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The potential of asset-based development strategies for poverty alleviation in Sub-Saharan Africa

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This article explores the potential of a relatively new approach to social development as a poverty alleviation strategy in Sub-Saharan Africa (SSA): asset-based development, an integrated approach to human, social, and economic capital formation. It considers the theoretical framework guiding asset-based development and the accompanying set of programmatic and policy-level tools for poverty alleviation in SSA. After considering the recent historical and theoretical contexts of the approach, the authors examine the potential of asset-based development programs, specifically savings-led microfinance programs for the poor, to engender development and, more specifically, poverty alleviation in the region. Major challenges and directions for future research are presented.

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Introduction

The last decade has witnessed an increasing international will to address the effects of extreme poverty and inequality in the world. In the face of this increasingly coordinated will, new strategies for development and poverty reduction have emerged. This article focuses on one such strategy: asset-based development. Although this approach has received much attention in industrialized and middle-income countries (Green & Haines, 2007; Kretzmann & McKnight, 1993; Mathie & Cunningham, 2003), it has been relatively understudied in Sub-Saharan Africa (SSA). Considering evidence from across several relevant fields, including economics, social policy, and social development, this article introduces the asset-based development approach with a focus on financial assets as a way of fostering financial inclusion for the poor. It explores the potential of this strategy for poverty-alleviation in SSA, the world's poorest region, concluding with a discussion of its possible limitations and areas for future research.

The term *asset-based development* denotes an integrated approach to building human, social and economic capital. Although this approach may appear simply as common sense today, it was not until the late 1990s that the issues surrounding capabilities and their implications for "sustainable development" came to the fore in policy circles. Originator of the capabilities approach, Nobel Prize-winning US-based economist Amartya Sen (1999: 75) defined capabilities as "the substantive freedom [of individuals] to achieve alternative functioning combinations" where functioning "reflects the various things a person may value doing or being." It is important to understand the evolution of this policy approach, because formerly dominant conceptions of economic development – and competing ideas and policies – have helped to shape the landscape in which current development strategies operate. Therefore, the following section briefly explores the social costs of the former dominant development model, structural adjustment, and the terms of the current "aid debate." In light of this context, the authors then delineate the conceptual underpinnings of the asset-based development strategy developed by US social policy scholar Michael Sherraden, focusing on savings-led microfinance programs for the poor. Though asset-based development, by itself, is not a panacea to SSA's underdevelopment, this article argues that context-specific, asset-based development strategies should be viewed as part of a multidimensional approach to development, and that it is worth testing this approach rigorously in SSA.

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Evolution of the asset-based development approach

Development and the "aid" debate

Since the mid-1980s, the development debate has been evolving around the role of the state and international agencies in social advancement and transformation. The debate has gone through cycles in which ideas of a strongly present state – capable of addressing market imperfections and being an agent of socioeconomic development were replaced by beliefs that development is possible only if the state rolls back its interference in the market and instead allows international agencies to offer conditional aid (Midgley, 2006; Rapley, 2007). Eventually, decentralized participatory approaches to development emerged alongside such programs.

Against that backdrop, throughout the mid-1980s and early 1990s, policy frameworks for international development aid in much of SSA were dominated by Structural Adjustment Programs (SAPs). Generally, SAPs promoted and facilitated the loaning of conditional overseas or official development assistance (ODA, also known as foreign aid or aid) from largely Western donor countries to poor, developing countries, including many recently decolonized states in SSA. The aid was conditional in the sense that in order to receive this aid, the developing countries had to adopt a series of policies prescribed by the World Bank and the IMF, the major international purveyors of neoliberal economics. The conditions included the adoption of a series of stringent, and often controversial, policies. Today, the impact of such policies lies at the heart of what is generally referred to as the aid debate (Bourguignon & Sundberg, 2007; Intelligence Squared, 2007).

Generally, aid proponents argue that increased ODA is necessary for maximal development; critics argue that ODA and its attendant policy prescriptions cause more harm than good. Some scholars emphasize other variables as moderators of aid effectiveness, such as local corruption (Laffont, 2006), poor governance (Rajkumar & Swaroop, 2008), lack of institutional capacity (Rodriguez-Pose & Tijmstra, 2007), and historically constrained markets (or access to markets) (Bourguignon & Sundberg, 2007). In terms of human development, however, aid critics and proponents tend to agree that the most costly legacy of the previously dominant approach to development, structural adjustment, was its effect on social welfare capabilities in developing countries, and, in turn, the effects of systematic underdevelopment of social services and protection.

Very few scholars deny the far-reaching impacts of fiscal austerity on the transmission and entrenchment of poverty in SSA. Fiscal austerity mandated that governments drastically reduced social expenditures, included *inter alia* retrenchments in public sector employment with substantially reduced investment in education, job training, and public health services (Botchwey, Collier, Gunning, & Hamada, 1998; SAPRIN, 2004). Many of the poorest states in SSA, including Uganda, Kenya, Tanzania, Malawi, Zambia, Lesotho, Ghana, Ethiopia, Gambia, Mali, and Gabon, continue to grapple with these effects today (see Ali, 2002).

Progress toward new models of development

Since the mid-1990s, however, leading institutions of international development aid, such as the World Bank, the UN, and, to a lesser extent, the IMF (Dreher, 2009), have embraced more socially engaged development strategies (Bourguignon & Sundberg, 2007). The World Bank, for instance, has adopted the language of "sustainable development," simultaneously embracing the fight against HIV and AIDS along with food sustainability and poverty alleviation as a major development objective (World Bank, 2006). The IMF has established various degrees of debt relief for poor countries (IMF, 2007). The UN has galvanized far-reaching support for the Millennium Development Goals and has established the Global Fund to Fight TB, Malaria, and HIV (UN, 2005, 2007). Thus, at the highest levels of international governance and finance, acknowledgment of the adverse effects of extreme poverty, lack of social protection, and inequality in the world has increased.

In light of this historical context, development scholars and policy makers have sought approaches that aim not only to increase economic growth (the main "engine" driving sustainable social development), but also to reduce the entrenchment of poverty across generations by acknowledging and addressing the need to spur economic *and* social development (Green & Haines, 2007). Such development opportunities might work best if they were integrated (Sachs, 2005), and if they were grounded, not in economic liability, but rather in the development of economic, human, and social capital *assets*. As mentioned above, two US-based scholars whose work has contributed to this paradigmatic shift are Sen (1999) and Sherraden (1991). Their ideas, although distinct from one another, are combined in this article to provide the theoretical and practice framework for an asset-based development approach in SSA.

Theoretical framework for asset-based development

The asset-based approach to development stems from the post-1990s shift in development theory and practice toward increasing personal and interpersonal power to encourage or enable individuals and local communities to take action to improve their life situation (Kretzmann & McKnight, 1993; Mathie & Cunningham, 2003). In *Assets and the Poor: A New American Welfare Policy*, Sherraden (1991) defined asset-based development as efforts that enable people with limited financial and economic resources or opportunities to acquire and accumulate long-term productive assets. As outlined above, these include monetary or financial savings, homeownership, education, and income-generating opportunities, i.e. assets that *produce* other assets. Hence, Sherraden (1991) used the concept asset-building to include the development and accumulation of concrete savings or investments via education (human capital development) and income-generating activities (economic capital). More specifically, in his subsequent work, Sherraden has demonstrated that the poor *can* save and invest in their own future if provided with opportunities to develop basic financial literacy, access to institutions and low-cost financial products, and financial capital (see Sherraden, Schreiner, & Beverly, 2003). People's behavior and attitudes are affected by access to assets, even minor ones. This, in turn, affects their freedom to make choices and develop their human capability, known collectively as human capital. Schreiner and Sherraden (2007) referred to these benefits of asset-ownership as "asset effects," a concept that complements Sen's (1999) notion of capacity-focused development.

Sen's (1999) lasting intervention in the discourse of development was to insist on a reconsideration of the definition of development itself. He envisioned and defended an alternative model of economic development that shifted the paradigm from "development as economic growth" to "development as freedom" (Sen, 1999). Here, freedom is equated with an individual's ability to make meaningful choices that impact on his or her life in ways that are perceived to be important. As a part of what Sen (1999: 18) described as a "capabilities" approach, the goal of development is the "promotion and expansion of valuable capabilities," i.e. those capabilities that relate to the amount of agency a person may exercise. The influence of this perspective on advancing the theory and practice of social and economic development is paramount (Corbridge, 2002; Prendergast, 2004; United Nations Development Programme [UNDP] 2000, 2004).

Asset-based development strategies: savings versus credit

Types of asset-development programs

A variety of mechanisms exist to facilitate asset development by the poor. A key distinction among them, especially those focused on savings, is whether they facilitate "saving up" or "saving down," which together constitute the basic means of personal financial intermediation used by the poor (Rutherford, 2000; Vonderlack & Schreiner, 2002). Saving up is what is generally denoted by the term "saving," and refers to the process by which people routinely put aside small amounts of income so that they can accumulate a larger sum that might be used to purchase a costly item or to pay for a life-cycle event (Rutherford, 2000). In contrast, loans, whether they are usurious loans from money lenders or subsidized microcredit loans, represent "saving down." Many of the existing microfinance programs in SSA have focused on providing permanent, reasonably priced loans that facilitate saving down among the poor.

If such programs are not managed well, however, they risk increasing the burden on loan recipients. Indeed, as microcredit pioneer, Nobel-prize recipient Muhammad Yunus (2008) acknowledged in his recent book, microcredit as a financial tool has been occasionally usurped by organizations seeking above all to profit off of the poor rather than facilitate their transition out of poverty. Further, as the recent economic crisis has underscored, development models based in the liability of the poor represent unique risks, as well as many potential benefits, if implemented and regulated faithfully.

Equally important is the need to further explore programs and policies that promote saving up. Compared with programs focused on microcredit or microloans, saving up programs, generally referred to as savings-led microfinance programs, are relatively new and have received less attention in academic literature. Yet these programs may be better positioned to address the multidimensional challenge of widespread poverty than are mechanisms premised on the financial liability of the poor. Specifically, the most prominent savings-led microfinance services offered today include the use of different structured accounts (or tools), including Village Banking schemes (such as rotating savings and credit associations [RoSCAs]), targeted formal banking schemes, individual development accounts (IDAs), child development accounts (CDAs), and the structured use of remittances. The following sections review research on each of these mechanisms and explore the extent to which they may be feasible for use in SSA.

Informal asset-based development tools: RoSCAs, self-help groups, and village banking

In recent years, international scholars have begun to document empirically that the poor, including rural African populations, can save and invest (Rutherford, 2000; Schreiner & Sherraden, 2007; Ssewamala & Sherraden, 2004). Whether and how they do so, however, depends heavily on institutional mechanisms put in place to provide access. In the absence of formal savings mechanisms through financial institutions, the poor have gone so far as to create their own informal institutional frameworks for saving (and investing), known as RoSCAs and self-help groups (SHGs). These institutions typically provide a money-saving technique wherein members contribute a regular, stipulated amount that is disbursed to one or several members according to an agreed order of rotation (Holloh, 1998).

RoSCAs are among the most prevalent informal financial institutions in developing countries (Gugerty, 2007), with exceptionally high participation rates (Anderson, Baland, & Moene, 2009). Studies indicate that families participating in RoSCAs are able to save, invest in microbusiness development, and, at the same time, take care of some of their family needs (Anderson & Baland, 2002; Rutherford, 2000). Indeed, the great variety, popularity, and success of RoSCAs, especially in poor developing countries, is a striking manifestation of poor families' ability and desire to use savings-led programs.

SHGs, closely related to RoSCAs, are unregistered groups of 10 to 20 members involved principally in savings and credit activities. Members save periodically in the group and the savings are lent out to members who require loans at a fixed rate of interest. SHGs differ from other RoSCAs in that they are usually small, promoted among the poor by external agencies, and can obtain loans from banks (Nair, 2005). While the SHG model originated in India and still predominates there, SHGs are becoming increasingly popular around the world, including SSA. For instance, Oxfam launched an SHG-led savings program in Mali in 2005 that has already attracted over 100,000 members and over 1 million US dollars in savings. Similar programs are underway in Senegal and Burkina Faso.

Village banking, which is a particular form of SHG, is also a popular model for offering savings-led services (Hiatt & Woodworth, 2006). Village banks are village-level institutions aimed at helping the poor access microfinance services, which could be in the form of microbusiness loans or microsavings. One of the elements of the village banking model, for example, is that each time a member makes a loan repayment, a percentage of it goes into a savings account. By the end of the loan repayment, the member will have amassed banked savings. Pioneered in 1984 through the Foundation for International Community Assistance (FINCA), today there are 7,362 village banks operating in Africa alone (FINCA, 2007). This method is so popular that many formal microfinance institutions have also adopted it.

In the absence of formal enforcement mechanisms, informal asset-based development institutions rely heavily on social capital (Bourdieu, 1997; Putnam, 2001) and social connections in the community. These kinds of connections have been associated with higher repayment and higher savings (Karlan & Floor, 2007) and possibly improved financial discipline (Ito, 2003). They may also be crucial to group-based lending (Van Bastelaer, 1999).

Overall, although the informal asset-based development tools highlighted above appear promising based on take-up rates and popularity, the authors could not, at the time of writing, locate any of them that had gone through a rigorous impact evaluation. As a corrective development, practitioners and policy makers considering the incorporation of these particular strategies in SSA should include rigorous impact evaluations in their designs.

Formal asset-based development tools: banking the unbanked poor

The issue of "banking the unbanked" has gained attention in recent years, in both developed and developing countries. Information asymmetry and lack of access have tended to characterize the relationship between commercial banks and the poor. Facilitated by the microcredit revolution and commercial banks' increased interest in access to markets in developing economies, banks and other formal financial institutions are increasingly interested in providing savings services to underserved populations. For instance, the Bank of Windhoek in Namibia designed savings accounts suited to the specific needs of the low-income market, including EasySave, a low-cost and easy-to-open account that also includes free life insurance. Since its launch in 2005, more than 37,000 EasySave accounts have been opened in Namibia (Zimmerman & Meyer, 2008). A similar financial institution, Centenary Rural Development Bank (CERUDEB) in Uganda, founded in 1983 with an initial emphasis on saving, has seen its clientele base, which includes both the rural and urban poor, grow to 28 full-service branches serving over 630,000 depositors (savers) throughout the country (Centenary Rural Development Bank, 2007).

Efforts to reach the unbanked through savings-led programs is not limited to the specific cases highlighted above. Deposit mobilization of the poor at formal financial institutions has gained attention globally. In fact, the World Savings Banks Institute (WSBI) recently announced plans to work with its partners to develop innovative ways to increase the number of savings accounts for the poor (WSBI, 2009), and the Bill and Melinda Gates Foundation has also made a substantial commitment to expanding the poor's access to financial services, including savings, around the world (Gates Foundation, 2009).

Some of the innovative mechanisms that these and other initiatives may explore include linking traditional savings-led institutions with innovative savings mechanisms. For instance, Mzansi account in South Africa links postal services with mini-ATMs so that accountholders can make deposits at more convenient locations. There is also the potential of mobile and branchless banking, which use cell phones and banking agents, respectively, to facilitate banking interactions across long distances. These innovations have the potential to revolutionize savings services, particularly in rural and underserved areas. Yet, they may also carry with them risks associated with access to credit, discussed above. Finally, like informal saving mechanisms, these targeted, formal saving mechanisms require further study and systematic evaluation.

Individual Development Accounts (IDA)

A financial product with unique potential for SSA is the Individual Development Accounts (IDA), a subsidized savings product for qualifying poor individuals that enables them to save, build assets, and reap the benefits of entering the financial mainstream. Advantages of IDAs include the opportunity to earn interest (however modest) on savings, which most of the "unbanked" poor do not have the opportunity to do, as well as to acquire good credit through savings, instead of using a loan that carries with it the risk of unpaid debt, and therefore bad credit.

First proposed by Sherraden (1991), IDAs are grounded in the notion that savings and asset accumulation is largely a matter of structures and incentives, not merely personal preferences. Generally, these accounts require recipients to participate in a modicum of financial education (e.g. classes on personal finance, homeownership, retirement plans, and so on). Then, whatever money participants save in their IDA over the course of a specified period of time is matched (at a rate determined by the funding institution), thereby providing extra incentive to save. The match incentive, akin to an employer match for 401(k) contributions in the United States, is generally provided through a variety of nonprofit and government sources. Organizations that operate IDA programs have underscored the importance of coupling the match incentive with financial literacy training. The biggest obstacle to IDAs is their cost. In addition to the federal subsidies in the US (e.g. those provided by the Assets for Independence Act), some IDA-like programs, including those being experimented within the developing countries, use funding from government agencies, private companies, and local charities (Ssewamala & Ismayilova, 2009).

Targeting youth: Children's development accounts (CDA)

Closely related to IDAs are Child (or Children's) Development Accounts (CDAs). CDAs generally consist of a bank account opened in a child's name to be used by (or on behalf of) a child for specific development-oriented purposes, sometimes with enhanced or subsidized interest provided for the accounts. With CDAs, the asset effects start early and can potentially affect the entire household (Kempson, McKay, & Collard, 2003). The accounts typically function similarly to other incentive-based programs and policies, like the IDAs discussed above.

The theory behind CDAs, especially accounts targeting vulnerable and at-risk youth, hypothesizes that if children believe that they have at least some resources set aside to fund their future development and success, they will be more likely to develop hope for the future and anticipatory planning skills, and refuse to engage in risky behaviors (Ssewamala, Alicea, Bannon, & Ismayilova, 2008). Additionally, it is theorized that the actual experience of sustained education and/or vocational training provide additional opportunities for children and adolescents to build social and emotional resilience, while also providing protective factors that may reduce the likelihood of exposure to extreme poverty. Conversely, if children believe that they (and their caregivers) lack the financial means with which to fund future educational or vocational aspirations, these children will be less likely to attend school consistently, to try their hardest, or to develop confidence and hope for the future (Ssewamala & Ismayilova, 2009). At the same time, children who see that they have extremely limited life options may be more likely to engage in risk-taking behavior because they perceive that they have little to lose.

Today, a plethora of programs promote microsavings for children and youth throughout the developing world (Barrientos & DeJong, 2006; OECD, 2003; USAID, 2004). In Kenya, both the Co-operative Bank and Equity Bank operate child savings accounts (Zimmerman & Meyer, 2008). Additionally, there is Columbia University's SUUBI program in Uganda, funded by the National Institute of Health (Ssewamala, Han, & Neilands, 2009), the Younger Savers Accounts of DFCU bank in Uganda, and the Assets-Africa program funded by the Center for Social Development at Washington University (Chowa, 2007). The fact that these programs have found funding and local support emphasizes the degree to which CDAs, a form of a savings-led microfinance program, currently represent enticing policy tools worthy of further research. Findings from the SUUBI-Uganda study (2004–2008), which was designed specifically to test CDAs in a low-resource country using an experimental design, indicate that children in the program, who receive CDAs and financial management training, are indeed saving, investing in education, and performing better in school (Ssewamala & Ismayilova, 2009; Ssewamala, et al., 2009).

Mechanisms to support and enhance savings-led asset-based development in SSA

Any proposal to implement asset-based development programs in SSA, especially in the form of IDAs or CDAs, raises questions about donor dependence and matching funds. These are critical issues. However, they are issues that also arise with more traditional forms of development aid. Using asset-based development rather than a more traditional public assistance approach is preferred, because aiding individuals (including children) to save and invest in education and/or income-generating businesses provides them with the skills and resources needed to sustain themselves independently, rather than relying on government or foreign aid. In this sense, asset-based development may help address dependency issues even if it requires start-up capital in the form of matching funds (as in the case of IDAs or CDAs). Simultaneously, though, there is a need to develop other funding mechanisms to complement, enhance, or simply generate funds for asset-based development programs if they are to perform optimally. This section considers two financial mechanisms that merit more detailed consideration as possible funding sources for asset-based development programs: the structured use of remittances and conditional cash transfers (CCTs).

The structured use of remittances

By 2005, remittance flows to Africa were estimated to have overtaken foreign direct investment (UN Office of the Special Advisor on Africa, 2005). Defined as private intra-family or intra-community income transfers, the volume and impact of remittance flow for developing nations has increased rapidly, as migration skyrocketed over the last decade (Gupta, Pattillo, & Wagh, 2009). The IMF (Ratha, 2005) reported that since the mid-1990s, the growth of remittances has outpaced that of private capital flows and ODA to developing countries, with the amount of official remittances received by developing countries increasing almost 57 percent between 2001 and 2004, and totaling approximately US$144 billion in 2004, as compared with US$188 billion in 2005 (World Bank, 2006). Furthermore, the World Bank estimates that remittances sent through informal channels could add approximately 50 percent to the total amount of remittances sent in 2005, bringing the sum to approximately US$282 billion (World Bank, 2006).

Empirical evidence suggests that remittances are an important source of savings and investment for migrants and their families (Carling, 2004; Ratha & Riedberg, 2004; see also Osili, 2007). Several cross-country studies have revealed positive effects of remittances on GDP and the percentage of people living in extreme poverty (Guiliano & Ruiz-Arranz, 2009; Maimbo, 2005; Page & Plaza, 2006). Quartey and Blankson (2004), for instance, found that in Ghana, remittance flows were counter-cyclical and increased in times of economic shock, and that remittances mitigated the damage of economic shock on recipient households. Moreover, unlike foreign development aid or economic booms, remittances, because they are so widely disbursed and are relatively stable, appear to have only a negligible effect on the appreciation of exchange rates (Yang, 2005).

One way of incorporating remittances within the asset-based development framework might be to facilitate migrants' easy access to formal financial institutions that would integrate financial literacy programs and well-structured savings opportunities and structures. This would be similar to the US–Mexican "Partnership for Prosperity" program developed in 2001 (United Nations Economic and Social Council [UN ECOSOC], 2004), or the ADOPEM program in the Dominican Republic which links remittances to asset-building opportunities, including school insurance (ADOPEM, 2008). Although from Latin America, these are relevant examples of well-structured programs from which countries in SSA might learn. In addition to such programs, however, information asymmetry must also be addressed both in host and developing countries. One structured type of program that could be accompanied by financial literacy programs includes the provision of bonds targeted to SSA migrants living abroad, which might function as savings mechanisms in their home countries. Whether for individual use by the migrant later on, or whether intended to benefit family members living in SSA more immediately, such structured financial products could provide an important way to integrate the unbanked poor into asset-building financial management. They might not only increase remittance flows, but could also incentivize and increase the number of banked migrant workers, as similar nonresident bond programs have in China, Bangladesh, Eritrea, India, Lebanon, Pakistan, and the Philippines (Carling, 2005).

Before such policies can be developed, however, there is an urgent need to increase knowledge about remittance flows in SSA, the region of the world to which the most undocumented remittances flow (Adams & Page, 2003). Currently, many remittances received in SSA are too small to be recorded by formal institutions or are sent through informal channels. Indeed, only one-third of Sub-Saharan African countries report remittances data (Page & Plaza, 2006). To increase the likelihood that remittances can be maximized through formal sector banking programs that facilitate savings or other forms of asset-building, a better sense must be gained concerning the flow and use of remittances to various areas of the region.

The potential of conditional cash transfers (CCT) policies

CCT policies represent a state-level policy mechanism that might be harnessed to augment and support asset-based development. Generally, CCT programs provide cash transfers or allowances to individuals or families "conditional" on completing verifiable, qualifying actions, such as regular school attendance for children, or basic preventive healthcare visits. They have been posited as a beneficial strategy to foster social inclusion, particularly for women and children, and to address some of the primary means of the intergenerational transmission of poverty (de la Brière & Rawlings, 2006; Heinreich, 2006). Unlike most development initiatives, rigorous experimental or quasi-experimental evaluations are available for CCT programs in several countries, including Colombia, Honduras, Jamaica, Mexico, and Nicaragua. These evaluations point to positive impacts of CCTs, including increased saving and protection against shocks, as well as social outcomes such as health functioning and educational performance (de la Brière & Rawlings, 2006; Gertler, Martinez, & Rubio-Codina, 2006; Maluccio, 2005; Soares, Ribas, & Hirata, 2008).

In SSA, countries with some form of CCTs include Malawi, South Africa, Namibia, Tanzania, Mozambique, and Kenya. Specifically, evidence from CCT programs implemented in Malawi shows that the program increased HIV testing (Thornton, 2008; also see Lagarde, Haines, & Palmer, 2007; Medlin & de Walque, 2008), and seems to have had a positive impact on re-enrollment rates among young women and teenage girls who had already dropped out of school (Baird, McIntosh, & Ozler, 2009). In Kenya's community-based capital cash transfer program, which is being implemented as a partnership between the community, government social services department, and foreign donors, increased food availability and enhanced social capital have been reported (Skovdal, Mwasiaji, Morrison, & Tomkins, 2008).

Critics of CCTs point to their relatively high cost, arguing that for this reason they are not feasible for extremely low-income contexts such as poor African countries (Samson, 2006). Indeed, as Schubert, Slater, and Allee (2006) have observed, given the budget constraints of low-income African countries, the design of social cash transfer schemes in the region has to ensure that administrative costs are kept to the lowest level possible (Schubert et al., 2006). Yet the experience of CCT programs in Latin America, particularly in Nicaragua, is promising, especially considering that Nicaragua has higher levels of poverty and extreme poverty than many Sub-Saharan African countries. Following research on cash transfers in Ecuador (Paxson & Schady, 2007), Nicaragua (Maluccio, 2005), and other Latin American countries, future research on cash transfers in SSA should test the importance of conditionality and long-term investment effects, as additions to health and education effects.

Addressing specific institutional challenges to savings-led asset-based development

Access to financial services

Access to financial services is a multidimensional challenge to the scaling up of savings-led asset-based development programs in SSA, particularly in rural areas (Ellis & Freeman, 2004). On the one hand, this hurdle represents one of the oldest challenges to asset-based development in the region: the lack of adequate infrastructure and traditional banking opportunities available to marginalized people. Yet innovative solutions to these problems have already begun to be developed on the ground. These mechanisms now have the potential to be enhanced and facilitated through the use of modern technology.

The use of century-old post-office banks as a way to facilitate banking access in rural areas, for instance, is already well established in many areas in SSA. To provide postal services with mini-deposit ATMs, as Mzansi accounts do in South Africa, detailed below, is one possible step toward addressing the problem of access.

Mzansi accounts were first made public in 2004 when several of South Africa's major formal banking institutions, including ABSA, First National Bank, Standard Bank, Nedbank and Post Bank, embarked on a national charter initiative to target the largely unbanked poor and to straddle the urban/rural divide in South Africa. These accounts offer very basic services only (deposits, withdrawals, local transfers, and debit card payments), limit transactions, and require only a valid ID before an account can be opened. Most importantly in South Africa, Mzansi account holders can transfer and receive money across the increasing urban and rural divide at no or low cost (depending on the size of the transfer). The benefits of saving and free (limited) money transfers have therefore been successfully extended to the poor through Mzansi accounts.

Regulation and supervision

The challenges to regulation and supervision of the savings-led microfinance programs in SSA can be grouped into two primary categories: capacity constraints at the level of the microfinance institutions (MFI) themselves, most of which are run by NGOs; and at the level of governance. The first issue, at the level of MFIs, is related to a lack of record keeping and reporting standards (Basu, Blavy, & Yulek, 2004). In an attempt to address this issue, some have called for larger formal financial institutions to become more involved in the provision of microfinance services, including microsavings, in the region, presuming that they will bring with them templates for these apparati and capable staff to implement them (Ratha, 2005). A related challenge is the question of how stringent regulatory requirements, such as licensing for MFIs and other asset-based development-focused institutions, should be, since the sector itself is so young in SSA. Some scholars note that stringent requirements could retard the development of the sector, although lax requirements could put extremely vulnerable individuals at risk (Ratha, 2005). Many advise that the most prudent thing to do is to try to encourage MFIs or asset-development institutions to work through traditional financial institutions because these larger institutions are already regulated and licensed (Basu et al., 2004). This would, at the same time, address the governance-level constraints because of the organizational nature (and the economies of scale) of these large institutions.

Prospects for a savings-led asset development approach for SSA

Addressing challenges through synergy: the potential of the threshold model of development

In response to these challenges, calls have been made for a synergy across social and economic development sectors, and these are beginning to permeate policy-level discussion of development in SSA (Kim et al., 2007; Sachs, 2008). While more research is necessary, the few existing rigorous studies, such as the IMAGE (Intervention with Microfinance for AIDS & Gender Equity) cluster randomized trial in rural South Africa (Kim et al., 2007) and the NIH-funded SUUBI Uganda study (Ssewamala & Ismayilova, 2008; Ssewamala et al., 2009), reveal the potential impact of synergistic models that aim to build human and financial capital concurrently. These models operate at the individual, family, and community levels, where financial, nongovernmental and, sometimes, state governance institutions are involved. They utilize a combination strategy in which a single program or policy seeks to intervene in the reproduction of poverty with impacts registered across a variety of social indicators, such as health, literacy, social functioning, gender-empowerment, and educational outcomes. Such approaches epitomize a bottom-up, threshold model of development. The threshold model does not wait to address one adverse condition at a time but instead seeks to address the interrelated dimensions of poverty in an integrated and collaborative framework. Such a model provides for potentially compound benefits produced by combined initiatives, particularly those that encourage context-specific saving up, such as savings programs targeting HIV-impacted youth in SSA. This is in contrast to the limitations of single-focused asset-based development programs, particularly those that involve higher-risk saving down. Certainly, no asset-based development program will ever be enough, alone, to end complex poverty. Yet, this article has presented a growing body of evidence that innovative asset-based development programs centered on saving as a social insurance mechanism may constitute a compelling poverty-alleviation strategy for SSA.

Conclusion

SSA today faces substantive challenge and opportunity. The major challenge is multidimensional poverty, which was not well-served by the previous, dominant development model, structural adjustment. Other challenges include relatively weak state capacity, lax or unstable regulatory structures, and low levels of human capital, which may be exacerbated by high disease burden, government corruption, and internal conflict. This article has outlined the theoretical frame for asset-based development strategies, highlighting the contributions of Sen (1999) and Sherraden (1991), and it has considered the promise and pitfalls of savings-led programs that facilitate saving up. It has argued that these programs could complement or improve upon credit-based development programs grounded in increased liability for the poor, which are thus high risk. Amidst evidence of several context-specific attempts to create usable savings-led financial products in several parts of SSA, the authors conclude that such savings-led models can and should be explored further by researchers and practitioners in SSA. Specifically, further research is needed on the possible structured use of remittances and CCT programs in the region. These two plausible, large-scale mechanisms might be used to generate the capital required by the poor to save and thereby to facilitate savings-led asset development as a poverty-alleviation strategy. While the structured use of remittances and CCTs is widely used to much-heralded effect in South and Latin America, South Asia, and several other areas, they remain understudied in SSA. Yet, following the relative success of indigenous/local savings initiatives in the region, there is reason not to explore the possible utilization of such strategies there.

Importantly, asset-based development is no panacea. Taken in sum, or broken down into constituent mechanisms, such as threshold model micro-savings programs like IMAGE or SUUBI-Uganda, or future programs that utilize remittances or CCT flows, this approach to development is just that: one approach among many that must be tested constantly, complemented and revised according to dynamic local, context-specific political, social, cultural, and economic conditions. In SSA, however, access to formal financial services remains a challenge, yet one that local institutions and organizations and governments are proving increasingly that they are able to meet in inventive ways.

Given the multidimensional nature of poverty in the region, and in light of the fact that the region is home to many considerably marginalized or excluded populations, such as those affected by HIV and AIDS, vulnerable youth, and conflict-survivors, a threshold model of development that considers various challenges to sustainable human and economic wellbeing is required. Savings-led asset-based development strategies should be considered within this context.

Finally, in addition to the challenges discussed above, skeptics of savings-led development rightly question where long-term funding for such programs will come from. One response to such a question could be that there is no evidence to suggest an impending *end* of foreign development aid in the near future. So long as development aid is being allocated, development practitioners and policy makers should seek the most effective, evidence-based measures to address social, human, and economic underdevelopment. Asset-based development may be one such poverty alleviation strategy. It has, thus far, yielded favorable results in many countries around the world. Indeed, the range of state-subsidized policies, policy proposals, and large-scale studies underway in major donor countries (e.g. Britain, the United States, and Canada), as well as many middle-income countries, bespeaks the increasing willingness of policy makers to acknowledge, not merely the price of, but also the cost of their delay. Finally, the current economic crisis, which began as a subprime mortgage, then credit, and then financial crisis, underscores the importance of financial literacy and regulation, as well as personal savings and asset accumulation, to social welfare. Although it is not a path without challenges, nor one that can succeed alone in addressing poverty, there is considerable evidence, as presented in this article, that savings-led, asset-based development strategies, and the complementary mechanisms that might fuel them, are worth testing in SSA where local cultural practices attest to the desire of individuals to invest in their own futures, and the future of their children, when the capability is present.

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