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**Article**

**Tackling psychosocial and capital constraints to alleviate poverty**

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Many policies attempt to help extremely poor households build sustainable sources of income. Although economic interventions have predominated historically<sup>1,2</sup>, psychosocial support has attracted substantial interest<sup>3–5</sup>, particularly for its potential cost-effectiveness. Recent evidence has shown that multi-faceted ‘graduation’ programmes can succeed in generating sustained changes<sup>6,7</sup>. Here we show that a multi-faceted intervention can open pathways out of extreme poverty by relaxing capital and psychosocial constraints. We conducted a four-arm randomized evaluation among extremely poor female beneficiaries already enrolled in a national cash transfer government programme in Niger. The three treatment arms included group savings promotion, coaching and entrepreneurship training, and then added either a lump-sum cash grant, psychosocial interventions, or both the cash grant and psychosocial interventions. All three arms generated positive effects on economic outcomes and psychosocial well-being, but there were notable differences in the pathways and the timing of effects. Overall, the arms with psychosocial interventions were the most cost-effective, highlighting the value of including well-designed psychosocial components in government-led multi-faceted interventions for the extreme poor.

Policies that aim to build assets include income sources for extremely poor households have historically focused on economic interventions such as cash transfers<sup>1,2</sup>, grants<sup>8,9</sup> or microcredit<sup>10–12</sup>. Yet the poorest households likely face multiple constraints that limit the ability of any one intervention to provide a pathway out of poverty. Recent evidence has shown that multi-faceted economic-focused programmes can succeed in generating sustained changes<sup>6,7</sup>. However, psychosocial drivers of poverty have also garnered growing interest<sup>3,4,5</sup>, leading to the consideration of psychosocial support in social protection and employment policies. Yet the selection of the most effective components in multi-faceted interventions depends on which combination of constraints drives poverty persistence.

We tested the importance of relaxing capital and psychosocial constraints in alleviating extreme poverty by conducting a four-arm randomized controlled trial (RCT) of a multi-faceted programme implemented by the Government of Niger on top of a poverty-targeted cash transfer programme (see source in Table 1). All study groups received monthly cash transfers. The three treatment arms include a core set of components: savings groups, coaching and entrepreneurship training. A ‘Capital’ arm adds a lump-sum cash grant<sup>8</sup> (and is similar to graduation programmes). A ‘Psychosocial’ arm adds life skills training and a community sensitization on aspirations and social norms. The ‘Full’ arm adds both the cash grant and the psychosocial

interventions. Comparing outcomes in the Full arm with those in the Capital arm provides an estimate of the added value of relaxing psychosocial constraints; similarly, comparing outcomes in the Full arm with those in the Psychosocial arm provides estimates of the added value of alleviating capital constraints, inclusive of potential complementarities with the core components.

We contribute to a growing literature on the economic impacts of psychosocial interventions. Where as interventions targeting beliefs, behaviours, skills and peer relations have shown promising effects on economic behaviour and business outcomes<sup>13–16</sup>, there is mixed evidence on their longer-term impacts on poverty and their added value over economic interventions<sup>17,18</sup>. The psychosocial interventions studied here aimed to both build the skills of beneficiaries and to strengthen instrumental and normative support they receive from their household and community. The psychosocial components thus include life skills training for beneficiaries as well as normative, right from the community programme – community-wide discussions and discussion targeting social norms and collective aspirations. This also builds on the strong evidence around social psychological interventions, socio-cultural norms and socio-emotional skills<sup>19–21</sup>.

Further, our graduation studies found limited impacts on women’s empowerment<sup>22</sup>, although stronger effects were documented when broader measures were considered<sup>23</sup>. We analyse how the treatment

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# Tackling Psychosocial and Capital Constraints to Alleviate Poverty

Many policies attempt to help extremely poor households build sustainable sources of income. Although economic interventions have predominated historically<sup>1,2</sup>, psychosocial support has attracted substantial interest<sup>3,4,5</sup>, particularly for its potential cost-effectiveness. Recent evidence has shown that multi-faceted 'graduation' programmes can succeed in generating sustained changes<sup>6,7</sup>. Here the researchers show that a multi-faceted intervention can open pathways out of extreme poverty by relaxing capital and psychosocial constraints. The researchers conducted a four-arm randomized evaluation among extremely poor female beneficiaries already enrolled in a national cash transfer government programme in Niger. The three treatment arms included group savings promotion, coaching and entrepreneurship training, and then added either a lump-sum cash grant, psychosocial interventions, or both the cash grant and psychosocial interventions. All three arms generated positive effects on economic outcomes and psychosocial well-being, but there were notable differences in the pathways and the timing of effects. Overall, the arms with psychosocial interventions were the most cost-effective, highlighting the value of including well-designed psychosocial components in government-led multi-faceted interventions for the extreme poor.

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