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Asset-based Approaches to Poverty Reduction in a Globalized Context

An introduction to asset accumulation policy and summary of workshop findings

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Executive Summary

This working paper provides a brief introduction to asset-based approaches to poverty reduction in a globalized context. The aim is to show the added value of asset-based approaches, in terms of both better understanding poverty and developing more appropriate long-term poverty reduction solutions. The paper draws on a number of sources, including: a longitudinal research project on Intergenerational asset accumulation and poverty reduction in Guayaquil 1978–2004; a number of associated background papers; and contributions to the recent Brookings Institution/Ford Foundation Workshop on Asset-based approaches to poverty reduction in a globalized context held in Washington DC on 27–8 June 2006.

The paper starts by outlining an asset accumulation framework, distinguishing between an asset index conceptual framework, as an analytical research tool, and asset accumulation policy, as an associated operational approach. It then elaborates on this framework through a number of basic questions:

- ***What is an asset?***

  This provides a definition of an asset and description of the five most widely known: human, physical, social, financial and natural capital assets.
- ***What new insights can an understanding of asset accumulation give us about poverty reduction?***

  Drawing on the results of the Guayaquil project, this section summarizes a number of asset accumulation stories, to show how analysis of the assets of the poor adds to our understanding of transitions out of poverty and upward mobility.
- ***What is an asset-based approach?***

  This section summarizes the four main asset-based approaches, identifying both analytical and operational approaches, as well as examples of implementation.
- ***How does an asset index conceptual framework contribute to the diagnosis of poverty?***

  To illustrate the utility of an asset index, this section shows how different capital assets are accumulated or eroded at different points over a 25-year period in Guayaquil.
- ***What is an asset accumulation policy?***

  This section summarizes differences and complementarities between social protection policy and asset accumulation policy. It then describes the different components of policies to accumulate assets, distinguishing between first and second generation policies.
- ***How does an asset accumulation approach inform practice in different contexts or sectors?***

  Drawing on workshop papers, this section shows how an asset accumulation framework informs poverty reduction analysis and operational interventions in a range of contexts and sectors. These include: communal assets in urban and rural contexts (housing, human settlements and natural resource management); asset building in post disaster and fragile state contexts; making markets work for the poor (financial assets, international assets and transnational asset accumulation); and assets, rights and citizenship.

The paper ends with a brief concluding comment and discussion of priority themes for further work.

Introduction[1]

This working paper provides a brief introduction to asset-based approaches to poverty reduction in a globalized context. This is a new, but critically important, research and policy agenda. As is appropriate for a working paper, it presents results in preliminary form to generate discussion and critical comment. The paper draws on a number of sources. These include the results of a longitudinal research project on Intergenerational asset accumulation and poverty reduction in Guayaquil 1978–2004, funded by the Ford Foundation, and a number of associated background papers,[2] including a literature review of assets and livelihoods. It also draws on papers presented at the recent Brookings Institution/Ford Foundation Workshop on Asset-based approaches to poverty reduction in a globalized context, held in Washington DC on 27–8 June 2006 (see appendix 1 for conference details).[3]

The asset accumulation framework and working paper structure

The paper distinguishes between an asset index conceptual framework for poverty diagnosis, and asset accumulation policy, as an associated operational approach. This distinction is further clarified as follows:

- An asset index conceptual framework is an analytical and diagnostic tool to understand poverty dynamics and mobility.
- An asset accumulation policy is an operational approach to design and implement sustainable asset accumulation interventions.

In describing these two components, the paper seeks to demonstrate the value added by asset-based approaches, for both better understanding poverty and developing appropriate long-term poverty reduction solutions.

The paper discusses asset-based approaches to poverty reduction in terms of a number of basic, but pertinent, questions: what is an asset? What new insights can an understanding of asset accumulation give us about poverty reduction? What is an asset-based approach? How does an asset index conceptual framework contribute to the diagnosis of poverty? What is an asset accumulation policy? How does an asset accumulation approach inform practice in different contexts or sectors? It ends with a brief concluding comment and discussion of priority themes for further work.

1. What is an asset?[4]

Generally, an asset is identified as a "stock of financial, human, natural or social resources that can be acquired, developed, improved and transferred across generations. It generates flows or consumption, as well as additional stock" (Ford 2004). In the current poverty-related development debates, the concept of assets or capital endowments includes both tangible and intangible assets, with the capital assets of the poor commonly identified as natural, physical, social, financial and human capital (see box 1).

In addition to these five assets, which are already grounded in empirically measured research (see Grootaert et al 2001), more "nuanced" asset categories are being identified. These include the aspirational[5] (Appadurai 2004), psychological (Alsop et al 2006), productive (Moser and Felton 2006b) and political assets, increasingly associated with human rights (Ferguson et al 2006). These examples illustrate the growing importance of thinking "outside the box" and moving beyond well-established capital assets (Scott 2006).

Box 1. Definition of the Most Important Capital Assets

Physical capital: the stock of plant, equipment, infrastructure and other productive resources owned by individuals, the business sector or the country itself.

Financial capital: the financial resources available to people (savings, supplies of credit).

Human capital: investments in education, health, and the nutrition of individuals. Labor is linked to investments in human capital; health status determines people's capacity to work, and skill and education determine the returns from their labor.

Social capital: an intangible asset, defined as the rules, norms, obligations, reciprocity, and trust embedded in social relations, social structures, and societies' institutional arrangements. It is embedded at the micro-institutional level (communities and households) as well as in the rules and regulations governing formalized institutions in the marketplace, political system, and civil society.

Natural capital: the stock of environmentally provided assets such as soil, atmosphere, forests, minerals, water and wetlands. In rural communities land is a critical productive asset for the poor; while in urban areas, land for shelter is also a critical productive asset.

Sources: Bebbington 1999; Carney, 1998; Moser 1998; Narayan 1997; Portes 1998; Putnam 1993.

2. What new insights can an understanding of asset accumulation give us about poverty reduction?

Longitudinal research in Indio Guayas, a slum community in Guayaquil, Ecuador, highlights some of the limitations of static "snapshots" of poverty and provides us with a relative success story of long-term asset accumulation and poverty reduction. Over 26 years, the majority of households have "got out of poverty." More than four out of five families were below the income poverty line when they originally "invaded" watery mangrove swamp land and marked out the plots for their future homes. Today, less than one in three is poor; they live in a built-up settlement with land titles, physical and social infrastructure; and their adult children are on average twice as educated as their parents. How did they do it?

Looking at the assets of the poor is essential in understanding upward mobility, and particularly transitions out of poverty. A number of asset accumulation stories stand out. In the early days, the trust and collaboration forming the basis of community social capital were essential to households, which were squatting in bamboo houses connected by perilous walkways without land, roads, running water, lighting or sewerage, let alone education or health. From 1975–85, a vibrant community organization fought political leaders successfully for a social and physical infrastructure. From 1985–95, welfare benefits and childcare based on voluntary community delivery systems (primarily by women) were provided through UNICEF and Plan International. Thus community social capital continued to be important. Over the past decade, services were acquired and community welfare support was withdrawn, resulting in the decline of community social capital.

Social capital helped households to accumulate the physical capital associated with building their houses, acquiring land titles and filling in their plots with earth. Over time, as they incrementally upgraded their houses, replacing bamboo walls with cement blocks and earth or wooden floors with cement, so the value of this asset was consolidated. From 1978–1992, housing, the first critical asset that households seek to accumulate, grew the fastest of all assets. However, the rates were in reverse order from 1992 to 2004. Once housing was established, parents made trade-offs between their own consumption and their children's human capital, either investing in their education as a longer-term strategy for poverty reduction or spending it on "luxury" consumer durables.

Today, their adult sons and daughters, better educated but with larger expectations and aspirations, face different challenges in a globalized context. Nearly half still live on the family plot and benefit from the assets accumulated by their parents. The data shows that household social capital has increased over time, particularly among poorer households. Low wages, the high expenditure on privatized health and education, and increasing demand for conspicuous consumption, leaves households needing more income earners than before. Others of the next generation have left to acquire homes of their own, repeating their parents' experience but this time squatting on the hills that form the city's new periphery. A third group has migrated, primarily to Barcelona, Spain, where the employment opportunities, labor rights, and access to financial capital such as mortgages all contribute to far more rapid asset accumulation than that of their peers in Guayaquil. There, increasing alienation, associated with a lack of wage employment opportunities, has resulted in a dramatic rise in violent robbery, theft and drug dealing. Insecurity and fear predominate in all households.

For the current generation, getting out of poverty may not be enough. Inequality and exclusion are also important issues to address. Thus, different assets are important at different times. In totality, their accumulation illustrates the "pathways" by which individuals, households and communities "make it" out of poverty. Does this provide important lessons for us?

3. What is an asset-based approach?

Asset-based approaches to development are rooted in the international poverty alleviation/reduction debate of the 1990s. This dialogue: called conventional measurements of poverty into question; identified the multi-dimensionality of poverty and the relationship between inequality, economic growth and poverty reduction in the South; redefined the meaning of poverty itself; and elaborated new poverty-reduction strategies (see appendix 2 for further elaboration). Heavily influenced by Amartya Sen's (1981) work on famines and entitlements, assets and capabilities, as well as those of Robert Chambers (1992; 1994) and others on risk and vulnerability, an extensive debate distinguished between poverty as a static concept, and vulnerability as a dynamic one. It focused on defining such concepts as assets, vulnerabilities, capabilities and endowments, and developing policies to address the impacts of shocks by focusing on the assets and entitlements of the poor. The issue of risk and insecurity lies at the core of this "new poverty" focus. Insecurity is defined as exposure to risk, with the outcome vulnerability in terms of a decline in well-being.

As the name implies, asset-based approaches are concerned specifically with assets and the associated asset accumulation strategies. This emphasis is closely linked to the concept of capabilities. Thus assets "are not simply resources that people use to build livelihoods: they give them the capability to be and act" (Bebbington 1999). As such, assets are identified as the basis of agents' power to act to reproduce, challenge or change the rules that govern the control, use and transformation of resources (Sen 1997). A review of current asset-based approaches shows there is not a single analytical framework or operational approach, but a range of both. It is also useful to distinguish between researchers, who have constructed an analytical framework around assets, and practitioners, who have applied this to operational approaches.

Table 1. Summary of Asset-based Analytical Frameworks and their Associated Operational Approaches

Analytical frameworks	*Examples of authors or institutions*	*Operational approach*	*Authors or institutions*	*Examples of implementation: tools and techniques*
Asset vulnerability framework	Moser; Siegel; Sabates Wheeler & Haddad; CPRC	Social protection	World Bank	Risk and vulnerability assessment
BASIS CRSP Asset-based research approaches	Carter, May; Hoddinott ; Adato	Asset-based assessments	BASIS CRSP	Tools to identify poverty traps
Asset building	Sherraden; Ford Foundation	Asset building and community development	Ford Foundation	Asset building in financial holdings, natural resources, social bonds, and human capital
			Coady International Institute	Asset Based Community Development (ABCD) "transformative" methodology
			Morad; Fossgard-Moser	Community asset mapping
	Sherraden	Asset-based welfare policy	USA Corporation for Enterprise Dev; UK Govt..	Individual Development Accounts UK Child Trust Fund
Longitudinal asset accumulation research	Moser	Asset accumulation policy	Moser	Nexus linking assets-opportunities-institutions Distinction between first and second generation policy

As summarized in table 1, these can be loosely divided into four types:

- The asset vulnerability framework that emphasizes the relationship between assets, risks and vulnerability. At the operational level, this relationship is at the core of social protection policy and programs.
- The asset-based research approach closely associated with the BASIS Collaborative Research Program. Operational work associated with this includes asset-based assessments that identify poverty traps and productive safety nets (Carter 2006).
- In the United States, the asset building approach developed by Sherraden, Oliver and others, and operationalized through the Ford Foundation's Asset Building and Community Development Program. A range of formal interventions (such as IDA and the UK Child Trust Fund) are connected with this, as well as a range of community-based asset-building programs and associated methodological tools.
- Finally, internationally-focused longitudinal asset accumulation research and associated asset accumulation policy, which this paper describes.

4. How does an asset index conceptual framework contribute to the diagnosis of poverty?

Asset index conceptual approaches to poverty diagnosis and analysis are not new, but have not, to date, been widely recognized. However, they represent an important shift in focus in the historical development of poverty research methodology, and its associated policy. While traditional 1960s and 1970s research emphasized income poverty, the new wave of pro-poor policy created by the World Bank's 1990 and 2000 World Development Poverty Reports (World Bank 1990; 2001) and the UN's Millennium Development Goals shifted the focus to consumption. Asset accumulation moves it even further by connecting it to production, and providing the link between individual and household enterprises, labor market participation and poverty reduction.

While standard poverty measures provide static backward looking measures, asset-based approaches offer a forward-looking dynamic framework that identifies asset building thresholds, and measures movements in and out of poverty. This systematic, integrated approach identifies the links between different assets, and their transformative potential through effective risk management. As such, it seeks to identify how to strengthen opportunities and dilute constraints. In focusing on the way in which the poor themselves construct their asset portfolios, it recognizes the importance of individual and collective agency and the links between asset accumulation and inequality, security and political stability.

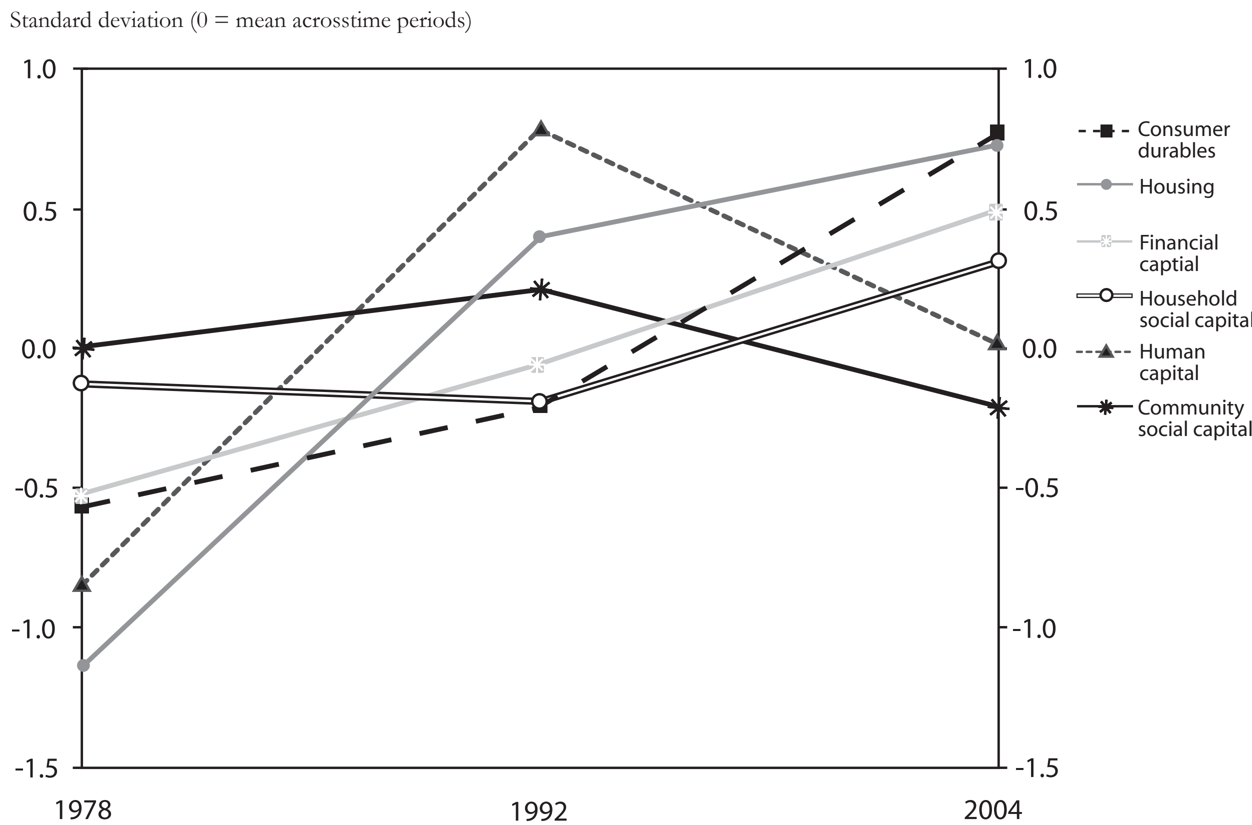
i. The construction of asset indices: evidence from Guayaquil, Ecuador

The evidence for asset-based approaches comes from a range of research. Of particular methodological importance have been different initiatives to construct asset indices, by such researchers as Sahn and Stiefel (2000), Filmer and Pritchard (1998) and Adato, Carter and May (2004).

The longitudinal research project on intergenerational asset accumulation and poverty reduction in Guayaquil, Ecuador (1978–2004) used a fourfold asset index as a diagnostic tool to understand poverty dynamics and mobility. The data comes from a 26-year panel dataset and associated anthropological fieldwork[6] examining the long-term investment choices made by households. The range of assets that households held were categorized, as were the processes by which each accumulated or eroded over time, and the relative importance of different assets for intergenerational poverty reduction. According to the data, the asset accumulation potential of households depends on the interrelationship between their original investment asset portfolio, the broader opportunity structure in terms of the internal life-cycle and the external politico-economic context, as well as the wider institutional environment (see Moser and Felton 2006b).

Asset-index analysis adds value to understanding upward mobility and transitions. It shows how different assets were accumulated at different points in time, and the interrelationship between different assets.

Figure 1. Household Asset Accumulation in Guayaquil, Ecuador 1978–2004



Source: Moster and Felton (2006a)

Figure 1 summarizes the main asset accumulated between 1978–2004 as follows. Households heavily invested in housing capital when they first arrived in Indio Guayas in the early 1970s. This was the first priority for households invading swampland and living in very basic conditions. As basic housing needs were met, however, households decided to accumulate other types of capital, both for production and consumption purposes. As a result, housing capital accumulation leveled off and was replaced by the accumulation of consumption capital. Education and financial capital increased fairly steadily across the entire time period. Finally, while community social capital actually fell between 1992 and 2004, household social capital rose.

5. What is an asset accumulation policy?[7]

Asset accumulation policy is the associated asset-based operational approach that focuses directly on creating opportunities for the poor to accumulate and consolidate their assets in a sustainable way. It identifies asset accumulation as a precondition for empowerment, particularly economic empowerment.

i. Differences/complementarities with social protection policy as a mechanism for poverty reduction

How does asset accumulation policy relate to other poverty reduction policies? At the overall level, the dominant paradigm has relied on at least three critical components: growth-led poverty reduction; targeted cash transfers; and social safety nets. This basic paradigm has been expanded to include (at least in the discourse) other components such as empowerment, rights-based development and asset accumulation by the poor (Solimano 2006).

Box 2. Definitions of Sustainable Livelihoods and Social Protection

Livelihoods: A livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is identified as sustainable when it can cope with and recover from stresses and shocks and maintain or enhance capabilities and assets, both now and in the future, while not undermining the natural resource base (Carney 1998, 1; DFID 2000).

Social Protection: This has been defined in terms of "longer-term policies that aim to protect and promote economic and social security or well-being of the poor. Social protection policies are designed to… provide a buffer against short-term shocks, and also enhance the capacity of households to accumulate assets and improve their well-being so that they are better protected in times of hardship." (Cook, Kabeer and Suwannarat, n.d.) The World Bank's Social Risk Management framework identifies social protection as consisting of public interventions "to assist individuals, households and communities in better managing income risks" (Holtzmann and Jorgensen 1999, 4) by "preventing, mitigating and coping with risks and shocks" (World Bank 2000).

Over the past decade, alongside the range of poverty-focused frameworks using similar concepts such as capabilities, assets, livelihoods, vulnerabilities, institutions, agency and opportunities, has been the parallel design of a number of new anti-poverty programs. Foremost among those in the late 1990s was sustainable livelihoods, prioritized by bilaterals such as the UK Department of International Development (DFID) and international NGOs such as CARE and OXFAM. Today, influenced by the World Bank's 2000 World Development on Poverty, social protection policy has been widely adopted by donors, government and NGOs (see box 2). The breadth of the coverage of social protection policy is extensive. This ranges from ex-ante protective measures to ex-post safety nets (Hulme 2006). Such safety nets need to go beyond food aid to "productive" safety nets ensuring that those experiencing asset-based shocks remain above the poverty threshold and do not fall into a poverty "trap", with the associated longitudinal chronic poverty (Carter 2006).

For example, the Ford Foundation-funded social protection program in China seeks to be "welfare enhancing while also contributing to growth and efficiency objectives, and while not explicitly adopting an asset-based approach, the initial analysis and framework had a strong focus on various forms of asset building as the underpinning of sustainable development and social protection". The program argues that "assets reduce dependence on social protection, but social protection will remain the dominant/essential element of social policies for poor countries" (Cook 2006). As Cook commented: "We need to look at social protection as developmental and not just as relief assistance. Responses to crisis should be demand-led and community driven."

What can an asset framework offer that social protection cannot? The apparent overlap between these different approaches makes it important to clarify more specifically how asset accumulation policy differs from, or complements, social protection policy. Table 2 provides a brief summary and shows the differences in emphasis in operational approaches. With such closely aligned objectives, interventions associated with one framework can contribute to those of another. However, there are distinct entry points. These result in the prioritization of different objectives in operational practice.

Table 2. Recent Policy Approaches to Poverty Reduction and their Associated Objectives

Analytical framework	*Primary objectives of operational approach*
Sustainable livelihood approach	Sustaining activities required for a means of living
Social protection	Provision of protection for the poor and vulnerable against negative risks and shocks that erode their assets
Asset-based social policy	Creation of positive opportunities for sustainable asset accumulation

One difference relates to the way in which each approach deals with the issue of risk. As the name implies, asset-based frameworks are concerned more specifically with assets and their associated long-term asset accumulation strategies. Assets are more closely linked to growth and risk management. For asset accumulation, risk is an opportunity. Managing such risk is about proactively identifying and investing in opportunities, so the biggest risk is not taking a risk.

For social protection, risk is a danger, with risk management strategies designed to defensively reduce or overcome the associated shocks, stresses and vulnerabilities. Thus, social protection focuses more on protecting the poor so that the assets they have do not get eroded, or, if they are, on assisting in recovering them. When people reach a "poverty threshold," beneath which it is extremely difficult to accumulate assets on their own, productive safety nets provide a policy solution (Barrett and Carter 2006). Research indicates that health shocks, such as sickness and disease, are the most powerful force for pushing people below this threshold (Krishna 2006).

Livelihood strategies can be identified as overlapping with both assets and social protection. As such, they are an evolving set of strategies to improve well-being through a combination of investment in assets/creating agency and provision of protection where necessary to deal with vulnerabilities. As their name implies, these strategies are primarily concerned with well-being *per se*.

Asset accumulation policy can be useful in its own right only if policy interventions, along with different objectives, are clearly distinguished from those of livelihoods and social protection. Table 3 illustrates this distinction for the case of international migration and transnational asset accumulation (see Hall 2006). It shows how these three policy approaches complement one another, and highlights the distinctions between interventions designed to strengthen livelihood well-being, those designed to protect those most affected, and those intended to accumulate long-term sustainable assets.

ii. The components of asset accumulation policy

Asset accumulation policy focuses on creating opportunities for long-term asset accumulation. Figure 2 provides a visual representation of the framework, which incorporates an iterative asset-institutions-opportunities nexus. The basic principles include the following:

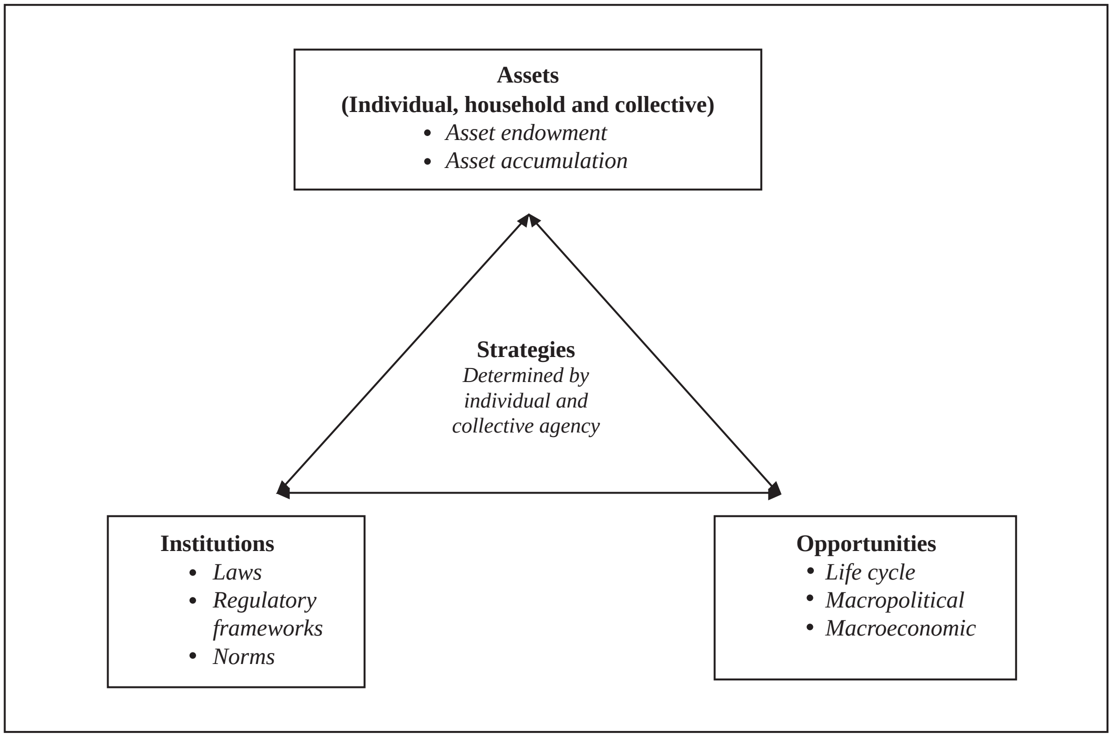
First, the process by which the assets held by individuals and households are transformed into accumulated capital assets does not take place in a vacuum. Outside factors such as government policy, political institutions, and nongovernmental organizations all play important roles in determining how easily households can accumulate assets. Entry points to strengthen strategies for asset accumulation are context specific but may be institutional or opportunity-related in focus. The accumulation of one asset often results in the accumulation of others, while insecurity in one can also affect other assets.

Table 3. Operational approaches and associated interventions of international migration in Ecuador

Operational approach	*Primary objectives*	*Interventions*	*Institution*
Short-term strengthening livelihoods	To provide immediate coping strategies	- Remittances provide income that facilitates basic family needs around food, clothing, healthcare - Act as cushion against lack of domestic employment opportunities	Migrant workers and their families
Provision of welfare support and social protection	To help mitigate the heavy costs of migration	Measures to assist with: - The psychological outcomes of changing family structure, particularly children left with extended family relatives - Initiatives to equip migrants better to cope in destination country -Legal protection of migrants in Spain	Church and NGO organizations of civil society (funded by EU; Church) Spanish Government
Longer-term enhancing, diversifying and consolidating the asset base of migrant families	To accumulate sustainable assets	Promotion of productive activities through: -Human capital (education training) -Physical capital (water, electricity, land housing) -Financial capital (saving, loans) -Communications to increase social status and retain homeland links to strengthen social capital	Civil society organizations such as Ecuador-Plan for Migration in high out-migration provinces (funded by Spanish aid; AECI) Small migrant self-help organizations Banco Solidario

Source: Constructed from Hall (2006)

Figure 2. Asset Accumulation Policy



Mahajan (2006) argues succinctly that, in a globalized world, financial capital is becoming central to the other forms of capital assets, as each in turn becomes "financialized". Natural capital, connected with land in many rural areas, is no longer communally owned but tradable, with forests privatized and sold. Even air becomes financialized with carbon credits, while pollution too will be financialized in the future. In the case of social capital, this financialization includes the purchase of access to clubs/networks and membership in circles that once required kinship. Human capital costs relate to the privatization of both health and education. Private physical capital has always been financialized but public goods are now being access controlled and priced.

Second, institutions are the laws, norms and regulatory and legal frameworks either block or provide access, or indeed positively facilitate asset accumulation, in a variety of ways. These include the composition of the labor markets and unemployment, the linkages between education and employment, and government and donor social protection policies.

Third, with regard to opportunities, the formal and informal context within which actors operate can provide an enabling environment for asset accumulation. This relates to the dynamics of micro-level household life-cycles opportunities and constraints and issues of individual agency. It also relates to meso, macro and sector level economic growth, associated market opportunities, and constraints relating to the broader political and economic context.

Finally, the actual "strategy", whether it is termed livelihood, coping or "survival," can best be identified as the "means" by which social actors transform endowed assets into accumulated assets. This process is determined by individual as well as collective agency. In some contexts, the lack of returns on individual assets and capabilities has, increasingly, resulted in initiatives based on group-based collective agency. Asset strategies are linked to different types of assets. Issues relating to trade-offs, sequencing and prioritization are all critical and context specific.

iii. The distinction between "first" and "second generation" asset accumulation policy

Asset accumulation policy is not static but changes over time with a useful distinction between so-called first and second generation policies.

First generation asset accumulation policy provides social and economic infrastructure essential for assets such as human capital, physical capital (e.g. housing) and financial capital (durable goods). It is commonly assumed that these provide the precondition for individuals and households to further accumulate on their own and move out of poverty. Current pro-poor policies still focus almost exclusively on such first generation strategies, as illustrated by the Millennium Development Goals. These include the provision of water, roads and electricity, housing plots, better health and education, and micro-finance. Once provision is made it is assumed that well-being improves, and "development" occurs.

However, important though these are for asset accumulation, the preconditions necessary for such accumulation do not necessarily materialize. For instance, when such strategies do not bring the expected development returns, and increased human capital (higher education levels and health) does not result in the expected job opportunities, rising aspirations and growing despair lead to increasing violence, exclusion and alienation.

Second generation asset accumulation policy is designed to strengthen accumulated assets, to ensure their further consolidation and to prevent erosion. Given the traditional micro-level focus on assets, this is particularly important in a globalizing institutional context. New development opportunities, associated with increased trade and international migration, are accompanied by risks. These come from: global warming and natural disasters; corruption; failing states and post-conflict contexts; accelerated urbanization; increasing inequality; and growing violence. In the absence of governance, accountability and security, returns on assets may not be achieved and sustainability not be maintained. Second generation asset accumulation policy, therefore, forges coherent links between a rapidly changing macro (economic or political) context and achieves structural transformations, rather than stochastic changes (see Carter and Barrett 2005). Such strategies go beyond issues of welfare and poverty reduction to address a range of concerns relating to citizen rights and security, governance and the accountability of institutions. Thus, for instance, the children of migrants whose families have received remittances, and ex-migrants with access to financial institutions, may require different policies (Orozco 2006).

Ultimately, the details of asset accumulation interventions are context specific. Box 3 identifies these for the community of Indio Guayas, Guayaquil. At the same time, some more general policy principles can be drawn from the range of practice focusing, whether directly or indirectly, on asset accumulation. The recent Brookings Institution/Ford Foundation Workshop on asset-based approaches to poverty reduction in a globalized context provided the opportunity to review comparative practice (see appendix 1). Some of the main issues raised in the workshop are summarized in the following section.

6. How does an asset accumulation approach inform practice in different contexts or sectors?

The practice of asset accumulation strategies in a number of "sector" and "cross-sector" contexts is informed by the asset accumulation framework outlined above. This practice is underpinned not only by the identification of opportunities for the accumulation of assets but also by the range of associated institutions. The five contexts discussed below provide examples of asset accumulation based on papers and discussion from the workshop.

Box 3. Examples of "Second Generation" Asset Accumulation Policy in Guayaquil, Ecuador

- Strengthening social justice through the judicial system, including a broader range of preventative and punitive interventions.
- Empowering local communities to access information about legal, economic and social rights.
- Identifying appropriate institutional structures for strengthening the financial capital in households that have got out of poverty, but are still highly vulnerable.
- Developing city-level employment strategies to ensure that the gains in human capital are not eroded.

The contexts addressed helped in identifying a "continuum" of assets accumulated by households moving out of poverty. This assists in predicting which assets are more important for reducing vulnerability, as opposed to those more likely to facilitate sustainable asset accumulation. At a generalized level, physical capital assets relating to land and housing, and human capital assets associated with health, can be identified as "protective" or "preventative", providing a critical buffer against shocks that precipitate households into falling into poverty. By contrast, financial capital, educational human capital and even political capital can be identified as "promotional assets". Finally, social capital is the "glue" that holds it all together.

i. Communal assets in urban and rural contexts

This broad "sector," which includes housing, human settlements and natural resource management, covers both rural and urban contexts. However, it is unified by a common theme: the increasing importance of communal, as opposed to individual, agency, not only in accessing assets, but also in ensuring their protection and long-term sustainability.

In the urban context, the focus on human settlements points to a concern not only with housing as a self-standing asset but also with insecurity in housing, which in turn affects other assets, particularly financial assets. Housing has been identified as the first asset households accumulate in a number of diverse contexts. Although, as in Guayaquil, it is not an indicator of household mobility (Moser and

Felton 2006a), it has been found to be a fundamental prerequisite for both protection and development in China, for example (Cook 2006). In Latin America, housing is the most widespread asset, with about 69 percent of people owning their own homes. However, the lack of land titling impedes the use of housing as collateral for loans, and incomplete property rights can be seen as limiting capital accumulation (Solimano 2006).

Housing has an important impact on a wide range of other assets. Residency grants the legality that may be required for employment, access to education, healthcare, services and credit. It may be used for productive activities as well as for residence. In some contexts, "legal empowerment of the poor" initiatives are addressing the importance of legal frameworks for land titles as a critical asset-based right (Cook 2006). Satterthwaite (2006) uses data from UNCHS and UN-Habitat during last decades, to show that most new urban housing in low and middle-income countries has been built illegally, with the majority of low-income groups living in housing developed outside the law. These illegal settlements usually have little provision for services. He argues that, by 2000, 680 million poor people lacked adequate provision for water and 850 million lacked for sanitation.

In Africa and Asia, a slum dweller's access to assets and services is ceasing to be a matter of individual negotiation. Housing federations involve the collective agency of community-based organizations, contesting and negotiating with local government and the private sector. Satterthwaite maintains that federations themselves should be seen as assets. Rather than civil society organizations, they are demand-making organizations with legitimacy independent of what they achieve. They increase the asset base of their constituents, especially by preventing eviction. Again, the links are crucial between physical and financial capital. In most urban contexts, what the poor can save, even over long periods, is never sufficient to allow them to afford market prices for formally constructed homes. This is why savings are combined with actions to cut the costs of housing, and allow them to obtain land on which they can build housing through negotiation (Satterthwaite 2006).

In the context of international migration, housing is, again, a critically important asset. While some migrants use remittances to accumulate physical capital in their home country, others use savings to enter the housing market in the countries to which they have migrated. This, in turn, reduces remittances and strengthens social and economic ties in the country of destination. Gammage (2006) shows that, while El Salvadorian migrants to Washington DC lag behind native-born Americans in terms of housing ownership, they are making great progress. In the period 1980–2000, Salvadorians in the United States almost doubled their housing ownership. While there is not equivalent data for recipients of remittances living within Ecuador, the housing materials used by families receiving remittances were superior on average to those who were not.

Moreover, the type and location of shelter has a fundamental impact on human capital, particularly health. In the workshop, health was identified as the most prevalent reason for the descent into poverty, in a number of contexts (Krishna 2006). With regard to China, evidence from the Equitap study showed how health expenditure impacts on households. It identified the ill health of the primary income earner as, often, the reason why children are withdrawn from school so they can bring in an income. This trend is particularly severe in the case of HIV/AIDS. As Monique Cohen explained: "Health ranks highly because of its double impact: a decrease in income and an increase in health expenses." In tabling priority risks, death, illness, or health all featured highly, with as much of 80 percent of health costs borne by households in some countries (Cohen 2006).

With respect to natural resource management in sectors such as forestry and contexts such as tourism in South Africa, community-based institutions act as stewards of natural resource assets and working to ensure their long-term sustainability. Forestry itself is an asset. The shift towards community ownership, and the emergence of community forestry enterprises, results in an important, newly negotiated relationship with the market. In countries such as Bolivia, Mexico, the Philippines and the Gambia, enterprises involved in the production of medicines, cosmetics and chemicals generate financial returns of 10–15 percent to the local economy. They also invest in bio-diversity conservation as well as devoting time to social well-being, and building and conserving cultural values (Molner 2006).

Natural resources also generate important income and jobs from tourism. Although recent research indicates that increases in tourism do not necessarily mean poverty reduction, innovative partnerships in South Africa, Mozambique and Namibia between private enterprise and local communities are developing tenure and tourism rights to ensure that the local population benefits. For example, by ensuring that local community members hold 100 percent of the shares in a given tourism enterprise, it is feasible to ensure that the majority of the jobs generated are held by its shareholders. Employing the people who live closest to the natural resources attracting the tourists also helps to ensure that those resources are preserved and used in a sustainable way (Nimpuno Parente 2006).

ii. Asset building in post-disaster and fragile state contexts

Post-disaster and fragile states expose households to extreme risks and vulnerability, and the associated erosion of many of their assets. It is useful to determine the extent to which an asset framework is a relevant approach, not only for the protection of the vulnerable against conflicts and disaster, but also for processes relating to the reconstruction of assets.

Disaster situations, such as New Orleans in the wake of Hurricane Katrina and post-Tsunami Aceh, highlight the issue of risk and vulnerability in terms of asset accumulation. In pre-Tsunami Aceh, the security of lives, possessions and infrastructure were threatened by a 30-year armed conflict that had left much of the population already poor and without social services. After the Tsunami, the Asian Development Bank calculated that two million people were plunged into poverty, with those already below the poverty line sliding even further down. Extensive damage to physical assets, including the boats, nets and engines of small fisherman, devastated people's primary or only source of livelihood. In addition: there was huge damage to natural capital such as agricultural land; infrastructure was ruined; and many thousands were left homeless. Shelter emerged as the primary concern for relief and reconstruction. However, many of the most vulnerable were prevented from returning as their land was submerged. Land acquisition for the poorest was the most critical priority. This created opportunities associated with the redistribution of assets, such as land rights, which had not previously been possible. Oxfam's work has, therefore, focused on such land rights, as well as on the loss of critical personal documents such as identification cards (Fan 2006).

Before Katrina there was high racial inequality in New Orleans, along with segregation and a weak economy. The African American community did not, generally, own houses or have access to car, and struggled to survive with high levels of poverty. After Katrina, prioritization among different assets was critical, as the accumulation of one often depended on that of another. Elderly homeowners were particularly hard-hit, as an asset-rich and cash-poor category. When social capital was eroded through displacement (where generations of families had lived on the same block) this prevented reconstituted groups from using collective agency to negotiate for assets. When financial capital was eroded, this prevented the rebuilding of assets (Liu 2006). Liu argues that, given the already abysmal situation before the hurricane, reconstruction should provide an opportunity to fix many of those inequities, as well as support re-accumulating assets such as housing and physical capital. Whether this occurs will depend on the social and political capital of local communities to effectively mobilize and contest the state at both local and national level.

In fragile or failing states, where state governance structures such as the judiciary and policy system are absent, personal insecurity can have important implications for asset accumulation. Nicaragua, for instance, epitomizes a post-conflict context where many assets have been eroded. Gangs are local informal institutions which result from the absence or weakness of governance capacity (historical or contemporary). This can have productive or perverse outcomes in terms of asset accumulation (Rubio 1997). Rodgers (2006) describes how violence has become a strategy for the accumulation of different types of assets. Initially, gangs accumulated "positive" social capital, bringing a form of stability to a highly unstable society. However, over time, they have shifted towards the "negative" financial capital associated with the drug trade. In this context, asset accumulation is not necessarily a positive sum gain.

iii. Financial assets: making markets work for the poor

Compared with other assets, financial assets have received the attention of considerable policy-focused initiatives, often under the general theme of microfinance. This is justified given the critical importance of financial capital as one of the most effective tools to escape poverty. Indeed, the accumulation of financial assets is one of the best indicators of moving out of poverty (Moser 2006 and Felton 2006a). Reflecting this, the Ford Foundation's support for development finance and economic security is a key component of the Asset Building Program (de Giovanni 2006). Mahajan (2006), as noted, argues that access to financial capital becomes increasingly critical as other forms of capital in turn become "financialized". With the expansion of capital markets to most areas of the world, assets which were traditionally traded or maintained through other systems are becoming financialized.

As Kate McKee argued in the workshop, the extension of financial capital from simple concepts of credit to custom-made services illustrates the importance of a number of questions relating to the incorporation of microfinance into asset frameworks. These include:

- What is the role of financial services in asset building?
- What are the limitations of microfinance as currently operationalized in practice?
- What are the limitations of insisting on sustainability, and of the introduction of commercial approaches to microfinance?
- Is it important to reflect on the role of the state as against the market in microfinance?

Savings are crucial for asset accumulation. In many cultures, credit is seen as a liability, not an asset, and borrowing is looked down upon. Mahajan argues that savings are the single most important factor in building other types of assets. Next in importance is insurance, and, finally, credit. Therefore, the role of financial services is as much to protect as to build assets. No one size fits all, and most services reach those above rather than below the poverty line. This means tailoring microfinance programs to the needs of the people who will be using them through bottom-up products. However, if there is net profit, micro ventures often have high percentage returns even if they have low absolute numbers, so credit is actually more feasible than it at first appears (Mahajan 2006).

Another debate, which began in the 1990s, concerns whether microfinance should take a development perspective or be incorporated into the wider financial system. Microcredit has had a very successful record at mimicking the private sector, becoming commercially oriented. Microcredit has also been critical for women and has, in many contexts, been linked to their empowerment, being associated with both their control over a range of other assets, and their accumulation of assets for the next generation through, for instance, human capital investments (Ramirez 2006).

But McKee argues that microcredit by itself has had disappointing results. This has led to recognition that financial services, while critical, are a means and not an end, and not the sole measure necessary. While they are good at building assets, they are weak at managing risk. McKee advocates financial education to teach financial literacy – (the knowledge, skills and attitudes required to adopt good money management practices). Micro-insurance helps reduce risk. Health insurance, in particular, is growing in importance. Often, low-income people think it is only for rich people and this lack of understanding limits effectiveness (Cohen 2006). In India, the NGO BASIX assessed that the biggest constraint in microfinance was unmanaged risk. Consequently, it now offers a range of risk-mitigation insurances and has introduced a "livelihood triad strategy", of which only one point is financial services. The other two are agriculture and institutions.

Numerous workshop papers in different sectors and contexts addressed issues relating to financial capital, indicating that this particular asset is closely linked to the accumulation of other assets. Access to financial assets was identified as difficult in many contexts. Discussing this in terms of natural resource management in Southern Africa, Nimpuno Parente comments:

> "What disadvantages vulnerable groups is their limited access to financial services, such as funding from formal financial institutions, which means that it is very difficult for low-income households and communities to address their multiple needs for credit, savings, and insurance for example. Poor people are particularly vulnerable to the threat posed by unpredictable events"

Examples from the National Slum Dwellers Foundation in India show how creativity in the implementation process can have beneficial effects. Financial assets managed in a group context led to trust, and allowed people to plan for collective needs. This increased capacity to work on land acquisition, housing and other initiatives. Starting with demand-driven savings, groups achieved the unity necessary to enable them to negotiate with governments (Satterthwaite 2006).

Financial services are not only a social protection safety net. In many contexts, they provide the basis for economic development. Initiatives to transform remittances into a source of community based development for local communities recognize the importance of giving local communities tools to save and then transmit savings. Cordero-Guzman and Quiroz-Becerra (2006) identify the need to create "alternative banking institutions like credit unions, community development banks, and community development venture capital funds. Policy analysts and governments are using some of these strategies and applying them at the transnational level, particularly regarding remittances."

iv. International migration and transnational asset accumulation

International migration has important implications, relating to the consequences for asset accumulation of multiple transnational location strategies, as opposed to location-specific strategies. This moves the focus beyond the impact of remittance on household well-being and social protection issues, to asset accumulation. Here, community social capital has been identified as particularly important for community-level initiatives to accumulate productive assets. Migrants and those accumulating assets across borders often require different kinds of support and services to help them succeed in lifting themselves and those to whom they remit (their families, communities, and countries) out of poverty.

Migration is one of the most successful strategies that the poor have for accumulating assets. It both leads to and relies upon accumulation, not just of financial assets but of a household or individual's entire basket of assets. Orozco identifies the ways in which migrants engage in a variety of transnational economic activities. These include increasing direct involvement in economic and social activities in home communities, through four practices: family remittance transfers; demand for services such as telecommunications, consumer goods and travel; capital investment; and charitable donations (Orozco 2006).

A variety of assets are transferred both ways, and between individuals and organizations set up by migrants, as well as between individuals. Sending people from Central America to the United States, for instance, often involves taking out large loans, or the promise of labor as payment (essentially indentured servitude). This is, essentially, a high risk investment, whereby families often jeopardize their very well-being to send a member of their family. It also raises important, often unrecognized issues around predatory hiring practices and forced labor (Gammage 2006).

Not all migrants return home. Educating their children often keeps them in the country to which they have migrated. Those that do return often do so with savings and human capital (skills) that they have picked up while abroad. These may be used to start businesses in local communities; to create a market for specific services, for example paqueterias, travel agencies, and money transfer businesses, as well as generating demand for "nostalgia products" (Cordero-Guzman 2006). Social capital underlies all of these processes (maintenance of family ties, feelings of loyalty), and it is important for government or NGO policies not to undermine those. Remittances can be for livelihood survival or asset building, depending on the situation. However, the ability of local economy to absorb migrant savings is crucial in determining whether they will be mobilized for asset accumulation and wealth generation (Orozco 2006).

v. Assets, rights and citizenship

To date, the relationship between assets and rights has not been widely addressed, nor has its links to citizenship. However, a rights framework provides the basis for analyzing the links between power relations and asset accumulation. While issues of citizenship can be closely identified with social capital, these assets may be characterized better as political assets, because of their relationship to the power regime under which people live. As Molner (2006) argues:

"Political capital comes from greater linkage to local and state governments and political processes, dialogue on policy and enabling regulatory frameworks, engagement in other development processes, and organization among groups of communities in second and third tier organizations and networks of these organizations. ACOFOP in the Guatemala Peten, ACICAFOC in Central America, the 30 unions of enterprises in Mexico, and federations and networks (UNOFOC- REDNOSOC), the national federation of forest user groups in Nepal, FECOFUN are all examples of this emerging political capital."

Ferguson argues, further, that human rights can be categorized according to the types of assets they represent. Thus, rights protecting property are tied to physical capital, the right to education is tied to human capital, and citizenship rights are tied to social capital. Ferguson also proposes political capital as a separate category, to encapsulate agency and the political capability to pursue rights (Ferguson 2006).

Poverty itself can be regarded as a lack of assets but also a lack of rights (social, economic, cultural, political and civil). Perhaps we can integrate these rights into our concepts of assets. Rights parallel Sen's concept of entitlements: they comprise enforceable claims on delivery of goods, services or protection by specific others. Examining these power relationships allows a better understanding of the degree of agency that people have. The nature of power the poor can exert over established authority – (structural power, capillary power and other informal power relations) often shapes the nature of people's engagement with authorities. It either allows them to bargain for rights more effectively, or prevents them exerting control over their own lives (Ferguson 2006).

The right to identity implies the obligation of the state to recognize formally all individuals living in its territory. Civil registration is an official record of a person's existence, including the right to a name, the right to be registered at birth, the right to belong to a family, the right to nationality, and the right to legal status. The right to identity opens the gates to political, civil, social, economic and cultural rights. Conversely, the lack of these rights can prevent access to education, health services, social assistance, civic participation and human security. Their absence also interferes with many of the fundamental factors that allow the accumulation of assets, including property rights, access to financial markets, marriage license, and passports (Acosta 2006).

Because of this, lack of documentation is a major problem. Fan (2006) examines the effect on people of losing critical documents, such as land records and identification cards, in the post-Tsunami context. With many settlements laid completely bare by the tidal wave, the Indonesian government is faced with a resettlement problem of enormous proportions, one complicated not only by its inherent complexity, but also by sheer scale. Groups with documentation problems include illegal immigrants, as well as refugees who have lost them in transit. They now have no legal identity or ability to reclaim their own possessions, or those left to them by family members.

Ferguson (2006) argues that, not only is there a relationship between assets and rights, but, once established, rights actually are assets. By viewing rights in this context and mapping how their accumulation leads to poverty reduction, the gap can be bridged between principle and practice. She suggests that, in a manner similar to Amartya Sen's concept of entitlements, rights can be thought of as political assets. Like other assets they are, then, a resource that can be accumulated and used to get out of poverty by empowering citizens to struggle for improvement in their circumstances within their own political systems. Once established on the political level, rights reinforce each other at the local and even household level.

Immigrants have developed strategies for protecting their rights. For example, in addition to their many social and cultural functions, immigrant hometown associations enhance the rights of their constituents by increasing the political visibility and clout of the local communities they represent. Many can leverage extremely effectively the substantial political clout they develop, by acting as an important source of money for municipal, state and federal governments, and taking on intermediary roles never intended at their inception. These associations become intermediaries between different levels of government, and their members acquire leadership and social status in their communities (Cordero-Guzman 2006).

Immigrants are not the only communities to have tapped their social capital to establish organizations to protect their rights. Although the federations were developed to address deficiencies in financial capital, they have developed considerable political power over the past years, and have changed the power dynamic between poor communities and the government across the developing world. Their members now see themselves as agents who can improve their own lives, rather than as beneficiaries (Satterthwaite 2006).

Conclusion and themes for future work

Using a number of practical questions, this working paper has provided an introduction to an asset accumulation framework. It has explored both the asset index conceptual framework, an analytical tool to measure poverty dynamics, and asset accumulation policy, an operational approach to design and implement sustainable asset accumulation interventions. Rather than summarize the main findings, this section highlights some priority themes, derived particularly from the workshop, relevant for future research and policy agendas. Many are interrelated and so applicable to both future research and policy agendas.

Balancing of assets

Although individuals, households and communities sequence and prioritize the accumulation of different assets, evidence from the Guayaquil study and other supportive data from the workshop helped establish the following sequence of accumulation:

1. Human capital issues relating to ill-health, and health related expenses, are the primary asset causing households to descend into poverty (Krishna 2006; Cook 2006).
2. Housing and associated physical capital is a precondition for asset accumulation (Cook 2006; Moser 2006; Solimano 2006).
3. Financial assets constitute probably the most important entry point for accumulation of other assets (Mahajan 2006). Further research on sequencing and prioritization will make a useful contribution to policy-focused strategies.

Categorizing the poor

A range of categorizations of the poor exist, and need to be identified clearly in order to identify the capacity of different groups to build or accumulate assets. For instance, Narayan (2006) draws distinctions between the "movers, fallers, chronic rich, and chronic poor" and argues that not all can take advantage of asset policies in the same way. For some of these groups, an asset-based approach may be ineffective.

Moving in and out of poverty

Poverty-focused research focuses almost entirely either on how people stay in poverty, or on how they get out of it. However, the reality is that populations include people simultaneously moving into poverty and escaping it. The reasons for the two are different, and governments and practitioners must deal with them differently. To use Anirudh Krishna's metaphor, just as a bath is constantly filling up with water, but also draining it; so too work on poverty is not just about getting out of poverty, but about those getting into it. Many poor households were not always poor but have become so in their lifetimes, as the Guayaquil study shows (Moser and Felton 2006a).

Tailoring policy

An important debate concerns the appropriateness of generic "one size fits all" accumulation policies. It is clear that there are limitations with this position. One size does not fit all, and context is crucial. Nevertheless, there are broadly applicable "universal" principles, with context the determinant of specific interventions. In terms of research, for instance, considerable variations in rates and reasons for descent into and escape from poverty exist both across countries, as could be expected, but also within countries and regions. Decentralized and participatory methodologies, such as the "stages of progress methodology", can assist this (see Khrishna 2006).

Prioritization and triage in policy interventions

Programs need to target their populations and there remains a "moral question" as to whether help should be given to the most desperate, or to those who will be most helped by aid. Consequently, in resource constraint contexts, policy makers often face important ethical decisions relating to the difference between "triage" (assisting those more able to help themselves through "productive safety nets" (Carter 2006), or supporting the "worst" cases first, say through social protection safety nets for the poorest. For example, BRAC in Bangladesh targets the ultra poor (Hulme 2006). Here, further asset-focused research can assist in identifying which of the policies available work best.

Incorporating additional assets

Often, increasing returns to assets are yielded by structures and institutions that go beyond households, and are based on collective or group agency. Equally, there are a range of assets that go beyond the well-known five identified in the livelihood hexagon (see Carney 1998). As discussed earlier, the potential links between human rights and political assets is an area for further research and elaboration (Ferguson 2006).

Recognizing the importance of different generations of asset accumulation policies

The paper provides a preliminary distinction between first and second generation asset accumulation strategies. In addition, it recognizes that assets are not static and require constant revalorization. For instance, increased levels of violence in the Guayaquil community are lowering the value of housing, in terms of its market value. This means that policies cannot be static. They require constant revalorization. Finally, because of the interconnections between different assets in the portfolios of the poor, the effect of a program on one asset may be misleading as regards its real affect on poverty. All these issues call for further research on asset accumulation policies, including the examination of time, generations and the interconnectedness between different assets. One of the fundamental problems facing longitudinal asset research is that it requires a long-term view. In a context where donor support is more forthcoming for short-term initiatives, this presents particular challenges.

The gendered nature of asset accumulation

The paper contains some analysis of the gendered nature asset accumulation. Housing federations, for example, provide increased possibilities for women to become involved in community discussions. For instance, women leaders from the federations identify how membership gave them the confidence to work and negotiate with government (Satterthwaite 2006). In Mexico, the remittances of Home Town Associations can be gender-biased in their effects. They frequently reproduce gender inequalities, as they are embedded in, and tend to reproduce, traditional gender roles (Cordero–Guzman 2006). Although giving women access to microfinance can be "empowering", it is important to understand what happens to a loan after its disbursement to a female borrower. Gender relations in the family may still dictate how it is used (Ramirez 2006).

We know that men and women, starting with similar asset portfolios, appear to utilize them differently.

In addition, the frequent difference between women and men's political capital means that their power to accumulate assets also differs. At the same time, there are first and second generation asset accumulation policies specifically targeted at women. These include access to alimony, safety from physical abuse, divorce, family planning materials, education, and inheritance. Despite such knowledge, this remains an area for further policy-focused research.

The role of different institutions in asset accumulation

Numerous unanswered questions regarding the role of different institutions in asset accumulation remain for further research. What guiding principles should NGOs adhere to as they try to create asset accumulation programs to reduce poverty? What is the role of government in providing a positive, enabling environment for asset accumulation? How can the private sector contribute to the accumulation of an asset bundle by the poor, which leads to poverty reduction?

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[2] See Moser (2006a), Moser and Felton (2006a). The first paper, a review of Assets, Livelihoods and Social Policy, was commissioned by the World Bank's Social Development Department for their conference on New Frontiers of Social Policy: Development in a globalizing world, held at Arusha, Tanzania, 12–15 December 2005.

[3] The author's background briefing document, "Asset accumulation or social protection? Asset-based approaches to poverty reduction in a globalized context", was distributed to all workshop participants prior to the workshop, Twenty-two research papers from the conference are available on the public website http://www.brookings.edu/global/assets06/conference.htm, along with PowerPoints and the workshop agenda. Workshop comments of particular importance were those made by Alison Scott, Michael Carter and Michael Sherraden at the end of the workshop.

[4] The term has evolved over time, adapted for different purposes. Thus, according to the Shorter Oxford English Dictionary, assets were originally defined as "sufficient estate or effects" (1531) and extended to "all the property a person has that may be liable for his or their debt" (1675).

[5] In fact, Appadurai defines this as "the capacity to aspire"; it is modified so as to better "fit" with the other types of assets mentioned.

[6] This combined research methodology has been termed "narrative-econometrics" (see Moser and Felton 2006a).

[7] This section draws heavily on Moser (2006).

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Appendix 1: Workshop Program

Brookings Institution / Ford Foundation Workshop

Asset-based Approaches to Poverty Reduction in a Globalized Context
27th – 28th June 2006
Washington DC

Tuesday 27th June

9.00–9.30	***Welcome and workshop objectives*** **Lael Brainard**, Vice President and Director, Global Economy and Development Center, Brookings Institution **Pablo Farias**, Vice President, Asset Building and Community Development, Ford Foundation

Session 1: Lessons from Research: Longitudinal Asset Accumulation and Poverty Reduction

9.30–11.00	
Chair	**Steven Solnick**, Resident Representative, Ford Foundation, Russia
Presenters	**Caroline Moser** and **Andrew Felton**, Visiting Fellow, Brookings Institution, *Intergenerational Asset Accumulation and Poverty Reduction in Guayaquil, Ecuador 1978-2004*
	Michael Carter, Professor, University of Wisconsin, *Social Protection Policy to Overcome Poverty and Aid Traps: Insights from Research*
	Anirudh Krishna, Professor, Duke University, *The Stages-of-Progress Methodology, Assets, and Longitudinal Trends: Results from Five-Year Study in 236 Communities of Five Countries*
	Deepa Narayan, Senior Adviser, World Bank, *Moving Out of Poverty: Processes of Asset Accumulation over Time, Early Results*

Session 2: Assets and Policy: Social Protection or Asset Accumulation Policy

11.30–1.00	
Chair	**Andrew Watson**, Resident Representative, Ford Foundation, China
Presenters	**David Hulme**, Professor in Chronic Poverty Research Centre, Manchester University, *Asset-based Approaches to Poverty Reduction in Bangladesh, and BRAC's Ultrapoor Programme*
	Sarah Cook, Fellow, Institute of Development Studies, Sussex, *Addressing Vulnerability through Assets and Social Protection: Insights from the Ford Foundation's Program of Social*

Protection in Asia

Caroline Moser, Visiting Fellow, Brookings Institution, *Asset Accumulation Policy and Poverty Reduction*

Session 3: Why are Assets Important? Challenges in Asset-based Policy and Practice

Donor / IFI Panel
2.00–3.00

Chair	**Lael Brainard,** Vice President and Director, Global Economy and Development Center, Brookings Institution
Panelists	**Anis Dani**, Senior Advisor, Social Policy, World Bank
	Pablo Farias, Vice-President, Ford Foundation
	Michael Jacobs, Division Chief, Social Programs, Inter-American Development Bank
	Tim Mahony, Director, Office of Poverty Reduction, USAID

Session 4: Asset Accumulation and Consolidation in Practice

i. Communal Assets in Urban and Rural Contexts:
Housing, Human Settlements and Natural Resource Management

3.00–4.30

Chair	**Ganesan Balachander**, Ford Foundation Representative, India, Nepal and Sri Lanka
Presenters	**Scott Bernstein**, President, Center for Neighborhood Technology, *Learning to Do It Together: The Nature and Role of Collective Assets in Building Wealth in Urban Communities*
	David Satterthwaite, Senior Fellow, International Institute for Environment and Development, London, *The Role of Federations Formed by the Urban Poor in Communal Asset Accumulation*
	Paula Nimpuno-Parente, Program Officer, Ford Foundation, Southern Africa, *Building Natural Resource-based Assets in Southern Africa: Workable Scenarios*
	Augusta Molnar, *Forest Trends and the Rights and Resources Institute* *Communal Assets in National Resource Management: Community-based Forest Enterprises*

ii. Asset Building in Post Disaster and Fragile State Contexts

4.45–6.00

Chair	**Patricia Weiss Fagen**, Senior Associate, Institute for the Study of International Migration, Georgetown University, Washington DC
Presenters	**Amy Liu**, Deputy Director, Metropolitan Policy, Brookings, *Asset-based Approaches to Katrina Disaster and Reconstruction*

Lilianne Fan, Advocacy Coordinator, OXFAM, Aceh, Indonesia, *Protecting Land Rights in Post-Tsunami and Post-Conflict Aceh, Indonesia*

Dennis Rodgers, Lecturer, Department of Geography, London School of Economics, *Gangs, Insecurity and Asset Building in Post-Conflict Central America*

Wednesday 28th June

Session 4: Asset Accumulation and Consolidation in Practice (continued)

iii. Making Markets Work for the Poor: Financial Assets

9.30–11.00

Chair — **Kate McKee**, Director, Microfinance Development Office, USAID

Presenters — **Frank DeGiovanni**, Director of Economic Development, Ford Foundation, *Strategies to Build Financial Assets for Low-income Families: Lessons from the Ford Foundation's Experience*

Pilar Ramirez, Founding President of FIE S.A. — Bolivia, E*mpowering Women Through Microfinance: Achievements and Limitations*

Vijay Mahajan, Chairman, BASIX, India, *Access to Financial Assets and Economic Opportunities for the Poor: The Strengths and Constraints of Microfinance*

Monique Cohen, President, MicroFinance Opportunities, Washington DC, *Using Micro-insurance and Financial Education to Protect and Accumulate Assets*

iv. International Migration and Transnational Asset Accumulation

11.30–1.00

Chair — **Peter Sollis**, Senior Social Development Specialist, Inter-American Development Bank

Presenters — **Manuel Orozco**, Senior Associate, Inter-American Dialogue, *Development, Migrant Foreign Savings and Asset Accumulation: Conceptual Considerations and Empirical Findings*

Hector Cordero-Guzman, Professor and Chair, University of Cuny; **Victoria Quiroz-Becerra**, *A Transnational Perspective on Community Economic Development*

Sarah Gammage, Research Associate, Center for Women and Work, Rutgers University, *Gender and Transnational Asset Accumulation in El Salvador*

Assets, Rights and Citizenship

2.00–3.15

Chair	**Suzanne Siskel**, Ford Foundation, New York
Presenters	**Clare Ferguson**, DFID, London; **Andy Norton**, Lead Social Development Specialist, World Bank, *Contesting Rights: Citizenship, Power and Assets*
	Mariclare Acosta, Director, Department for the Promotion of Good Governance, Organization of American States, *Identity Rights, Civil Registration and Asset Accumulation*
	Andres Solimano, Regional Advisor, CEPAL, Chile, *Asset Accumulation by the Middle Class and the Poor: Economic Considerations and the Latin American Experience*

Session 5: Final Panel: Reflections on Asset-based Policy and Recommendations

3.30–4.30

Chairs	**Caroline Moser,** Visiting Fellow, Brookings Institution, *Asset Accumulation Policy and Poverty Reduction; Pablo Farias, Vice-President, Ford Foundation*
Panelists	**Alison Scott**, Consultant, Ex-Senior Advisor DFID
	Mario Estanislao Gacitua, World Bank, Washington DC
	Michael Sherraden, Professor, Washington University, St. Louis

4.30 Close of Workshop

Other Participants:

Ray Boshara, Director, Asset Building Program, The New America Foundation
Paul Francis, Senior Social Development Officer, International Monetary Fund
Raji Jagadeesan, Associate Director, Global Economy and Development, Brookings Institution
Johannes Linn, Wolfensohn Initiative Executive Director, Brookings Institution
Allyn Moushey, Advisor, Poverty Analysis and Social Safety Nets, USAID
Mario Sanchez, Education Specialist, Inter-American Development Bank

Appendix 2

1. Vulnerability, risk and assets[1]

The asset vulnerability framework highlights the relationship between vulnerability,[2] risks, and asset ownership, identifying not only the risks (or threats) but also resilience in resisting or recovering from the negative effects of a changing environment. Vulnerability is closely linked to asset ownership. The poor are managers of complex asset portfolios. Different household capital assets contribute to well-being outcomes, with the associated capacity to manage assets cushioning households and limiting the impact of shocks (Moser, 1998, 3). Siegel's asset framework (2005) shows that a household's capital assets determine its opportunities, while the broader "policy and institutional environment" influences the behavior of households in terms of livelihood strategies. Researchers working on the "chronically" poor (those considered most vulnerable and multi-dimensionally deprived) also use a vulnerability framework (CPRC 2004; Sabates-Wheeler and Haddad 2005).

In terms of operational practice, risk, vulnerability and asset accumulation are at the core of the social protection framework developed by the World Bank (World Bank 2000; Holzmann and Jorgensen 2000). This uses a two-fold typology of risk to distinguish between micro-level idiosyncratic risks that affect individuals or households, meso-level covariant risks affecting groups of households and communities, and macro-level risks affecting region or nations. The related risk-management framework makes an important distinction between reducing and mitigating risk, and coping with shocks.

2. Asset-based approaches

Asset-based approaches (ABA) have been developed to address the causes and dynamics of longer-term persistent structural poverty (primarily in rural Africa and Asia).[3] The BASIS Collaborative Research Program, a policy-focused research group of United States-based economists with partners in the South, has drawn on longitudinal data to identify "dynamic asset poverty", and to distinguish between "deep-rooted persistent structural poverty and chronic and other forms of poverty that the passage of time will alleviate"(Adato, Carter and May 2005).

This ABA differentiates between "churning" or stochastic poverty (the regular drops into or rises out of poverty due to short-term shocks) and structural mobility associated with gains or losses of productive assets. It identifies poverty traps, defined as a critical minimum asset threshold below which households cannot take advantage of positive changes or recover from negative changes (Carter and Barrett 2005; Barrett and Carter 2005).

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[1] This section draws on Moser (1998). See also Davies (1993), Devereux (1993), Maxwell and Smith (1992).

[2] Vulnerability is defined as exposure to hazard or risk and the ability to manage risks stemming from such exposure (Moser 1998; Sabates Wheeler and Haddad 2005).

[3] For an extensive literature on the construction and measurement of asset indexes, see Sahn and Stiefel (2000); Filmer and Pritchard (1998) and Adato, Carter and May (2004).

In terms of operational practice, BASIS recommends programs that reduce long-term poverty effectively "through some combination of helping households to accumulate assets, providing access to institutions that increase the returns on those assets and minimizing the impact that shocks can have on a family's asset holding" (Hoddinott et al 2005). In addition, asset-based evaluations have assisted policy makers working on such issues as: building assets for sustainable recovery and food security in Ethiopia (Little 2002); poverty traps and environmental disasters in Ethiopia and Honduras; and property rights and environmental services in Indonesia (Kerr et al 2005).

3. Asset building

One of the best known asset approaches is the U.S. asset-building (or asset-based) policy. First developed by Michael Sherraden (1991), it is based on two premises: first, that the poor can save and accumulate assets; and, second, that assets have positive social, psychological, and civic effects independent of the effects of income (Boshara and Sherraden 2004). Sherraden distinguished between assets (identified as the stock of wealth in a household) and income (the flows of resources associated with consumption of goods and series and standard of living). He argued that welfare policy had been constructed mainly in terms of income, and proposed that it should be based instead on savings, investment and asset accumulation.

Sherraden's U.S. research showed that saving and accumulation are shaped by institutions, not merely by individual preference. The poor are not only asset-poor but have few institutional structures within which to accumulate assets. For impoverished welfare recipients asset accumulation is not encouraged, indeed not even permitted, with the "asset test" associated with means-tested income transfer programs preventing the accumulation of more than minimal financial assets. By contrast, an extensive range of asset-based policies exist, operating mainly through the tax system (such as home ownership tax benefits and 401(k)s). Thus, asset-based welfare policy is designed to promote and institutionalize asset accumulation through a progressive (with greater subsidies for the poor), inclusive (asset inequality in the United States is largely racially based), life-long, and flexible approach (1991, 7-9).

In terms of operational practice, this asset-building framework has been effectively implemented since 1991 through a range of pilot programs aimed to broaden asset ownership both in the United States and, more recently, the United Kingdom. Best known is the "American Dream" Individual Development Account (IDA) Demonstration, with 300 IDA programs throughout the United States, supporting 15,000 account holders. These are matched saving accounts with resources to match contributions by low-income families achieved through a "blend of public and private funding" (Boshara 2005). Functions for community organizations providing financial education are linked to this, setting IDA balance targets and matching contributions. Recent evaluations show that participants can save successfully in structured accounts. This has been instrumental in moving forward federal IDA legislation. At the same time, there is no evidence that IDAs raise the net worth (assets minus debts) of savers (Lerman 2005). Supporters of this approach argue that, even if accumulations are not large, they start early and enjoy the benefits of compounding: "what matters is not the amount, but the existence of accumulation" (Boshara 2005).

4. Alternative bottom-up community asset building programs

A number of operational programs in both the North and South have extended the asset building concept beyond individuals and households, to incorporate community assets. They have also shifted from a more Northern "top-down" concern with the "apathy" of an alienated welfare dependent population, to a "bottom-up", demand-driven approach. Foremost among these is the Ford Foundation's Asset Building and Community Development Program, designed to "reduce poverty and injustice". Building on the work of Sherraden, Sen, Putnam and others, their asset framework proposes that, when low-income people gain control over assets, they gain the independence necessary to resist oppression, pursue productive livelihoods and confront injustice (Ford 2004). The program proposes that an asset offers a way out of poverty because it is not simply consumed. Rather, it is a "stock" that endures and can be used to generate economic, psychological, social and political benefits fostering resilience and social mobility. The program highlights inequalities in asset distribution across race, ethnicity and gender, and supports grantees in building assets that communities can acquire, develop, or transfer across generations. This includes financial holdings, natural resources, social bonds and community relations, and human assets such as marketable skills.

Along with AB programs, participatory methodologies have been developed to operationalize a community, asset-based approach. Coady International Institute in Nova Scotia, Canada has designed the Asset Based Community Development, a "transformative" methodology to motivate community leaders to identify assets, link their mobilization for community activities and strengthen their capacity to sustain economic and social development over the longer term (Mathie and Cunningham 2003). Morad Associates has designed an asset mapping methodology as a tool to map community assets and begin the process of building assets (Morad 2003), which has been used in participatory community assessments in private sector companies such as Shell, in their operations in South Africa, Oman and the United States (Fossgard-Moser 2005).

Appendix 3

Summary Review of Models of Social Policy in the South, with Some Associated Northern Influences *(in italics)*

Macroeconomic model	*Social policy model*	*Primary institutions*	*Comments*
Modernization (1940s–1960s)	Residual welfare	Weak social welfare government ministries. Voluntary organizations with main social welfare burden.	Originally introduced by colonial governments. Social need through individual effort in the marketplace. Government dealt with deviant behavior when normal structure of supply, family and market broke down.
Western capitalism	*Institutional*	*Sectoral ministries*	*Introduced in advanced economies. Welfare as an entitlement based on citizenship. Comprehensive universal, statutory state provision of medical care, education, housing, and income security.*
Failure of modernization "trickle down" (1960–70s)	Incremental	Sectoral ministries	Southern version to replicate institutional model on incremental basis with gradual extension/expansion of existing provision. Expansion of social services along with increase in budgetary allocation. Assumes budget expansions based on expanding economies with implications for the role of donors. No questioning of relevance of local needs.
Western socialism	*Structural*	*State provision*	*Welfare defined as the distribution of needs, is central social value. Satisfaction of needs on basis of equality as main aim of production and distribution. To each according to his need: universal, comprehensive and free social services of health and education.* Goal of many socialist countries in the South.
Redistribution with growth (linked to eradication of poverty)	Basic needs	Project level "count-cost-carry" for external provision of goods and services that might/might not alleviate poverty.	Needs-based targeted interventions, rather than national policy (except for Sri Lanka). Debate about basic needs as a means: conservative anti-poverty program with piecemeal reform within existing international economic order. Or, basic needs as an end: mutually reinforcing set of policies involving structural change.
Economic reform and structural adjustment 1980s–1990s	Compensatory safety nets such as social funds.	State, private sector and NGOs. Decentralized coverage.	Shift from universal comprehensive to targeted compensatory measures to compensate new poor and cushion impacts for borderline and chronic poor. Concern over efficiency of financing and delivery mechanisms.
Globalization (1990s–2000s)	Social justice. Citizenship and global human rights as framework for rights-based approach.	International Financial Institutions: promotion of private welfare systems. International pressure for collective interventions.	Governments exposed to international trade have larger governments and higher social protection expenditures. Increased recognition of exclusion on basis of gender, ethnicity, race and religion. Also of holistic social policy that includes integrated livelihoods approach, participatory approaches to identification of needs, human security and social integration.

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