accessible healthcare is a critical need in almost any context and is an essential component in an urban ultra poor intervention.

Kriti was able to develop an innovative model where qualified medical personnel were available to people on a daily basis within the area they lived. For maximum effectiveness, it is important to ensure tight linkages with government schemes, local hospitals, and other treatment facilities to refer tertiary and critical cases.

With the help of a strong marketing campaign to generate awareness, this proved to be a highly effective approach.

## Financial Literacy

7

Given the proximity of financial institutions in urban environments, an important aspect of the financial component of a program is providing access to formal banking services.

Urban populations are more financially savvy than their rural counterparts because they have more access to formal and informal financial—typically microcredit—services, and are thus less interested in financial literacy training. Actively promoting savings by making it a compulsory part of the program, or monitoring savings in meetings could help it become habit.

8

Practitioners wanting to partner with banking institutions to provide services to ultra poor populations would do well to choose banks that are willing to adjust their processes slightly to better accommodate ultra poor clients.

## Supplemental Education

9

In order to make a holistic impact in the lives of the urban ultra poor, a program should include an educational component.

Pre-schools that are located within the slum and run by trusted women in the community help build a strong foundation for children and also give mothers an opportunity to become involved in livelihood activities. Additionally, it is important to address the problem of older children having to drop out of school, and to design alternative models, such as evening school and vocational courses, for them to fulfil their financial responsibilities to their family while also obtaining an education that can lead to a brighter future.

10

When an organization wishes to provide products and services that are not within its set of core competencies (*for example, pre-schools, alternative education programs, market linkages*), it is important to seek partnerships with other organizations that specialize in those areas. This is much easier done in an urban setting, and allows the primary organization to focus on the things it does best, while also streamlining costs.

## APPENDICES

### APPENDIX A: BENEFICIARY SELECTION TOOLS

#### Brief Household Survey (BHHS)

##### Background Information

Slum Name: _____	Surveyor: _____
Cluster Number: _____	Date of Survey: _____
Kriti House Code: _____ (what you have marked on the cluster map)	
Respondent Name: _____	QC Name: _____
Relationship with head of household: _____	QC Date: _____

##### Survey Questions

1	Name of head of household					
	Male / Female	Married / Unmarried / Widowed / Deserted				
2	Since how many years have you been living here?					
3	Own house or on rent?				Own / rent	
4	Number of members in the household					
5	Number of children (< 17 years)					
6	Name of child	Age	Sex	Occupation	School type	Does the child go to school regularly?
				Study / Home / Work	Govt. / Pvt. / NA	Yes / No / NA
				Study / Home / Work	Govt. / Pvt. / NA	Yes / No / NA
				Study / Home / Work	Govt. / Pvt. / NA	Yes / No / NA
				Study / Home / Work	Govt. / Pvt. / NA	Yes / No / NA
				Study / Home / Work	Govt. / Pvt. / NA	Yes / No / NA
7	Number of earning members					
8	Main occupations of men (list all occupations; and assess skill level)					
	<u>Occupation</u>	<u>Skill Level</u>				<u>Wage rate</u>
9	Main occupations of women (list all occupations; and assess skill level)					
	<u>Occupation</u>	<u>No. of hours</u>				<u>Wage rate</u>
10	Is there anyone in the house with a regular health problem? (e.g. TB, handicap, heart, diabetes, BP, asthma)				yes / no if yes, _____	
11	What is the type of house? (do not ask, observe)				Pucca / Semi Pucca / Semi kaccha / Kaccha	
12	If own house, have you given any rooms for rent?					

*Survey Questions Continued*

13	If own house, but still kaccha /semi – why have you not built fully yet? Rank order selection 1-5.	No patta No money Will go back to village Moved here recently Govt. may relocate anytime If Govt. may relocate, to where: In FN / Outside FN		
14	Which of these assets do you have?	Fan TV Fridge Cooler Land or house at another place	Sewing Machine Almirah / Bureau Dressing Table	
15	Have you taken microfinance loans? (vaaram vaaram loan) If yes, how many loans?	yes / no / in the past, not now		
16	Are you part of SHG? (podupu sangham / dwakra) If yes, savings or loans?	yes / no / in the past, not now Savings / Loan / Both		
17	Address (If respondent not sure, ask to take from electricity bill)			
18	Ration Card	White / Pink / No		

*Detailed Household Survey (DHHS)*

1.	Slum and Cluster No.		2.	Kriti House code							
3.	Surveyor Name		4.	Interview date							
5.	Respondent name		6.	Relationship with HHH							
7.	Interview start time / end time										
8.	Household Information										
	Name	R'ship with HHH	Age yrs	Sex M/F	Educa tion	In school now? Y/N	School G/P - Name	Occupation – Primary	Occupation – Secondary	Days of work in a month	Chronic health issues
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											

Detailed Household Survey (DHHS) continued

1.	House Ownership	Own / Rent	1.1.	Type of house	Kaccha / Pucca / Semi kaccha / Semi pucca		
1.2.	Period of stay of HH in this house (in years)		1.3.	If own house and not P/SP then why not made pucca?	<input type="checkbox"/> Not enough money <input type="checkbox"/> No patta for the house	<input type="checkbox"/> Relocation within Film Nagar <input type="checkbox"/> Relocation outside Film Nagar	
2.	What is the main cooking fuel that the household uses?			Gas / Kerosene / Wood /Other			
3.	How much money do you save every month?			3.1	Name of bank		
3.2.	Where do you save money?	Bank / Post Office / Chit fund / SHG / Chit / Local savings agent / Jewellery / Cash / No savings at all					
3.3.	Do you have any insurance policies?	Yes / No / In the past		3.4.	If yes, please provide details		
4.	Loans (include Microfinance, SHG, money lender, friends etc.)						
	Source	Amount O/S	Details		Source	Amount O/S	Details
5.	What are the assets in your house? (Own purchased)						
S No	Assets	Y/N	No.	S No	Asset	Y / N	No.
A	Fan (write no.)			F	Pressure cookers / pressure pans		
B	TV			G	Fridge		
C	Almirah / Dressing table			H	Sewing Machine		
D	Motor cycle / scooter			I	Another house		
E	Bicycle			J	Land (in village)		
6.	What is the access to water for your household?			Tap in house / tap in near to house / tap far away from house			
7.	What is the access to toilets for your household?			Own toilet with Septic tank / shared toilet / no toilet			
8.	Household Cashflows						
	Monthly Inflows	Amount	Remarks		Monthly outflows	Amount	Remarks
A	Earnings of individual members				A	House rent	
					B	Food	
					C	Education	
						School Fees	
						Tuition, Books etc	
					D	Remittances	
					E	Electricity, Water	
B	Pension etc				F	Entertainment (cable)	
					G	Health expenditure	
C	Rental income				H	Transportation	
D	Agricultural income				I	Clothing	
E	Remittances from family				J	Loan repayments (incl interest)	
F	New loans taken				K	Loans given to other people	
G	Other				L	Savings	
H	Other				M	Communication	
						Other	
						Other	
	Total inflows				Total outflows		

*Detailed Household Survey (DHHS) continued*

9.	Does anyone in the house take alcohol regularly? Yes / No	9.1.	If yes, then who? _____
9.2.	How often?	2-3 times a month / Once a week / 2-3 times a week / Daily	
10.	Do you have a ration card?: White / Pink / No	10.1	If not, Why not
11.	General Questions		
11.1.	Over the last 2-3 years, what have been some changes in your family's circumstances?	Positive:	Negative
11.2.	Are there days when you are short of food?	Yes / No	11.3. If yes, how often / any other comments _____

## APPENDIX B: EXPLANATION OF INDIVIDUAL LIVELIHOODS AND LESSONS LEARNED

### *Livelihood 1: Agarbatti (incense stick) Rolling*

Agarbatti's are used in most Indian households. The incense sticks are made by rolling dough made of gum, charcoal, and wood onto thin bamboo sticks. In India, these sticks are largely made by hand, dried, dipped in perfume, then packed. Before perfuming, the product is fairly commoditised. Traders source the raw sticks from various rolling units and then supply them to packaging and marketing companies who perfume, pack, and then sell the branded sticks. Large companies like ITC are working with NGOs to develop a production base for their products while providing livelihoods to poor women.

ITC provides orders to development organizations working directly with poor women. These organizations provide raw materials to the women and buy back their finished products, which are then supplied to ITC. This is the model that Kriti hoped to follow.

Kriti worked with wholesale contractors to purchase the raw material and provided the sticks and chemicals for rolling to the program beneficiaries. They then rolled the agarbatti's, dried them, and returned them to Kriti to be sent back to the wholesale contractors. These finished agarbatti's were then sent to the factory for scenting and packaging.

Although it was known that it may take significant time for the women to achieve the optimum level of productivity needed to earn a good income, and that agarbatti rolling is hard manual work, Kriti chose this livelihood due to the presence of strong market linkages and the low skill requirement.

### Lessons Learned

The women were expected to roll over 1600 agarbatti's from one kg of dough and earn Rs18-20 for the effort. The experienced producers were able to roll over 1kg of dough per hour, however it took a new learner a long time to reach such efficiency.

At the end of ten days of training, Kriti's beneficiaries were only producing around 100 agarbatti's per hour and there was no clear picture of how long it would take them to reach the required speed.

Not only was the agarbatti rolling process fairly laborious, it also made the house dirty due to the use of charcoal dust. Each time the producer started working, she needed to first clear some space in her already cramped house, and then spend 10-15 minutes to clean the area and her hands once she finished rolling. Thus, it was not an activity that could easily fit into pockets of free time, but rather, required a continuous four- to five-hour stretch of time. This was not easy for the women to find amidst their other household responsibilities.

Due to the challenges discussed, not many beneficiaries were interested in agarbatti rolling. Although Kriti trained 25-30 women, no more than two of them were interested in continuing after the training period. Kriti even experimented by providing stipends to meet production goals, but the livelihood activity still failed to attract sufficient beneficiaries. The program was discontinued after six months.

Agarbatti Rolling	
Pros	Cons
<ul style="list-style-type: none"> <li>• Attractive livelihood because of its strong, established market linkages</li> </ul>	<ul style="list-style-type: none"> <li>• It took a long time before the person became skilled enough to reach optimum production. Thus it required a lot of patience</li> </ul>
<ul style="list-style-type: none"> <li>• Commodity product and thus a strong domestic demand</li> </ul>	<ul style="list-style-type: none"> <li>• Very low margins, thus potential income was low</li> </ul>
<ul style="list-style-type: none"> <li>• Zero investment</li> </ul>	<ul style="list-style-type: none"> <li>• Not an attractive or aspirational livelihood</li> </ul>
<ul style="list-style-type: none"> <li>• Standardized process and low skill job</li> </ul>	<ul style="list-style-type: none"> <li>• Hard, manual work</li> </ul>

### *Livelihood 2: Paper Bag Making*

Paper bags made out of newspaper, kraft paper (brown paper) and handmade paper can be used as gift bags and as substitutes for plastic bags in shops. Surprisingly strong, a large 2-ply newspaper bag can hold up to 4kgs of weight. Kriti learned the basics of making newspaper bags from an organization called Deckle Edge, who trained two women from the community for one week at their workshop. These two women then became Kriti's trainers. Deckle Edge also helped Kriti identify some of the sources for raw materials in the wholesale markets of Hyderabad. Kriti's trainers taught 25 women to make newspaper bags and sold these bags to bakeries, boutiques, wholesalers, and exhibitions.

It took roughly 10-14 days for women to learn to make newspaper bags of reasonable quality. Of the 25 women trained, ten stayed on to start production. After completing the training, they started seeking customers, beginning with the wholesale markets. There the shops were looking for paper bags made out of higher qualities of paper and not newspaper. So Kriti sourced higher quality paper, strings, and other materials, and then undertook a few orders from wholesalers. However, this market proved to be highly price competitive and not reliable. The team then returned to their original focus of making newspaper bags, and looked for orders from retail establishments such as dress shops, bakeries, jewellery shops, etc.

The customer base appeared to build through word of mouth and eventually reached a steady demand for the newspaper bags. However, it took over 8 months to reach this stage. Kriti is still working with the ten women and is gradually growing the business.

### *Lessons Learned*

The biggest downfall of this activity and arguably one of the most important aspects, was finding the right market linkages. Working with wholesalers was not practical as the wholesalers were extremely price competitive, and thus it was difficult to give fair wages to the producers (Kriti's beneficiaries). Kriti also found that it was better to remain focused on newspaper bags as these could only be made manually. For other types of bags, commercial companies with mechanized processes offered better prices and quality.

In order to provide steady employment, it would be best to secure a buyer or market link before starting the project. Not doing so made it difficult to provide steady employment to the participants in the initial months.

Another key to the success of a similar future venture would be savvy marketing. Creating awareness of the products through internet marketing was extremely important. Once a site was created, many inquiries came through online. If this had been done earlier, perhaps it would not have taken eight months to establish a steady demand.

Paper Bag Making	
Pros	Cons
<ul style="list-style-type: none"> <li>• Simple process to learn, hence Kriti's beneficiaries were able to learn the basic technique easily</li> </ul>	<ul style="list-style-type: none"> <li>• No clear market linkage</li> </ul>
<ul style="list-style-type: none"> <li>• Little investment required, as raw materials of newspaper bags were not expensive</li> </ul>	<ul style="list-style-type: none"> <li>• Very competitive wholesale market</li> </ul>
<ul style="list-style-type: none"> <li>• Short time-frame to transfer skills to the producers</li> </ul>	<ul style="list-style-type: none"> <li>• Stringent quality parameters</li> </ul>
<ul style="list-style-type: none"> <li>• Growing interest towards eco-friendly products</li> </ul>	

**Livelihood 3: Micro-entrepreneurship**

Kriti worked with Reach India, a Kolkata based training and capacity building organisation, to train beneficiaries in the basics of running a business. The training covered six modules, including business planning, managing costs, and planning for unexpected events. These modules were delivered through stories and discussions with a small group of women.

The program provided ten entrepreneurs with interest-free loans ranging from Rs2000 – Rs7000. The business activities included a *kirana* (grocery) store, snack centre, vegetable vending and selling firewood. In some cases, Kriti assisted beneficiaries in purchasing assets, identifying suppliers of materials, and planning their operations.

These zero interest *soft loans* were dispersed to beneficiaries in order to carry out their business ventures. The loan was designed with a two-month grace period, after which, it was to be paid in monthly instalments over the next ten months.

**Lessons Learned**

It would have been beneficial had Kriti been more actively involved in helping beneficiaries set up their businesses. By taking a more active role, entrepreneurs would have received the additional support they needed and the loans would more likely have been used for income generating activities as opposed to general consumption as was observed with some participants.

With those that did start or grow their micro-businesses, the team found it was critical to give entrepreneurs an operating business model that included where to buy raw materials, how to price the product/service, and where to sell their products.

Since these were individual loans, there was no group pressure on the beneficiaries to pay on time. This led to delayed payments and defaults in a few cases.

<b>Micro-entrepreneurship</b>	
<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"> <li>• Access to finance created the opportunity for the beneficiary to grow her business</li> </ul>	<ul style="list-style-type: none"> <li>• Some beneficiaries used the loan for their immediate needs (consumption) and thus did not have money left to invest in an income generating asset</li> </ul>
	<ul style="list-style-type: none"> <li>• Beneficiaries tended to prefer stable employment to entrepreneurship</li> </ul>

#### ***Livelihood 4: Tailoring***

While Kriti was setting up the Vaaradhi program, they received requests from a lot of women to train them in tailoring. This is a traditional female activity, and it had top-of-mind recall when Kriti asked women what skills they would like to learn.

The team spoke to several organizations to learn how to set up a tailoring training program. Most institutions, including the government vocational training institutions, had certificate-based programs that took up to six months and the main output was a record book with miniature samples of dresses made. The employability of the trainee didn't seem to increase at the end of these trainings, as their quality of stitching was not good.

However, Mahila Sanatkar, an organization working with women in Hyderabad for the past 15 years, had learned by experience how to successfully navigate the challenges of preparing students for production at the end of the training. Their approach was to bring the women to a level of skill whereby they could take up stitching orders from large retailers and earn a steady income. Kriti developed a systematic three-month module in collaboration with Mahila Sanatkar.

The focus of the training was to teach machine control and improve the quality of basic stitching in a short period of time. At the end of the training, Kriti tested the women on their skills, and then moved them into production groups. The production groups executed orders that Kriti sourced, either through directly marketing products (through their website and network) or through other organizations like Mahila Sanatkar.

Kriti set up three tailoring centres and trained over 70 women. Only 15 of them continued on to be part of the production groups.

#### ***Lessons Learned***

It is critical to have market linkages in place. Kriti helped source work orders for the women, however, for low-skill products such as petticoats, the market was highly competitive and the wage-rates low. For higher-skill products, it took time for the women to reach the required level of skill. If Kriti had developed 3-4 product ideas and thought through marketing before starting the project, it would have ensured a steadier stream of income for the women as soon as the training was completed.

This livelihood experienced high levels on attrition due, in part, to a long training period associated (three months). A significant investment was also required on Kriti's part in order to set up and run the training centres for this livelihood. As a result, it was only cost-effective if a large number of women were enrolled. With the long training time creating attrition, this livelihood training was determined not suitable for continuation.

<b>Tailoring</b>	
<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"> <li>• Interest among beneficiaries to learn tailoring</li> </ul>	<ul style="list-style-type: none"> <li>• Long period of time (around 4 months) to achieve desired skill level and start earning a steady income</li> </ul>
<ul style="list-style-type: none"> <li>• Availability of organizations that provided curriculum and training</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively high financial investment for Kriti</li> </ul>
	<ul style="list-style-type: none"> <li>• Setting up market linkages took time. Difficult to find a market for the production from a large group of women</li> </ul>
	<ul style="list-style-type: none"> <li>• Very competitive wholesale market</li> </ul>
	<ul style="list-style-type: none"> <li>• Stringent quality parameters</li> </ul>

### **APPENDIX C: ALCOHOL ADDICTION TREATMENT**

Alcoholism is a common phenomenon in the urban slums and many people consume illegal alcohol. It is critical for any program to address this issue as it drains a family's resources and increases long-term healthcare costs. Alcoholism can also lead to family instability due to domestic violence.

Having an additional livelihood adds income to a household and improves the quality of life. However, a treated alcoholic can also add significantly to a family's income through the savings that come from not purchasing alcohol, along with improved health and productivity.

Kriti observed a very high occurrence of alcohol addiction in the slum. Men were spending anywhere from 30-50% of their earnings on alcohol daily. In some cases, even women were addicted. This wasteful spending of meagre incomes significantly reduces the funds available for essentials including food, education, housing, and healthcare. Homes with alcoholics had problems running the day-to-day activities of the household, as the available funds were spent on alcohol rather than on basic needs. Alcoholism can relegate people to vicious poverty cycles. The situation is aggravated when the drinker falls ill, can't work, and needs medical treatment.

To develop and implement the alcoholism treatment component of the program, Kriti approached SKDRDP Dharamsthala, a leading community development organization, and Alcoholics Anonymous, a voluntary international organization working to help rehabilitate alcoholics. The hope was that these organisations would be able to assist in designing and implementing an alcohol awareness and treatment program in Film Nagar. Unfortunately, Kriti did not receive a positive response from either of these organisations and therefore could not move forward with this aspect of the intervention.

## APPENDIX D: VAARADHI BENEFICIARY PROFILE

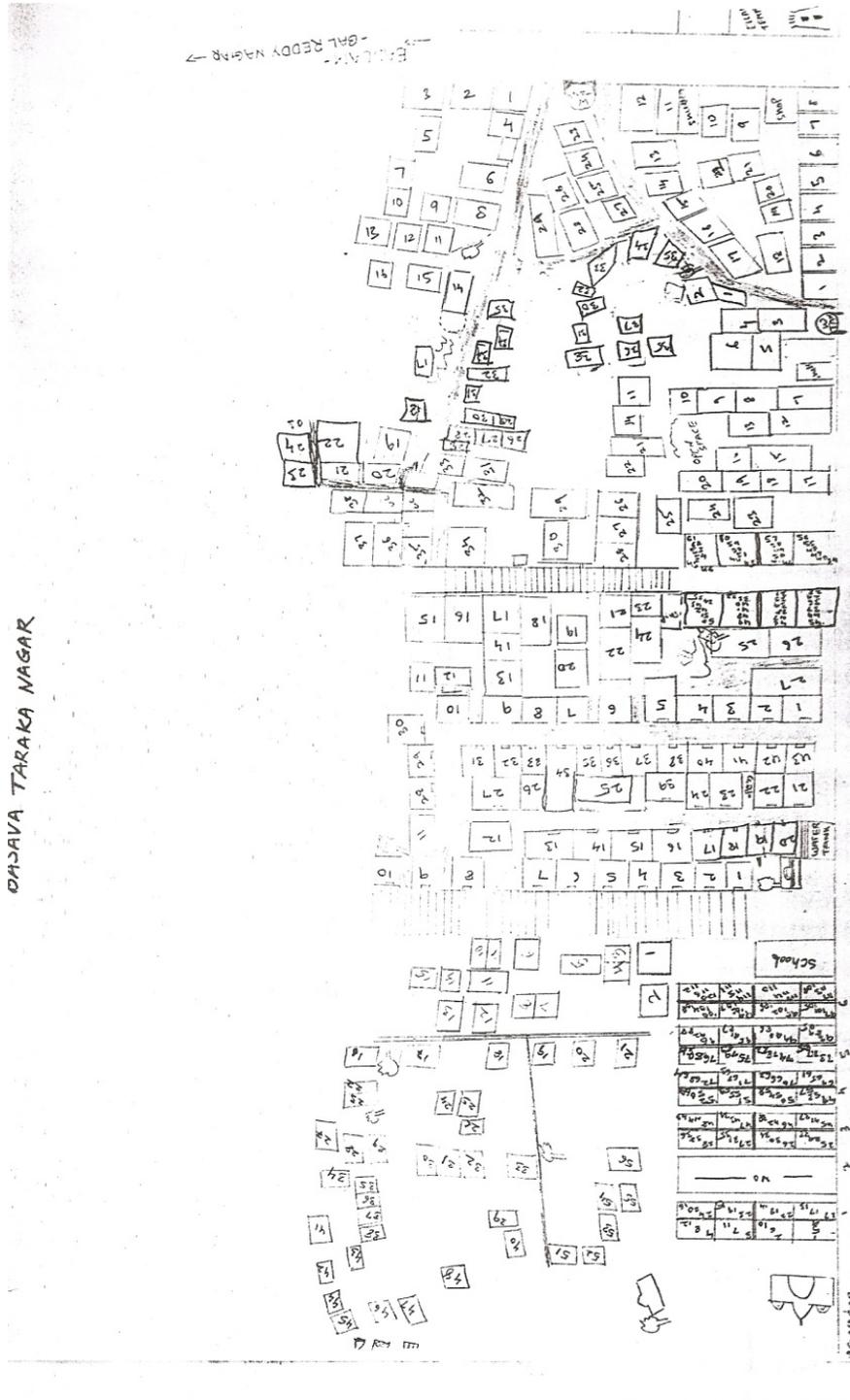
An average household was composed of about five members, two of which were likely to be income earning and two to three of which were children. The majority of the families owned their residences, though the legal status of the land varied. The ownership was mostly derived from an extended period of stay (squatting), and not by the purchase of the land/residence. Over 60% of the women did not work because they had to take care of children. Health care needs and alcohol abuse were the two key leakages of income, which left the household more vulnerable .

The general characteristics of a Kriti ultra poor beneficiary were:

**FIGURE 2: BENEFICIARY PROFILE**

Ultra Poor Indicators	Values
Literacy	Limited education with majority of the beneficiaries below fifth standard
Poor housing and infrastructure	Living in slums with poor infrastructure such as inadequate roads, limited water connections, open drains, poor sewage infrastructure and garbage disposal systems
Poverty level	Reported monthly income of <\$2/day
Intermittent employment	Work as unskilled labourers with inadequate work
Resident	Staying in the same slum for 5 years or more
Child education	Children going to government schools, often dropping out of schooling after primary education
Financial inclusion	No bank account or insurance policy

### APPENDIX E: DRAWN MAP OF FILM NAGAR SLUM



## APPENDIX F: BENEFICIARY CASE STUDIES: A SNAPSHOT OF KRITI'S URBAN ULTRA POOR BENEFICIARIES

### SHAMIM

Shamim is 26 years old with four children. She has three daughters and one son, all under the age of nine.

Previously, Shamim's husband, Shaik Yousuf, used to work as an auto driver and earned Rs 40/day. Although it was difficult to sustain the family on such a small income, Yousuf didn't allow Shamim to work outside the home.



*Above: Shamim and her son*

Since last year, Yousuf has been suffering from depression and other mental problems, and hasn't been able to work. To sustain the family, Yousuf allowed Shamim to learn paper bag making and tailoring from the Kriti team. Shamim is now the sole bread-winner of her family. The livelihood provided by Kriti's team is helping her send her children to school and feed her family. More recently, Shamim also took up an additional job as a cleaner in Kriti's office.

The livelihood activities that Shamim learned with Kriti were her first exposure to working outside the home. She now feels more confident and socially empowered, and believes that she can afford to get her husband help in a hospital. She wants her children to receive a good education and ensure that they live a comfortable and secure life.

## REHAANA BEE



Above: Rehaana Bee with her goats

Rehaana has four children – three sons and a daughter. Rehaana’s husband left her 13 years ago after the birth of her fourth child. An alcoholic, he is living with another woman in a different *basti* (slum) and does not provide any support to Rehaana and her children.

She has almost no contact with her ex-husband and his new family.

Rehaana’s three sons started working about four years ago, and around the same time, she was allotted government housing. Previously, she lived in a *kaccha* house and things were very difficult. After her husband left, she worked hard as a domestic worker, sold firewood, and also engaged in goat farming to make ends meet.

Her sons get intermittent work (10-15 days/month) and spend their entire income without giving anything to Rehaana. Kriti helped her open a bank account with Andhra Bank and she has started saving Rs 1000 per month in the bank towards her daughter’s marriage. Her key concerns for the future are around her daughter’s education and marriage.

She had four goats and purchased another three goats through a Kriti micro-business loan, which she is repaying on time. With Kriti’s help, she was able to supplement her income, no longer has to sell firewood, and now feels more secure about her future.

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### ADDITIONAL READING

There are multiple studies on the ultra poor available at the CGAP Microfinance Gateway website: <http://www.microfinancegateway.org/p/site/m/home/template.rc?P1=ultra+poor&F1=%24all&hForm=Global&O1=nea&type=SearchPortlet>

Multiple studies on the ultra poor are also available on the BRAC website: <http://www.brac.net/index.php?nid=437>

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