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Debating Graduation

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Policy in Focus

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Cover photograph: BRAC. Once destitute and homeless, Jorina, a BRAC microfinance client in Bangladesh, after nine years now owns the largest general store in her area, along with a profitable rice business. She lives in a large brick house on her own land, and is a proud member of her community. Her greatest joy is to help and support her two sons and parents as well as other poor villagers.

Editor's note: On behalf of the IPC-IG, I would like to extend a special thanks to the specialist guest editors, Fábio Veras Soares and Ian Orton for their dedication to the publication of this issue. We would also like to express our sincere appreciation to all the authors for their generous and insightful contributions, without which this special edition simply would not have been possible.

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Editorial

Since its inception in Bangladesh in 2002, the Graduation Approach has received much attention, including in mainstream media outlets. Beyond this positive media acclaim, momentum has gathered behind graduation as an important social policy instrument. There has been a proliferation in the implementation of new graduation-inspired programmes.

Primarily, graduation has been advanced as an effective means to combat extreme poverty and embodies part of the 'big push' to achieve Sustainable Development Goal 1: "End poverty in all its forms everywhere". It is one of the most thoroughly evaluated poverty reduction programmes ever, and its putative results are resoundingly positive, which helps explain the surge in interest. However, the increased enthusiasm and visibility enjoyed by the Graduation Approach has not been free from controversy. Significant concerns linger—centring on targeting efficacy and equity and what happens post-graduation (i.e. after households exit the programme)—and impact results have been vehemently contested.

Nevertheless, the buzz continues to grow, and thus graduation-type programmes merit further examination. Given this groundswell of interest, this special issue of *Policy in Focus* attempts to capture the diversity of views that exist in the debate. The articles feature a veritable smorgasbord of perspectives, ranging from those of committed proponents and enthusiastic new implementers, to the cautiously optimistic who reason that graduation could be a valid component of wider social protection systems, to outright contestation.

Today, the Graduation Approach has arguably arrived at an inflection point. The debate on its role and effectiveness remains to be settled. There might be increased take-up, or it might recede into obscurity—it may even possibly be repurposed into other hybrid programmatic forms. Whatever its destination, we hope that this publication contributes to promoting a better understanding of this significant policy development and stimulating the debate even further.

Fábio Veras Soares and Ian Orton

Graduation: an overview

Fábio Veras Soares[1] and Ian Orton[2]

According to the *Oxford English Dictionary*, 'graduation' refers either to the act of "receiving or conferring an academic degree or diploma" or "the action of dividing into degrees or other proportionate divisions on a graduated scale" (Oxford Dictionaries 2017). The so-called 'Graduation Approach' thus may be defined as (i) reaching a state in which one has exited/escaped (extreme) poverty, based on a given poverty metric and, therefore, can be considered ready to 'graduate' from the interventions dedicated to enable this transition; or (ii) the act of going through a set of phased-in and overlapping interventions meant to improve the well-being of their participants. As we will see throughout this special edition of *Policy in Focus – Debating Graduation*, the ideas of surpassing a predetermined threshold[3] and of a continuum of phases are embedded in the different approaches to graduation as well as to social protection more broadly.

From Bangladesh…

The Graduation Approach was born from recognition that the poorest households in rural Bangladesh—invariably referred to as the 'ultra poor'—were so marginalised that they were not in a position to engage with BRAC's mainstream development projects. For instance, they were too poor to access BRAC's microfinance programmes, which were intended to boost their livelihoods in a sustainable way. To ensure that ultra-poor women could also directly benefit from microfinance, a multi-pronged, and eponymously dual-named, programme—Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor (CFPR-TUP)—was designed and tested.

Phase 1 of CFPR-TUP (2002–2006) brought together a series of innovative features in poverty reduction programmes. They feature five main characteristics:

1. a focus on able-bodied women who were mostly engaged in domestic work or begging and did not benefit from microfinance and/or other development projects led by the government or non-governmental organisations (NGOs) but who had access to small plots of land (less than 40.5 m^2) and who lived in extremely poor households. These households should not have any economically active male member, with children in the household involved in (or at risk of) child labour, and household members should have no access to productive assets. Participants were selected through a participatory, community-based wealth-ranking targeting approach taking all these inclusion and exclusion criteria into account (Ahmed et al. 2009);

2. one-time asset transfers (livestock in most cases) combined with time-bound but regularly paid cash or in-kind transfers to support the consumption of families and satisfy their vital needs. This approach has avoided potential asset-selling by addressing immediate consumption needs;

3. income-generating activity training and regular social worker/case worker visits focusing on savings and financial literacy;

4. links with social protection, particularly facilitating access to health services; and

5. evidence-building on how well the graduation intervention worked by undertaking a series of studies and impact evaluations.

Positive impacts as documented in early impact evaluations based on non-experimental design brought much attention to CFPR-TUP.[4] These evaluations revealed positive impacts across many dimensions, including: per capita income; food security; occupational shifts towards self-employment; asset holdings; savings; access to sanitation; and clothing; but little or no impact on children's school enrolment, health-related outcomes and women's empowerment.

Nevertheless, the lack of experimental impact evaluations (using randomised control trials—RCTs) as well as evidence from other countries raised concerns that impacts were biased due to the lack of a proper counterfactual (as in experimental designs), and that the approach was too anchored in Bangladesh's realities to be applied worldwide with similar success.

The second phase of CFPR-TUP (2007–2011) was planned with some design changes. Potential participants were classified into two groups—namely, the 'specially targeted ultra poor' (STUP) and the 'other targeted ultra poor' (OTUP). The main difference in this approach was that microfinance was the main entry point for the OTUP, and the asset component of the graduation package was financed by BRAC through a 'soft loan' model (Bandiera el al. 2013).

The expectation was that the asset component would be paid back to BRAC with interest rates at around 20 per cent, some 5 per cent less than BRAC's mainstream microfinance loans. The STUP received the comprehensive package with all components described above, but with no expectation of paying BRAC back later, with a view to building an asset base for the participants so that after 24 months they could be graduated into "mainstream development activities such as microfinance" (Raza et al. 2012).

Even among the STUP, two different packages were developed to consider the geographic and demographic heterogeneity among the ultra poor. The differentiated packages implied a different size of asset transfers and intensity of social work visits. Higher benefits (asset value) and more frequent visits were offered to those living in areas with higher poverty density and depth (ibid.).

This second phase of TUP was also an ideal opportunity to implement an RCT. Forty BRAC branch offices covering 1,309 villages were randomised into treatment or control groups over a four-year period to allow time for a rigorous evaluation of the programme. The results reported in two articles of this issue of *Policy in Focus*—Clare Balboni et al.'s 'Labour Markets of the Ultra Poor' and Wameq Raza's '(Accidentally) Harvesting higher hanging fruits: Addressing the

under-5 malnutrition using the Graduation Approach'—use the data collected under this experimental design to assess Phase 2 of the TUP programme.

Their findings confirm the positive impacts provided by the non-experimental evaluations. The labour supply of participating women increased, mostly through the allocation of more hours to rearing livestock (self-employment). This, in turn, enabled them to experience increases in earnings (21 per cent), in per capita expenditure (11 per cent) and in the value of durable goods owned by the household (57 per cent). Similar impressive positive impacts were found for the increased value of savings (400 per cent), livestock (200 per cent), other productive assets (159 per cent) and land (82 per cent). In addition, Raza reports that under-5 children whose families participated in the programme experienced a reduction in malnutrition as measured by wasting (low weight-to-height ratio) and underweight, but not for stunting (low height-to-age ratio). He also reports positive spill-over effects for children from participating villages whose parents were not participating in the programme. These results are important, as human development impacts on education and health were not found in the first phase of CFPR-TUP evaluations.

These results address the concerns regarding the 'buzz' and alleged hyperbole around the Graduation Approach. However, a second concern—related to its adaptability to other contexts—was first addressed through the Graduation into Sustainable Livelihoods project led by the Consultative Group to Assist the Poor (CGAP), with support from the Ford Foundation, in 2006. The project aimed to adapt the Graduation Approach through 10 pilots implemented in eight countries: Ethiopia, Ghana, Haiti, Honduras, India (2 pilots), Pakistan, Peru and Yemen. They provide evidence of its adaptability and suitability beyond Bangladesh. All of the pilots had embedded robust learning and evaluation components.

…to the world

Six pilots were individually and collectively evaluated by researchers from the Abdul Latif Jameel Poverty Action Lab (J-PAL) and Innovations for Poverty Action (IPA). Banerjee et al. (2015) summarised their findings in an influential article in Science magazine.

In this *Policy in Focus*, Nathanael Goldberg summarises the results of these evaluations and finds positive impacts on: income and revenues; total per capita consumption; assets; food security; financial inclusion; mental health; total time spent working; and political involvement, for both immediately after the end of the programme and a period of one year later. For women's empowerment and physical health, impacts were positive just after the end of the interventions, but they were no longer statistically significant one year after.

In Honduras, the programme failed to achieve most of these positive impacts, as a disease killed most of the assets distributed by the programme (poultry), illustrating the risk of relying on one income-generating asset only.

Similarly, the evaluation of the pilot programme in the south Indian state of Andhra Pradesh undertaken by Bauchet et al. (2015) failed to find positive impacts on income, asset accumulation or consumption. The authors claim that a tight labour market (i.e. with high wage-employment rates)—not observed in other areas where the Graduation Approach has been implemented—led to offsetting impacts on income and time use. This local context seems to explain a drop of 57 per cent in terms of livestock ownership at the end of the intervention. This raises the question of the pertinence of asset transfers in similar contexts.

Goldberg also outlines a future research agenda in which the need to evaluate the contribution of individual components of the graduation package will be a priority. He argues that the cost of some components may be beyond the reach of governments in low-income countries if they are to be scaled up, particularly the labour-intensive case management visits. Testing the impacts in contexts with fewer home visits, with group rather than individual sessions and with the use of tablets for self-taught financial literacy tutorials are examples of recent evaluation processes. Additionally, dimensions such as women's empowerment, alternative targeting methods and testing special packages for those who fail to succeed with the standard components and 'intensity' of the Graduation Approach are other important aspects of the research agenda.

The expansion and adaptation of the Graduation Approach worldwide is the focus of the two opening articles of this issue: 'The Graduation Approach with Social Protection: Opportunities for Going to Scale' by Aude de Montesquiou and Syed Hashemi, and 'What does the future hold for Graduation?' by Harshani Dharmadasa et al. With 57 programmes in almost 40 countries, the Graduation Approach has been adapted to a diverse range of contexts, including urban areas, replacing the focus on assets with an emphasis on employment opportunities where appropriate, including men as explicit participants, targeting beyond the ultra-poor 'poverty line' and including other categories, such as refugees and internally displaced people, indigenous groups, people with disabilities, youth and elderly people. Moreover, a growing number of programmes are being implemented by governments, rather than by NGOs or donors. Among the poverty-related dimensions envisioned by the Graduation Approach, there has been an evolution towards greater engagement with: financial exclusion; child poverty; climate change; fragile and conflicted-affected regions; and youth employment.

The growing popularity of the Graduation Approach has also attracted stark criticism. Stephen Kidd and Diloá Bailey-Athias's article, 'The effectiveness of the Graduation Approach: What does the evidence tell us?', delves deeply into the details of many of the impact evaluations of graduation interventions.

The authors highlight the high level of inclusion errors in the programmes—the proportion of those living above the extreme poverty line over the total number of participants—reaching over 50 per cent in the cases of Peru and Pakistan, and also point out the discrepancy between gains in household consumption—deceptively high in terms of percentage but in fact extremely modest in absolute terms. Echoing Banerjee et al. (2015), the authors acknowledge that these average effects would not be large enough to liberate programme participants from a poverty trap.

The article also suggests that the positive impact of the Graduation Approach is exaggerated by the advocacy rhetoric and needs to be put into perspective—even more so when simple and large-scale social cash transfers seem to have similar impacts and cover broader segments of the population.

Edward Archibald, in his article 'Challenges for Addressing Child Poverty in Malawi through Graduation', analyses the risks involved in the adoption of the Graduation Approach as an 'exit strategy' from social cash transfer programmes. The author argues that this may lead to unrealistic expectations regarding the potential of cash transfer beneficiaries to exit poverty permanently, and questions the costs involved for governments to implement a programme that requires intensive use of social workers for its training and case management components. This discussion raises important ethical questions centring on the implications of 'graduating' people into potential contingency and the void between social programmes.

The relationship between the Graduation Approach and social protection is at the core of a fierce debate. In the article 'Can Graduation Approaches Contribute to Social Protection Floors?', Christina Behrendt argues that in many cases the concept of graduation from poverty is misunderstood as graduation from a specific programme or from social protection altogether. In her view, this is highly problematic, as it assumes that social protection is only for those living in extreme poverty and/or that social protection and income generation/employment are not compatible, which is certainly not the case.

Similarly, Keetie Roelen et al., in their article 'Responsible Graduation', claim that it is possible to reconcile the Graduation Approach with the 'right to social protection'. In their view, responsible graduation would facilitate this process by focusing on endogenous graduation from poverty based on clear welfare improvement measured by well-defined indicators, rather than by simply completing an exogenously defined programme cycle of two years. Participants should be allowed to re-enter the programme in case of need—a revolving door, rather than a one-way door. Thus, more tailored responses should be developed for potential participants, taking into account household and community needs. In this vision, graduation could be seen as a continuous pathway, through which participants are graduated into other forms of social protection adequate to their living standards and their location along their life course, as proposed by Samson (2015). Responsible graduation would also encompass grievance mechanisms; more focus on stable employment, rather than just reliance on self-employment; and the acknowledgement that some extremely poor households are not suitable for the graduation programmes and most likely will need social assistance (social cash transfers) for indefinite periods.

The features put forward by Roelen and others in their article seem to be in line with the idea that participants of responsible graduation programmes will become more resilient to shocks. Moving forward, Greg Collins, in his article 'Resilience and Graduation', stresses that it is crucial to overcome the divisive opposition between investment in social protection (social cash transfers) and in graduation options, highlighting the importance of some components of the Graduation Approach in making families more resilient to shocks. One of the resilience components in graduation pinpointed by the author is the financial inclusion aspect.

The following article by Tatiana Rincón, 'Digital Inclusion for the Ultra Poor: The Graduation Approach', presents some innovative uses of digital solutions for training and also some innovations in the use of an e-payment infrastructure to facilitate both financial inclusion and financial literacy. She highlights the 'Microsavings with a purpose' project, which is being piloted in Paraguay in a partnership with the government and a telecom company, *Fundación Capital*.

However, as interesting as these developments are, such approaches also raise some concerns. In their article, 'Caveat Emptor: The Graduation Approach, Electronic Payments and the Potential Pitfalls of Financial Inclusion', Paulo dos Santos and Ingrid Kvangraven argue that the geographic distance of electronic banks from their borrowers in low-income areas makes them far less likely to engage in lending to new productive enterprises than traditional microfinance institutions. Traditional microfinance applies a 'social technology' approach, in which the social connection among borrowers (clients) and between borrowers and lenders serves as the knowledge base to support informed loan decisions. Therefore, e-payment providers involved in microfinance end up having an incentive to rely more on consumption loans than business-related loans, leading poor borrowers to be highly indebted. To the authors, these micro-level innovations are no substitute for national industrialisation and broader social policies that can address structural and systemic hurdles and deficiencies linked to chronic underdevelopment.

The article 'Leaving no one behind: Graduation for Refugees' by Helene Kuhle et al. provides another example of an area where the Graduation Approach looks poised to feature more prominently in the future. The authors highlight the work undertaken by the United Nations High Commissioner for Refugees (UNHCR) regarding graduation, with a view to bridging the gap between humanitarian and development policies. The Graduation Approach is seen as one of the possible ways to increase self-reliance and resilience among both refugees and host communities whose members live in extreme poverty. Given the unprecedented forced displacement of entire populations in recent years, this represents a crucial new demographic addressed by graduation. The urgency of this approach is underscored further when one considers that 93 per cent of the people living in extreme poverty in the world today live in a context of humanitarian crisis (Global Humanitarian Assistance 2015).

Despite a recent push back, the general trend in the near term is undoubtedly towards further take-up, expansion and increased diversification of the Graduation Approach.

A new era involving greater use of graduation as a social policy presupposes adequate financing. The costs of the model are not insignificant, and the initial upfront investment required may be too high for

some resource-constrained governments to bear alone. This is complicated further by a challenging global financial context where financing for development is at best uncertain. New sources of or approaches to financing might be required.

The role of philanthropic and private capital in partnership with governments to pursue development goals is not new. However, in the article 'Private-sector investment capital in Graduation: It is time to unlock sustainable financing at scale', Shaifali Puri and Anne Hastings introduce the reader to an emergent financing model tasked with combating extreme poverty through graduation. The authors suggest that an approach based on social and development impact bonds could contribute to solving the financing conundrum. They explain the impact bonds model, its relevance to graduation, the contributions it could make towards the eradication of poverty, and how they can fill the funding gap. Some in the development space might be sceptical, arguing that looking for investment returns in the sphere of development runs contrary to a rights-based approach, but it might be worth keeping an open mind to such innovation and *realpolitik* pragmatism. Moreover, this endeavour could open the door for further development financing by bringing in more would-be private development capital into the graduation and development fold.

This collection of articles hopes to contribute to a better understanding of the origins and the ongoing transformation of the Graduation Approach, and of its interactions with social protection. The idea of a multi-pronged package to address different aspects of poverty is not alien to social protection itself. Instruments such as consumption support (social transfers), training for income-generating activity and coaching are key aspects of social protection and can be seen as essential and classic components of social assistance and labour market policies (including support for self-employed people and entrepreneurship).

The logic of such an approach can also be found in some components of conditional cash transfers in Latin America or in broader strategies that use these programmes and their monitoring and information systems to facilitate access to services and integrate social protection programmes. The Mexican *Prospera*, the Brazilian *Brasil sem Miséria* strategy nestled in the *Bolsa Família* programme, and Chile's *Ingreso Etico Familiar* (formerly *Chile Solidario*) are all good examples. While these programmes were not directly influenced by the Graduation Approach, they recognised (around the same time as BRAC did) the need for multifaceted approaches to respond to local challenges and the pressing need to have a systemic response to poverty.

Over time, the strategies that have hinged mostly on cash transfers were linked to other programmatic dimensions beyond the cash component, encompassing areas such as health, education, nutrition, case management, productive inclusion and, in some cases, access to financial services (Dharmadasa et al. 2017). The adoption of responsible graduation logic can strengthen existing programmes by combining complementary mechanisms and expanding social protection coverage. The proliferation of graduation-inspired approaches has the potential to provide good examples of how to mainstream it into nationally owned social protection floors.

In any case, what is clear is that the debate on graduation will rumble on unabated for some time to come. ●

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3. The notion of passing over a threshold to determine programmatic exit is not universally accepted nor without controversy. Resistance to this notion is a recurrent theme throughout this publication, raising concerns about the possibility that this adversely impacts the most vulnerable people, running contrary to a rights-based discourse. The passing over a threshold is a crude indicator of improved well-being, given the high existential and economic uncertainty that confronts extremely poor people, leading to a high possibility of recidivism back into extreme poverty.

4. See Ahmed et al. (2009), Emran et al. (2009), Das and Misha (2010), Raza et al. (2012), Emran et al. (2014) and Misha et al. (2014).

What does the future hold for graduation?

Harshani Dharmadasa,[1] Julie Kedroske,[1] Nazia Moqueet,[1] Sadna Samaranayake,[1] Isabel Whisson[1] and Lauren Whitehead [1]

Since launching the 'Targeting the Ultra-Poor (TUP)' programme in Bangladesh in 2002, the success of this flagship 'graduation' programme, and adaptations supported by CGAP and the Ford Foundation, have sparked a movement to apply BRAC's Graduation Approach to ultra-poverty contexts around the world. To understand where graduation is heading, and to accelerate this momentum, it is imperative to first address what graduation is and is not.

Graduation is not a 'silver bullet' solution to poverty. It is a programmatic approach that links social protection, livelihoods and financial inclusion, and can be a strong complement to traditional programmes in these arenas. It is not an alternative to national social protection floors but is, rather, an approach that can be embedded into them to strengthen their promotive and transformative functions. Graduation should not be considered a means to wean vulnerable households off social protection interventions. Rather, it is in combination with these interventions that graduation approaches can activate latent economic potential and place households on a sustainable pathway out of poverty (Dharmadasa et al. 2016).

The Graduation Approach is a combination of programming interventions including asset transfers, consumption support, savings, enterprise training, hands-on coaching and mentoring and, in some cases, health and social integration support to ultra-poor households. While there is a tendency to oversimplify or to focus exclusively on its more visible tenets, graduation is not about cows or chickens, or other types of asset transfers, or any one of its components in isolation, but about recognising that a complex and multifaceted problem such as extreme poverty requires comprehensive solutions. Implicit in the approach is the recognition that the last stretch in achieving a world free of poverty requires a tailored approach to building resilience among the most poor and vulnerable people. These populations are identified by parameters including income thresholds as well as other dimensions of vulnerability reflected in the communities, geographies and social strata in which they live. While definitional discussions persist around the approach, we are rapidly moving into a new, more innovative round of adaptations. Graduation is at an inflection point.

Pioneering the approach

Even in its original iteration, the term 'graduation' is often misunderstood. Graduation is often considered to be an exogenous exit for participants, beyond which they graduate out of a need for services, or a crossing of a pre-set income threshold or extreme poverty itself (Devereux and Sabates-Wheeler 2015). It is none of those things. Rather, graduation is a time-bound, sequenced set of programmatic interventions that are designed to boost several drivers of resilience at the household level. Together, these interventions achieve milestones in social and economic advancement (basic skills, financial literacy, economic self-reliance, social integration) and place participants on an upward trajectory into sustainable livelihoods.

In countries with strong social protection systems, graduation interventions better position households to avail themselves of the promotive elements of social protection. In the absence of deliberate and well-executed social protection programmes, graduation interventions may be one of few avenues for households to rise above the standards of a would-be social protection floor.

As countries develop and poverty contexts change, graduation interventions must be flexible to adapt to new conditions and effectively address systemic contributors to poverty entrenchment. At BRAC, this translates into a deepened focus on questions and intersections we seek to further explore. These areas include the persistent financial exclusion of the poorest households; food insecurity that denies children the opportunity to grow into healthy, active citizens; special contexts and populations, including those acutely affected by climate change, conflict and instability; and youth unemployment. Simultaneously, an imperative to scale and position the approach for greater uptake compels us to explore ways to reduce costs and achieve the best possible return on investment.

Continuous adaptation

Over the 15-year history of the graduation programme in Bangladesh, BRAC has remained committed to its iterative evolution. BRAC's Bangladesh operational staff involved in the nationally scaled-up TUP programme, having just entered its

Photo: BRAC. Jorina at her store. Bangladesh, 2015.

> “In the absence of deliberate and well-executed social protection programmes, graduation interventions may be one of few avenues for households to rise above the standards of a would-be social protection floor.

Photo: BRAC. Woman with her ducks, South Sudan, 2013.

fourth phase of implementation, reviewed the efficacy of various support packages, their consumption stipend, the modality of asset transfers, the regularity of home visits, market assessments and enterprise selections. These internal assessments and resulting shifts are in progress at the time of writing this article, but a preliminary simple takeaway is this: there is no one approach to graduation programming, and even the original programme—perhaps especially so—requires innovation and re-engineering befitting the changing needs of the poorest people.

The last decade and a half has brought improvements to overall macro indicators in Bangladesh. There has been a persistent decline in the numbers of poor and extremely poor households since 2000, coupled with an impressive improvement in the living conditions of poor people, characterised by the materials used in the construction of homes and access to services such as sanitary latrines, electricity, health care and immunisations. More modest—though important—gains have been made in food security and dietary diversity (World Bank 2013a).

Simultaneously, however, extremely poor households are increasingly facing new pressures, including the realities of population growth, migration and urbanisation, and shocks related to climate events. Despite significant improvements in access to health and education services, persistent pockets of extreme poverty, particularly in rural contexts, remain (World Bank 2013b).

As BRAC continues to iterate in Bangladesh and elsewhere, the Graduation Approach continues to experience and demonstrate versatility in new environments and with new stakeholders. In Kenya, BRAC is providing technical assistance on the design and implementation of a graduation pilot funded by the International Fund for Agricultural Development (IFAD) through the Government of Kenya.

The goal is for the pilot to bear insights for the government and its social transfer programme, the Hunger Safety Net Programme. The pilot extends graduation programming to 2,600 women and youth across the arid and semi-arid lands (ASAL) of Kenya, in areas prone to drought, and in some areas where households are pastoralists and some members are on the move with their herds. As an approach that relies on frequent interpersonal interaction between staff and participants, Kenya’s ASAL regions present new challenges for graduation programming.

We attempt to address these challenges in part through the use of technology. Mobile phones transferred to participants as part of their asset package provide a way for front-line workers to check in with participants on the move, and a way to leverage mobile money transfers.

Meanwhile, in the Philippines, BRAC is collaborating with the Asian Development Bank and the Philippines' Department of Social Welfare and Development (DSWD) to provide technical assistance for the launch of a graduation pilot. In the Philippines, as opposed to piloting the approach anew, a nationally scaled-up social protection system is attempting to identify, combine and augment elements of cash transfer programmes, livelihood support and community-driven development programming into a graduation intervention. This exercise of converging on a graduation approach within existing programming is perhaps indicative of what the future could hold for graduation programming in contexts where strong social protection agencies exist.

Breaking down systemic contributors to extreme poverty

To help end ultra poverty, graduation must continue untangling and addressing the multifarious factors that lead to entrenched poverty. To be a viable and scalable approach, it must systematically reduce its drivers of cost and complexity in ways that optimally position it for uptake among various types of implementers, spanning multilateral financial institutions (MFIs), non-governmental organisations (NGOs) and governments. Several key areas where BRAC endeavours to focus its efforts are as follows:

Tackling the financial exclusion of the poorest people

Around 2 billion of the world's poorest people still do not have formal financial accounts (Demirguc-Kunt et al. 2014). Lacking access to basic instruments such as savings and credit, ultra-poor people are unable to invest in simple market opportunities, and are frequently left without recourse when the inevitable crisis strikes: a sudden health shock, economic downturn, loss of a household breadwinner, and so forth. Through graduation, participants gain access to a savings pathway—whether through community-led groups or formal financial institutions—financial literacy training and eventually the financial capacity (and confidence) to borrow loans.

While the Graduation Approach was initially envisioned as a way to reach those who were too vulnerable to benefit from BRAC's microfinance programme, BRAC has always incorporated financial inclusion platforms such as savings and, increasingly, microcredit as a facet of the approach, building savings habits as a key outcome of the programme and providing access to credit to participants before concluding their cycle. In Bangladesh, in particular, this includes BRAC's interest-free credit model, whereby qualifying participants contribute to the cost of the asset package. This opens the door for them to qualify for products and services in the formal financial system by building a credit history and learning the process of gradual repayment. Meanwhile, digital financial services provide an additional path to greater financial inclusion for ultra-poor people. Today, graduates of the programme who continue to save with BRAC can access mobile money accounts and complimentary assistance to start saving digitally and to make transfers and payments.

With about 50 per cent of adults from the poorest households having no access to financial services such as credit, savings or mobile banking (ibid.), graduation programmes can help to close the gap in financial inclusion by building the capacity of the poorest people to make use of such services.

Combating child poverty

Children are more than twice as likely to be in extreme poverty as adults (UNICEF and World Bank Group 2016). The enduring effects of extreme poverty on children can sow the seeds for a lifetime of struggle—chronic health problems, lack of skills, limited future productivity—which is often transmitted to future generations. Graduation can break that cycle. The average TUP household in Bangladesh has two children, who, as a result of the programme, are much more likely to benefit from a healthier diet, from the health, hygiene and behaviour-related messaging and coaching, and to attend school—a requirement for the household to be considered 'graduated'.

The effects of graduation on child nutrition are significant, as evaluation and programme monitoring demonstrate. The TUP programme in Bangladesh was found to reduce the likelihood of wasting and being underweight among children under 5[2] (Raza and Van de Poel 2016).

> "To help end ultra-poverty, graduation must continue untangling and addressing the multifarious factors that lead to entrenched poverty.

Furthermore, the impacts of graduation spill over into the local community, in terms of increases in exclusive breastfeeding and Vitamin A administration (ibid.).[3] Graduation contributes to improved nutrition and caloric intake through regular messaging and coaching on the importance of a balanced dietary intake, food preparation and hygiene, and by ensuring consumption by means of time-bound stipends until households are able to generate earnings from enterprises to buy adequate food.

Once they do reach this level, households establish long-term food security well beyond the length of the programme (J-PAL and IPA 2015). Moving forward, BRAC plans to further explore the potential impact of graduation programming on children, and the implications for breaking the cycle of intergenerational poverty.

Building solutions for populations affected by climate change

Climate models indicate that by 2050, Bangladesh will experience increasing temperatures and monsoon precipitation, intensified cyclones, more severe droughts, riverbank erosion and rising sea levels. The potential effects of climate change and correlated natural disasters on ultra-poor people are substantial, affecting their access to fresh drinking water, natural resources that support livelihoods, and the ability to accumulate household savings and partake in modest consumption and food security (World Bank 2013b).

In response, BRAC adapted the graduation model and implemented the Addressing Climate Change-related Destitution (ACCD) pilot programme in 2012 to build the resilience of ultra-poor households in the coastal region of Bangladesh, with a focus on adaptive agricultural and non-farm enterprises, to reduce the climate change-related vulnerabilities of these households. Moving forward, BRAC's graduation programme continues to experiment with various interventions that attempt to build resilience against climatic challenges, such as: home fortification, early warning systems, interventions addressing specific climate change-triggered health problems, and climate-adapted enterprises that boost households' resilience to shocks and vulnerabilities resulting from resource scarcity and environmental degradation.

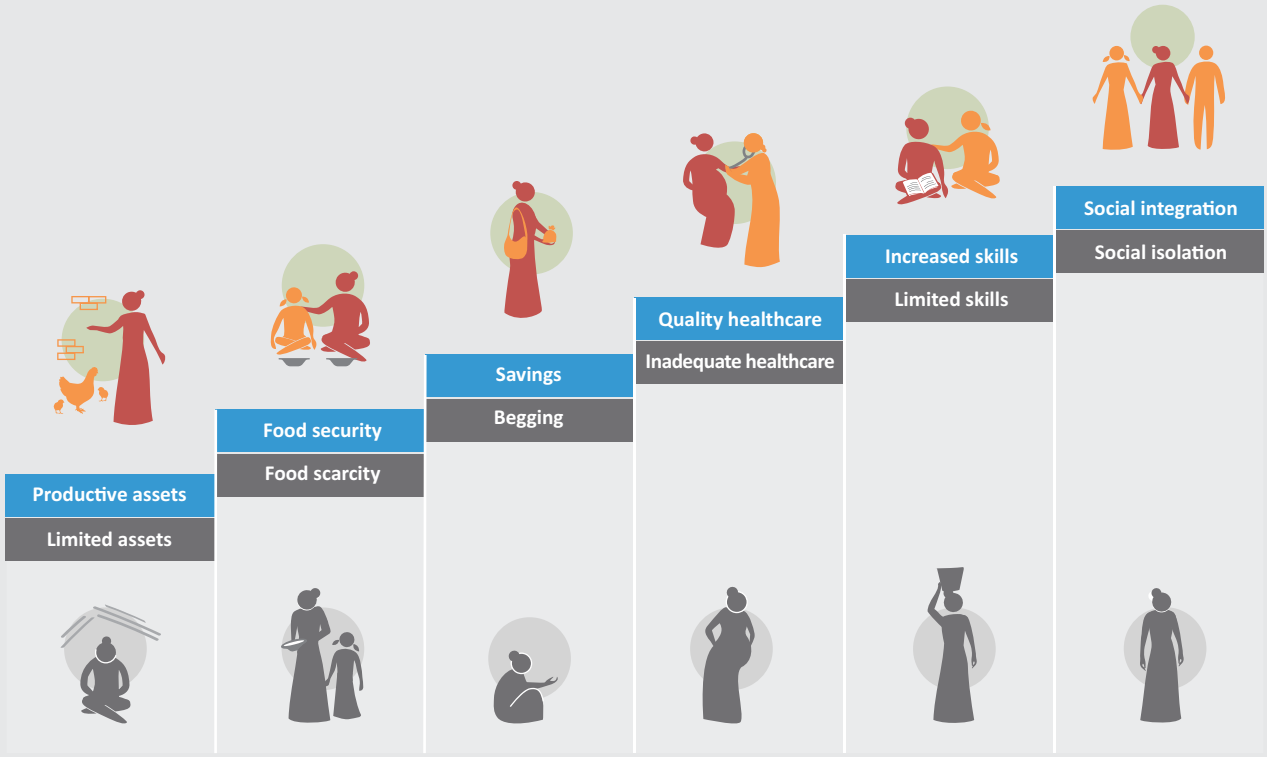
Addressing fragile and conflict-affected situations

By 2030, nearly half the global share of the world's poor people will live in fragile or conflict-affected states (World Bank 2016). Political conflict threatens to paralyse societies and national economies, in turn threatening millions of households worldwide with the prospect of falling into extreme poverty. For households already in dire circumstances, exposure to a conflict or post-conflict environment can be too destabilising to overcome without significant external support.

> "BRAC continues to explore ways in which graduation can help build capacity and resilience to withstand and recover from conflict and related instability.

Photo: BRAC. Women in BRAC's Targeting the Ultra Poor programme receive health support, often from the organisation's own community health workers in Bangladesh, who are volunteers from the community who have been trained to treat common illnesses and refer patients to nearby clinics.

FIGURE 1: Before and after graduation – Improved outcomes through the Graduation Approach



Source: Authors' elaboration.

In South Sudan, a BRAC TUP pilot programme found that the graduation intervention equipped participant households with a measure of resilience against the ethnic conflict that broke out in December 2013. Adapted components of graduation, such as setting up women's groups within which trainings and visits were conducted, as well as engaging male partners in trainings, appear to have led to programme participants being able to better cope with the shock of instability and limited market activity than other non-participant ultra-poor people in the community. Women showed a 40 per cent increase in the value of their assets and a 25 per cent increase in spending relative to non-TUP households, with over 70 per cent of women maintaining at least two sources of income (Zerihun Associates 2015).

Impacts extended to children of TUP members too: 17 per cent of TUP children under 5 were underweight, compared to 70 per cent of children under 5 from non-TUP households (ibid.). Meanwhile, impacts on the wider community were sustained by female participants who independently trained and influenced community members by sharing their knowledge, skills and resources gained throughout the programme, especially those related to health and nutrition. Fifty-five per cent of women became peer trainers and reported assisting at least two other female community members each (ibid.). BRAC continues to explore ways in which graduation can help build capacity and resilience to withstand and recover from conflict and related instability.

Improving youth employment prospects

In countries with a youth bulge[4] coupled with extreme poverty and high rates of unemployment, failure to provide jobs for youth risks fuelling social anomie, squandering productive potential and thus causing this population to be further entrenched in poverty as they age. Where jobs for youth are in limited supply, the Graduation Approach can offer alternative avenues through individual enterprises or provide skills development to effectively access labour markets.

In Uganda, which is experiencing a youth bulge, 64 per cent of unemployed people are under 25 years of age (World Bank 2015). Due to limited employment opportunities, even individuals with basic education and skills are vulnerable to extreme poverty. Given this scenario, BRAC is currently shifting its Graduation Approach accordingly to serve 1,500 youth throughout the Luwero district. BRAC designed the asset package to equip youth with the basic skills and resources to become self-employed in livestock rearing, small-scale trading and other microenterprises suited to the local environment. The programme is exploring livelihood options in combination with mentorship training, HIV and family planning services, community integration and linkages to self-employment opportunities.

Ensuring a strong cost–benefit proposition

As a tested and proven holistic development model, the long-term benefits of the Graduation Approach

far outweigh the short-term costs of implementation (Bandiera et al. 2016; Banerjee et al. 2015).

This is especially true given that programme costs are incurred during a time-bound implementation period (of 24–36 months) and produce benefits shared across the household rather than enjoyed by single individuals. Thus, an estimated cost of USD600 per participant for the two-year TUP programme in Bangladesh translates into just under USD70 per capita annually for an average household size of four members.

The interventions and benefits provided to each ultra-poor household are numerous, including a vital short-term injection of cash to boost income generation; access to critical tools for development; broader support services (including linkages to government benefits and social protection programmes); technical training in enterprise and workforce development; essential life skills training on issues such as health, gender parity and confidence-building; customised troubleshooting and guidance; and increased social capital and peer community support.

As graduation continues to evolve, however, BRAC and other innovating adopters and implementers have sought to further unpack the associated complexity and related costs of the approach, exploring key cost drivers and cost recovery mechanisms to enable scale and the greater likelihood of adaptation by a wider net of implementers, including governments, NGOs and MFIs.

BRAC is currently experimenting with several variations. These adaptations include full and partial credit models, labour-saving strategies such as aggregating weekly home visits to each participant into bi-monthly home visits coupled with monthly group visits, or substituting hired staff for community-based peer trainers and incentivised volunteers. The relative performance of these models and variations *vis-à-vis* commonly understood graduation programming remain to be evaluated. Trade-offs in impact versus cost are to be expected in the drive to settle on the best cost for benefit and variations of the approach that can be put into practice by governments, multilateral institutions and other key implementers.

Conclusion

While the momentum around graduation programming is encouraging, at BRAC we recognise that there is much yet to do. BRAC remains the only scaled-up implementer of the Graduation Approach—a reality that must change if graduation is to play a critical role in achieving a world free of extreme poverty. BRAC is supporting other NGOs, governments and MFIs through technical assistance to help spur the global critical mass of graduation programmes required to eradicate or significantly reduce extreme poverty.

While by no means the only solution to poverty alleviation for the poorest populations, graduation programmes have an impressive record of impact and sustainable gains, and provide a formula for unlocking these outcomes in the most vulnerable households. The evolution of graduation and its potential success lies in the commitment of multilateral donors, NGOs, governments and their social protection frameworks to invest in these approaches, and corresponding research agendas, in ways that strike a balance between adaptation and scale, technology and the human touch, impacts and cost. We are just getting started. ●

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1. All authors are members of the BRAC USA Ultra-Poor Graduation Initiative.

2. Wasting for children under 5 decreased by 8 percentage points, and the likelihood of being underweight decreased by 19 percentage points by the end of the programme.

3. Among non-treated households, there was a 49 per cent increase in the duration of exclusive breastfeeding, and a 20 percent increase in the probability of Vitamin A administration.

4. A phenomenon whereby a large share of the population is composed of children and young adults, often as a result of a stage in the country's development where it achieves lower mortality rates while fertility rates are still high.

The Graduation Approach within social protection: opportunities for going to scale[1]

Aude de Montesquiou [2] and Syed M. Hashemi [2]

Governments, donors and non-governmental organisations (NGOs) attempting to reduce extreme poverty are increasingly implementing graduation-type interventions as part of their social protection strategies, to create sustainable livelihoods for many of the world's poorest and most vulnerable people. The global commitment to Sustainable Development Goal (SDG) 1: "End poverty in all its forms everywhere" by 2030, the rigorous evidence-based proof of concept,[3] the adoption in varied regional contexts, the successful scale-up in many countries, the adaptation to different vulnerable groups, and the extensive coverage in academic literature and the popular press have all contributed to the heightened interest of policymakers and donors in graduation approaches. These are growing fast, with 57 graduation programmes now implemented in nearly 40 countries,[4] of which a third are being led by national governments. Figure 1 shows the time-lapsed proliferation of graduation programmes and the diversification of different implementers since 2002.

CGAP (2016) provides a rich set of information drawn from these programmes that allows us to make general observations on the global trends of graduation.[5] Over 2.5 million households have been reached to date through graduation programmes. The average size of a programme is approximately 42,475 households, and the median size is 1,350 households, indicating that programmes widely vary in size, ranging from a mere 150 households in Nicaragua to 675,000 households in Ethiopia. Programmes included in the CGAP inventory are projected to reach an additional 1.2 million households in the near future.

The Graduation Approach

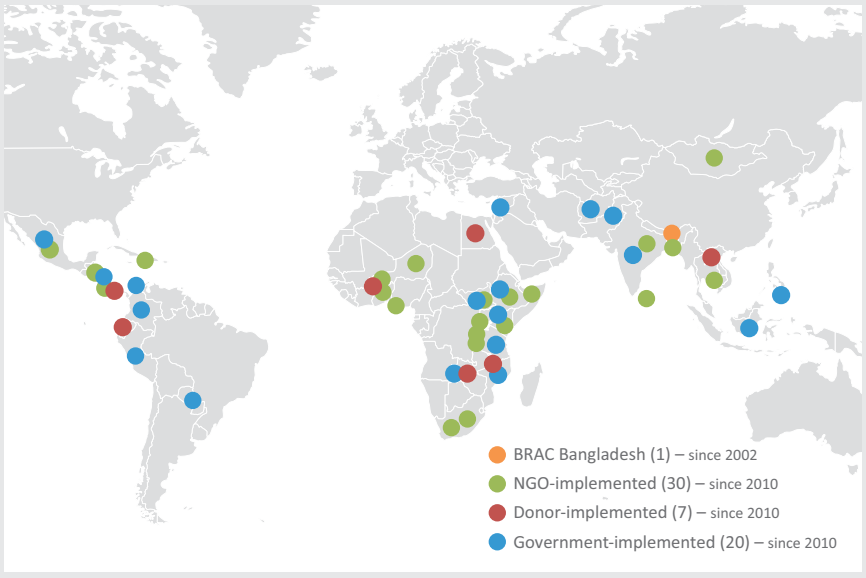
Graduation programmes have been adapted to specific objectives and contexts. However, they share some common characteristics (see Figure 2): (i) they are time-bound (generally 24 to 36 months), household-level interventions deliberately targeting extremely poor people—either those living under the international poverty line of USD1.90 per day and/or those identified as the poorest, the most marginalised or the most vulnerable; (ii) they are a carefully sequenced, holistic effort, combining social assistance, livelihoods and financial services to tackle the multifaceted constraints of extreme poverty; (iii) they represent a 'big push' (seed capital and/or training for jobs based on the idea that a large investment to kick-start an economic activity is necessary to make a meaningful change; and (iv) they are interventions that include some form of mentoring and staff accompaniment to help participants overcome not only their economic constraints but also the many social barriers they face, to essentially take control of their future. Additionally, many of these programmes facilitate access to other social protection initiatives and to financial services to build resilience and improved economic conditions beyond the duration of the programmes.

Reviewing the expansion of graduation

Over the past 18 months, graduation programmes have shifted their focus from predominantly targeting rural households (73 per cent in 2015 to 53 per cent in 2016) to mixed programmes, operating in both rural and urban areas (7 per cent to 31 per cent), and purely urban areas (2 per cent to 7 per cent).[6] This represents a fourfold increase in mixed and purely urban programmes since 2015 (see Figure 3) and reflects an increased concern with urban poverty. In fact, the extension of graduation approaches to urban areas has led programmes to recognise that linkages to employment opportunities (rather than seed capital for micro enterprises) would be a far better option, especially for the youth, to combat extreme poverty.

Targeting has also shifted from a predominant focus on women and the poorest people to a broader range of beneficiaries. Approximately a third of projects solely targeted women in 2016, and 60 per cent targeted populations living on less than USD1.90 a day, down from 73 per cent of programmes in 2015 (targeting

FIGURE 1: Scaling up the Graduation Approach



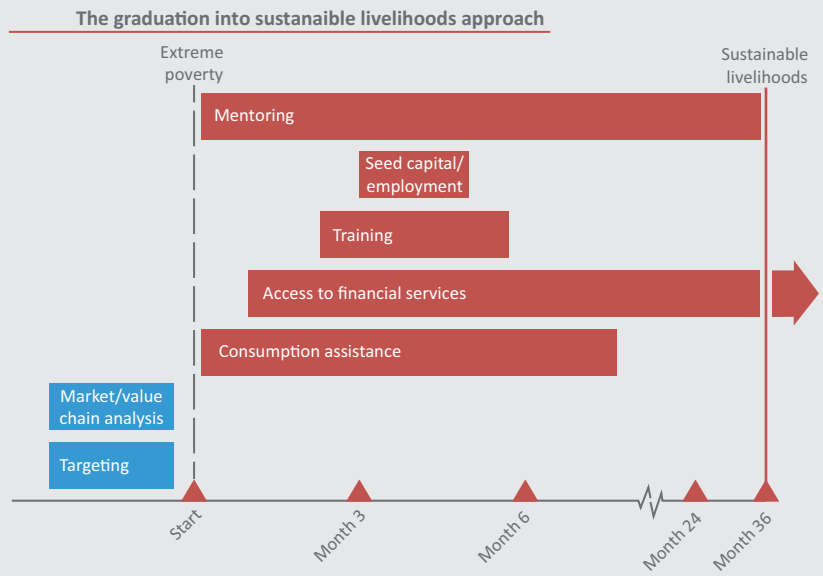
Source: CGAP (2016).

populations living on under USD1.25 a day—the extreme poverty line at that time). There is a growing effort to adapt the Graduation Approach to other vulnerable and marginalised segments of the population, such as indigenous groups (31 per cent), refugees and Internally Displaced Persons (IDPs—9 per cent), youth (18 per cent), people with disabilities (22 per cent) and elderly people (9 per cent) (see Figure 4).[7]

Graduation programmes cost on average USD550 per household. This includes all costs (e.g. staff costs, programme overhead costs, transfers to participants etc.) for the entire duration of the programme.

While the sticker price of graduation programmes tends to be high, it is important to recognise that the potential benefits are also high. Randomised control trials (RCTs) conducted by the London School of Economics about BRAC schemes found that the total programme costs of USD365 would yield total benefits of USD1,168 over a projected span of 20 years (the discounted sum of consumption and asset gains in 2007 U.S. dollars). This would amount to a benefit–cost ratio of 3.2—or USD3.20 in benefits for every USD1 spent on the BRAC programme (Bandiera et al. 2016). Recent research also shows that among programmes targeting extremely poor people (livelihood development,

FIGURE 2: The Graduation Approach



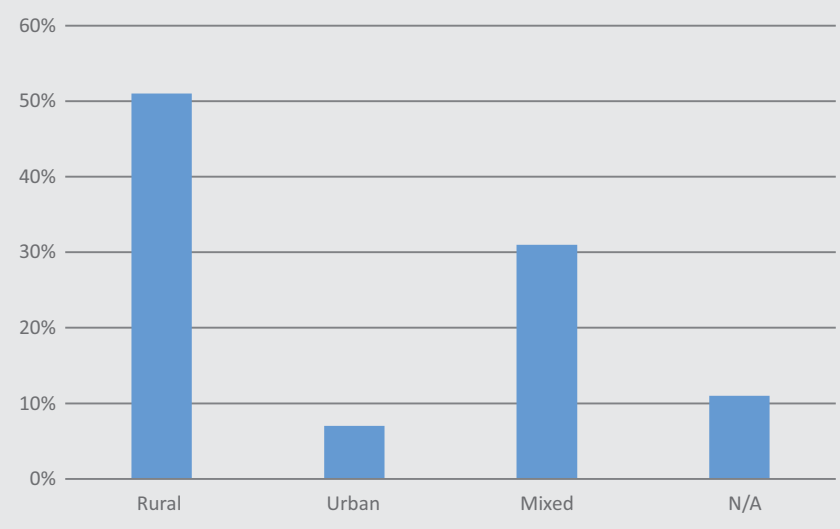
Source: CGAP (2016).

lump sum cash transfers or graduation) and for which there is long-term evidence available, the Graduation Approach has the greatest impact per dollar, with a positive impact on economic indicators that persists over time (Sulaiman et al. 2016).

Figure 5 shows that a third of ongoing graduation projects are being implemented by governments, reflecting the growing interest in this carefully sequenced, multipronged approach as part of their national social protection initiatives. However, implementing such a holistic approach is particularly challenging for governments, who are the least likely to offer the 'full graduation package' to their beneficiaries (compared to NGOs or

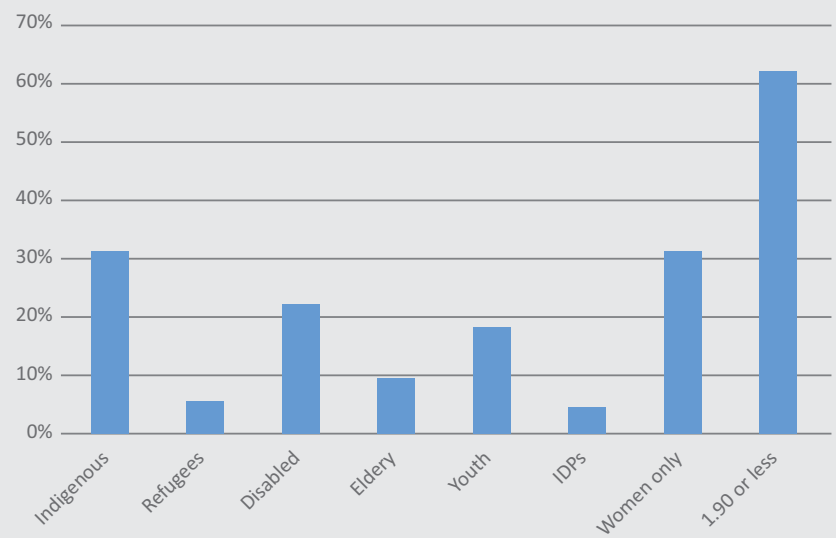
> "Graduation programmes have shifted their focus from predominantly targeting rural households to mixed programmes, operating in both rural and urban areas and purely urban areas.

FIGURE 3: Percentage by site location



Source: CGAP (2016).

FIGURE 4: Percentage of programmes by targeting specific characteristics



Source: CGAP (2016).

> “Unless there are concomitant efforts to expand markets through value chain analysis, market studies or local economic investments, the Graduation Approach will be ineffective for large numbers of the poorest people.

donors). In fact, 36 per cent of all graduation programmes do not offer the complete suite of interventions. While staff costs are part of the reason, limited governmental capacity in staffing front-line workers with the people skills necessary to work closely with beneficiaries is an important prohibitive reason. Governments, therefore, often exclude case management, technical training and the more labour-intensive activities from the graduation package.[8] Some governments are exploring ways to make the staff accompaniment or mentoring component of programmes easier to deliver. In Ethiopia, for example, the government is layering the mentoring component onto its pre-existing social worker infrastructure. The Government of Colombia is exploring the use of technology with videotaped mentoring sessions delivered via tablets or social informational text messages sent to participants' mobile phones. The Peruvian government's *Haku Wiñay* programme is not implementing the staff accompaniment component at all, since it does not have the capacity to do so effectively. Rather, it is promoting the use of community volunteers as a resource for technical assistance, instead of paid programme staff.

In a number of countries, government commitment to scaling up graduation coincides with national initiatives to increase the availability and use of digital and non-digital financial services. Digital transfers hold strong potential to make delivery more convenient for recipients, while reducing the costs for project implementers. Eighteen per cent of projects have digitised part of the transfers, but more research is required on digitising components of graduation programmes and determining which components result in the greatest cost savings.

Challenges of scaling up

The key to successful implementation of the Graduation Approach is contingent on the following:

- careful design to consider existing and potential livelihood opportunities, markets and prevailing cultural norms;
- participatory and transparent targeting[9] to avoid confusion and conflict as well as to ensure that the appropriate beneficiaries are identified and included;
- clear messaging around time-bound assistance to help catalyse and accelerate the planning for economic livelihoods. While safety net guarantees for those facing crisis and slipping back is integral to the social protection commitment we advocate for all, the Graduation Approach is designed as a time-bound 'big push' for participants to quickly launch their livelihood activities and stay on course towards sustainability;
- appropriate linkages to other social protection interventions as well as health care, schooling and financial services, so that participants can continue to improve their social and economic conditions beyond the duration of the programme; and
- hiring staff to ensure close staff–participant interactions and build the agency of the poorest and marginalised people.

The proliferation and scale-up of the Graduation Approach is, more importantly, conditional on easing many of the meso- and macro-level constraints. Market size represents an important bottleneck. Too many people pursuing the same micro-businesses or with the same employable skills will soon reach the absorptive capacity of the local economy and be out of work. Unless there are concomitant efforts to expand markets through value chain analysis, market studies or local economic investments, the Graduation Approach will be ineffective for large numbers of the poorest people. Natural resources, the local ecology, climate variability and physical terrain all represent other major constraints. Arid or semi-arid

zones, mountainous or sparsely populated regions, droughts or flooding all create conditions for low economic dynamism and low livelihood opportunities. The absence of basic social services such as health care facilities and schools increases morbidity and mortality rates and restricts the possibilities of preventing the intergenerational transmission of poverty. A low level of participation in local government reduces the chances of local budgetary expenditures for poor people. In addition, macro-level variables, such as economic mismanagement, corrupt governance, violence and conflict, as well as the vagaries of the global economy contribute to the creation of fragile States and severely constrain possibilities for reducing extreme poverty.

It is important to note that 'graduation' is only one pathway—a rigorously tested model—to reduce extreme poverty. Others, such as wage employment, may often be more effective. And additionally, the long-term success of the Graduation Approach is contingent on a comprehensive social protection regime that offers a range of risk-mitigating measures to address the many vulnerabilities faced by poor people. In fact, what we advocate for are national social protection policies with graduation as an integral component.

The learning agenda

There is still much to learn. The graduation 'Community of Practice' is actively trying to do so—for instance, 71 per cent of graduation programme implementations include a research component to study their impact on beneficiaries.[10] Thirty interventions include RCTs as part of their research agendas.

Research focuses on a variety of topics: 42 per cent of research projects[11] will assess programme components, including adaptations and method of delivery, 27 per cent of projects will assess long-term impacts of graduation, and 11 per cent will conduct cost–benefit studies to provide policymakers with robust evidence to determine the effectiveness of graduation relative to other programmes. There is keen interest in innovations and knowledge-sharing to: 1) adapt the Graduation Approach to additional vulnerable segments of the population, including refugees, extremely poor urban households and disadvantaged youth or children; 2) expand the range of income-earning options beyond rural livelihoods to safe and decent employment; 3) provide better linkages to meso-level interventions, such as schooling, health care, and climate change and disaster mitigation programmes; 4) improve cost-effectiveness through measures such as digitisation of transfers and financial services, case management and advice through volunteer groups or existing social support, and leveraging existing government services; and 5) ensuring closer convergence of formal government social protection and other programmes for vulnerable people.

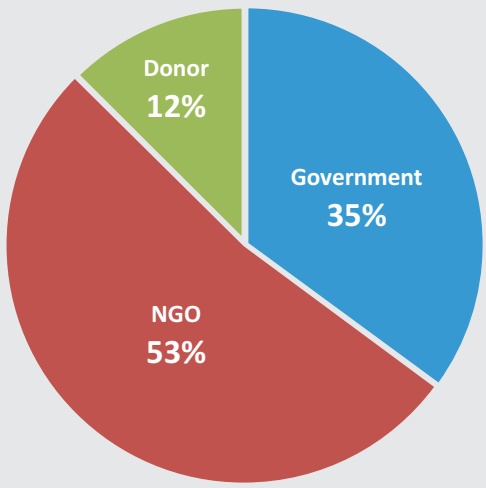
Looking ahead

The Graduation Approach is expected to continue to grow in scale and influence, with strong demand from donors and governments for nationally scaled programmes. CGAP is actively working with the World Bank's Social Protection and Jobs Global Practice as well as members of the global Graduation Community of Practice to develop a dedicated, autonomous platform for graduation efforts, as part of the broader social protection agenda. The platform will serve and support governments and other stakeholders, bringing them together so that they can implement household-level, holistic, income-earning interventions for extremely poor households and other vulnerable populations by focusing on five key activities:

- Advocacy: Scaled adoption of effective graduation-style programmes for extremely poor people and better integration within social protection systems.

> "The long-term success of the Graduation Approach is contingent on a comprehensive social protection regime that offers a range of risk-mitigating measures to address the many vulnerabilities faced by poor people.

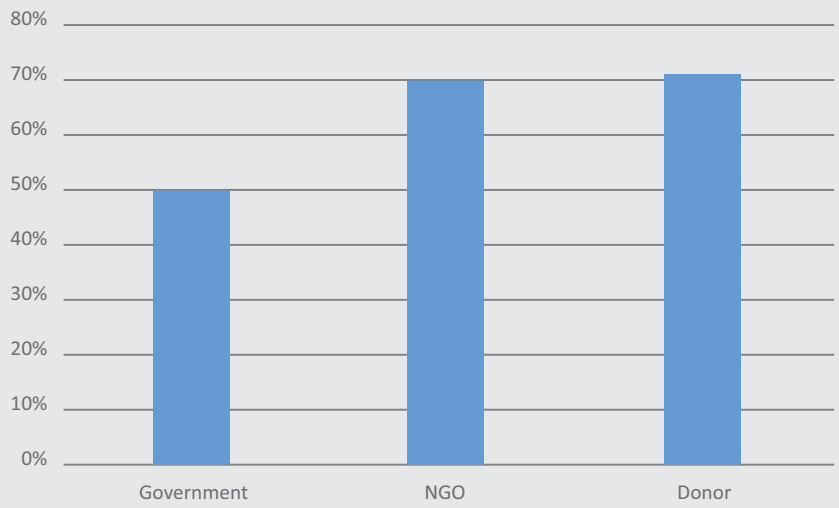
FIGURE 5: Programme implementer share



Government implementations are increasing over time, including 70 per cent of government implementations occurring since 2015

Source: CGAP (2016).

FIGURE 6: Programmes implemented with all graduation components



Source: CGAP (2016).

> "The Graduation Approach is expected to continue to grow in scale and influence, with strong demand from donors and governments for nationally scaled programmes.

- Knowledge generation and innovation: A set of proven scaled models by context and levels of resourcing/social protection budgets; an established process for ongoing innovation; clarity on adaptations to additional vulnerable segments; and proven efficiencies through digitisation and other innovations.

- Knowledge management: A robust global database of intervention design and implementation guidance, technical tools, best practices, technical service providers and ongoing/completed research that is accessible and used for building graduation pathways.

- Compliance with standards: An established and widely accepted set of standards and methodologies for evaluating programmes and any new interventions.

- Sustainable resourcing: A sufficient and diversified set of funders and funding tools to support countries and programmes to ensure that extremely poor and vulnerable populations have access to effective programmes and ongoing support needed for resilience.

The platform will serve the Community of Practice with critical public goods, test new solutions and magnify the impact of targeted investments in economic inclusion by governments, development agencies and others. ●

Bandiera, O. R. Burgess, N. Das, S. Gulesci, I. Rasul, and M. Sulaiman. 2016. "Labor Markets and Poverty in Village Economies." *Quarterly Journal of Economics*.

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1. The data reported in this article are based on the information summarised in CGAP (2016).

2. The Consultative Group to Assist the Poor (CGAP).

3. See Banerjee et al. (2015) and Bandiera et al. (2016).

4. Although we have identified 57 graduation programmes globally, we received completed questionnaires from 55 programmes. The analysis in this article is based on these 55 programmes.

5. Five of the 55 programmes were not included in the report due to limited information. See: <https://www.microfinancegateway.org/library/status-graduation-programs-2016>.

6. Eighteen per cent of programmes in 2015 and 11 per cent of programmes in 2016 did not provide complete information on regional distribution.

7. Seventeen per cent of the sample did not report information on targeting; some reported targeting more than one group.

8. Total supervision costs (salaries of implementing organisation staff, training materials, training, travel costs and other supervision expenses) amount to 44 per cent of total programme costs, on average, in Ethiopia, Ghana, Honduras, India and Peru (Banerjee et al. 2015).

9. Some in the development community have critiqued 'targeting' as ineffective, exclusionary and expensive, opting to support universal coverage. However, we feel strongly that while targeting is not 100 per cent accurate in avoiding all inclusionary and exclusionary errors, it is the most effective methodology for including specific segments of the poorest population in graduation approaches in a cost-effective, open, participatory manner and in a budget-constrained environment.

10. Only 2 per cent of the sample did not report research practices.

11. Calculations are based on 36 projects that provided specific impact assessments questions. See CGAP (2016).

The effectiveness of the Graduation Approach: what does the evidence tell us?

Stephen Kidd [1] and Diloá Bailey-Athias [1]

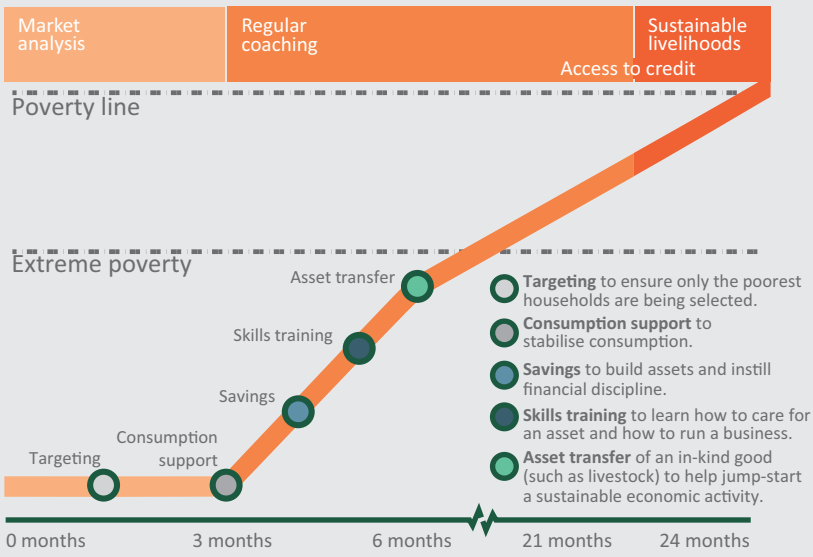
No one should be against giving families living in poverty a few goats, chickens or cattle. Indeed, development projects have been doing these things for decades, with variable results. However, in recent years, major claims have been made about the impacts of livestock schemes known as graduation programmes. According to the World Bank's Consultative Group to Assist the Poor (CGAP 2017), the Graduation Approach "holds significant purpose if implemented at scale to move people out of extreme poverty and into sustainable livelihoods". Banerjee et al. (2015) argue that it "causes lasting progress for the very poor", while in an article for the *Guardian* newspaper, Emma Graham-Harrison (2016) claims that it "has transformed the lives of more than a million of the world's poorest families". Indeed, the name Graduation was chosen because it was believed that the approach will, in fact, 'graduate' people out of poverty.

A diagram produced by CGAP to explain the programme (see Figure 1) shows how beneficiary families are expected to be on an ever upward trajectory out of poverty. So, are graduation schemes the 'silver bullet' that the world's poorest families have been waiting for?

As Figure 1 indicates, the Graduation Approach combines the provision of assets to families—usually livestock such as cattle, goats, chickens or, in the case of Peru, guinea pigs—in addition to a regular cash or food transfer for a few months combined with intensive coaching. In some cases, beneficiaries are encouraged to save regularly and are given access to health services. The value of the assets provided is not particularly large: across five countries Banerjee et al. (2015) found it to be the equivalent of between 3.8 and 8 goats (and 17.1 goats in Ethiopia). In Bangladesh, most beneficiaries appear to receive two cows. Yet the programme is believed by many to be life-transforming.

What is the actual evidence on the impacts of the Graduation Approach? Has it really achieved its stated objective of 'graduating' the 'ultra poor' out of poverty? This article hopes to answer these questions by examining whether: the beneficiaries of the programme are, in fact, the poorest people; the impacts of the programmes are as significant as claimed; the impacts are sustainable; and the approach is cost-effective.

FIGURE 1: The graduation model as depicted by CGAP



Source: Hashemi and de Montesquiou (2011).

Programme beneficiaries: are they the poorest people?

The Graduation Approach attempts to target the poorest members of society, in the belief that they are excluded from more mainstream development programmes and financial services. However, attempts to reach the poorest people do not appear to be particularly successful.

As Figure 2 indicates, when measured against a poverty line of USD1.25 (Purchasing Power Parity—PPP)—which was used by the Millenium Development Goals to benchmark extreme poverty—a high proportion of recipients had higher levels of consumption when selected for the graduation programme.[2]

In Peru and Pakistan, for example, over 80 per cent of recipients were above the USD1.25 poverty line. Even in Bangladesh, around 45 per cent of beneficiaries were above this line, indicating that the vast majority would not have been considered 'ultra poor' when they entered the programme (since the 'ultra poor' are expected to be in the poorest 6 per cent of their communities). Furthermore, the Bangladesh graduation programme is known for selecting female-headed households, yet, in fact, 58 per cent of households were male-headed, and only 41 per cent of women were the sole earner in the family (Bandiera et al. 2012; 2016).

Therefore, the claim that graduation programmes are helping *only* the very poorest is not supported by the evidence. While some recipients are indeed living in extreme poverty, many are not. As we will see in the next section, this has a major influence on the effectiveness of the Graduation Approach.

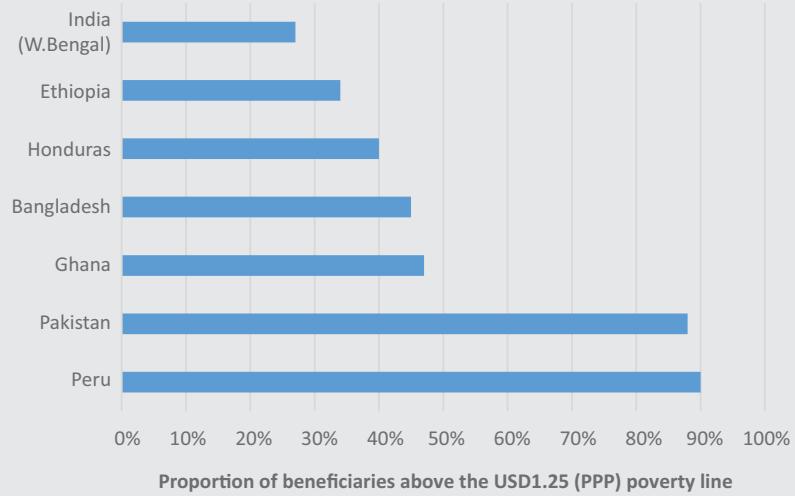
Programme impacts: are they significant?

Advocates of the Graduation Approach claim significant impacts for the programmes. For example, in Bangladesh it is claimed that recipients' earnings increased by 37 per cent, the value of cows increased by 208 per cent, and business assets rose by 283 per cent. While these figures are correct, the actual impacts are, in reality, much less impressive when expressed as absolute values. As Table 1 shows, earnings only increased by USD0.06 per day, the value of cows rose by a mere USD20.27, and business assets increased by just USD17.36. The claim by Banerjee et al. (2015) that the Bangladesh programme is "very effective" does not seem to be substantiated by the evidence.

The principal aim of the Graduation Approach, however, is to improve household consumption (ibid.). Yet, even with this indicator, impacts are relatively modest or even non-existent. Table 2 shows the per capita impacts on the expenditure of beneficiary households. Household consumption only increased—across six countries—by between USD0.04 and USD0.12 per capita per day. In Honduras, beneficiaries ended up poorer than when they had started, due to their assets (chickens) dying as a result of disease, while similar negative impacts were also found in Andhra Pradesh, India. A further aspect of the scheme in Bangladesh has been an increase in child labour among beneficiary households of around 60 hours per year, although the exact nature of this work is unclear (Bandiera et al. 2013).

This level of impact on consumption can in no way 'graduate' families out of poverty. As Figure 3 indicates, for rural India, the average impact from the West Bengal experiment would only move a family at the 10th percentile to the 16th percentile in the consumption distribution, so they would still be living in extreme poverty. In fact, buried within Banerjee et al.'s (2015) paper is the observation that: " the average effects are not very large and do not correspond to our intuitive sense of what it would mean to be liberated from the trap of poverty". This contrasts markedly with the same study's headline finding that "the Graduation programme's primary goal, to substantially increase consumption of the very poor, is achieved by the conclusion

FIGURE 2: Proportion of the beneficiaries of graduation programmes that were not living under USD1.25 PPP at the time of the baseline



Source: Authors' elaboration based on Banerjee et al. (2015).

TABLE 1: Claims about the impacts of the Bangladesh graduation programme and the evidence in absolute values (in 2007 nominal USD)

Claim	Absolute values
Earnings increase by 37%	USD0.06 per day
Value of household durables increases by 110%	USD9.90
Value of cows increases by 208%	USD20.27
Household savings increased by 863%	USD13.00
Value of land owned increases by 220%	USD87.64
Business assets rise by 283%	USD17.36

Source: Authors' elaboration based on Balboni et al. (2015) and Bandiera et al. (2016).

TABLE 2: Impacts of graduation programmes on consumption, per capita per day

	USD 2014 (PPP) per day	USD 2014 (nominal) per day	Percentage of consumption of 30th percentile
Bangladesh	0.17	0.07	7.7%
Ethiopia	0.24	0.09	13.4%
Ghana	0.11	0.04	5%
Honduras	-0.15	-0.08	-5%
India (West Bengal)	0.20	0.06	10%
India (Andhra Pradesh)	-0.10	-0.03	-5%
Pakistan	0.20	0.06	6.9%
Peru	0.20	0.12	3.1%

Source: For Bangladesh, see Bandiera et al. (2013); for India (Andhra Pradesh), see Bauchet et al. (2015); for all remaining impact evaluations, see Banerjee et al. (2015).

of the programme" (ibid.). Therefore, this finding does not appear to be substantiated by the evidence either.

Furthermore, the evidence indicates that the largest impacts are among those who were least poor when entering the programme.[3] Banerjee et al. (2015) found that the increase in consumption was greater among households in the top quantiles. As Figure 4 shows, across six countries, the impact on consumption at around one year following the end of the programme was approximately four times higher at the 90th percentile of the consumption distribution than at the 10th percentile. Unsurprisingly, those who were in a stronger position financially at the beginning of the programme—in particular those who were not poor—were better able to take advantage of it. Indeed, Misha et al. (2014) found that the most sustainable impacts of the BRAC[4] graduation scheme were among the people who were entrepreneurs prior to entering the programme; the impacts on those who were not entrepreneurs were negligible in the long term. One explanation could be that, psychologically, people who were not poor were better prepared to profit from the programme, since those living in extreme poverty—or the 'ultra poor'—would probably have been less confident and less able to take advantage of the opportunity presented to them. This raises the question of whether the programme is, in fact, appropriate for its target group—the 'ultra poor'—since they do not appear to have gained much from it.

Programme benefits: are they sustainable?

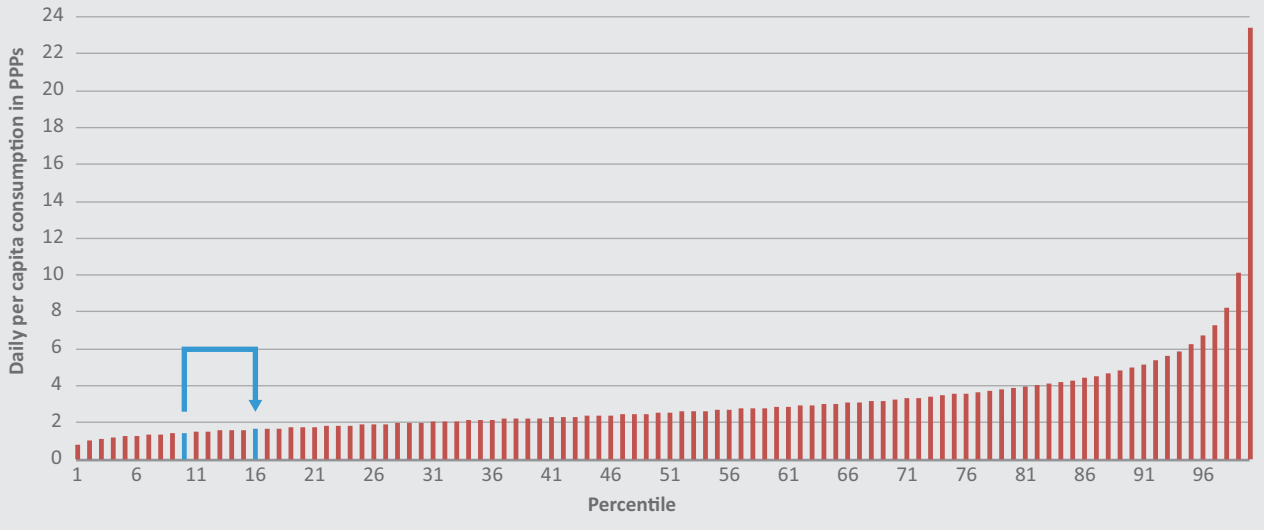
Is the claim by Banerjee et al. (2015) that graduation programmes bring about lasting progress for very poor people correct? First of all, as we have seen already, those benefiting most from the programme are unlikely to be 'very poor'. Nonetheless, are the impacts sustainable? The authors make this claim despite measuring programme impacts only one year after the programme ended, which seems rather premature.[5]

There are strong indications that household productive assets begin to diminish among many beneficiaries either during or just after the programme finishes. Banerjee et al. (2015) note that beneficiaries sold off some of their productive assets soon after receiving them, so that, one year after the programme had been finalised, the value of the assets held by families was less than those they had received. In fact, in Honduras, Pakistan and Peru, it was less than 20 per cent of the value initially received in assets. Across the six countries in their study, the reduction in asset values was greatest among the poorest households. Similarly, in Bangladesh, between the end of the programme and two years afterwards, the average number of cows owned by beneficiaries had reduced slightly from 1.22 to 1.21, the number of poultry from 4.15 to 3.1, and the number of goats from 0.83 to 0.57 (Bandiera et al. 2013). Also, in Bangladesh, Misha et al. (2014) found that the beneficiaries, nine years after joining the scheme in 2002, owned an average of only 0.72 cows/bulls and 1.95 poultry, which does not suggest a 'sustainable livelihood'.

The reduction in assets is not surprising. Households continually face risks, any of which may oblige them to sell off assets as a coping strategy. Since the regular cash transfer component of the schemes only lasts from a few months to a maximum of one year, households do not have a guaranteed minimum level of income security that they can draw on when hit by a crisis. Therefore, most participants are left exposed to risk, without any form of social protection to support them, unless they are lucky enough to have entered into a government social security scheme.

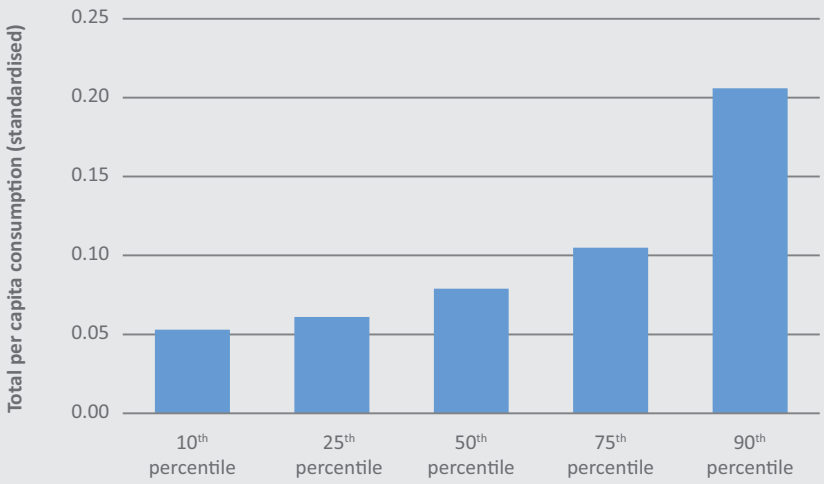
In fact, in Bangladesh, there is evidence that the change in the lives of beneficiaries

FIGURE 3: The movement of a household in rural India up the consumption distribution, if it receives the average impact from the graduation programme in India



Source: Authors' elaboration based on data from PovcalNet [6] for Rural India in 2012.

FIGURE 4: Combined effects of the graduation programmes on per capita consumption across Ethiopia, Ghana, Honduras, India (West Bengal), Pakistan and Peru



Source: Authors' elaboration based on Banerjee et al. (2015).

> "The Graduation Approach combines the provision of assets to families—usually livestock such as cattle, goats, chickens or, in the case of Peru, guinea pigs—in addition to a regular cash or food transfer for a few months combined with intensive coaching.

was not particularly large nine years after entering the graduation programme: in fact, it was deteriorating year over year. For example, around 50 per cent of beneficiaries continued to depend on day-labouring as their main source of income[7] (Misha et al. 2014). Many other initial benefits from the programme also diminished over this period: for example, the number of animals owned by beneficiaries decreased consistently between 2005 and 2011, indicating that the initial gains from the programme were not sustainable.[8] Similarly, while the probability of engaging in entrepreneurship had increased by 9 percentage points by 2005, it had fallen to 7 percentage points by 2008 and only 4 percentage points by 2011, which, as stated by Misha et al. (2014) "renders the long-term effect to be rather limited". Indeed, they conclude that: "While the programme caused an initial shift to more entrepreneurial employment activities, by 2011 many treated households reverted back to their baseline occupations." Of particular concern is the finding that the women who had initially been maids or beggars when joining the programme in 2002 had reverted to these same occupations by 2011, indicating no real change among the most vulnerable people. A similar pattern occurred among those who had been day-labourers in 2002: by 2011 they had reverted to being day-labourers, and, indeed, some had become maids or even beggars.

Similarly, Banerjee et al. (2015) report that a range of positive impacts found at the end of the programmes they studied had disappeared after only one year. These included gains in financial inclusion, time spent working, income and revenue, mental and physical health, and women's empowerment. There is no way of knowing whether the situation has deteriorated further in later years, but it would not be surprising, since families face more and more crises over time.

The assertion that households are on a continuously upward path out of poverty, as indicated by the advocates of the Graduation Approach (see Figure 1), is unrealistic. Figure 5 shows the degree of consumption volatility found in Uganda over a period of two years and the extent to which household rankings changed significantly. In fact, 45 per cent of households living in poverty in 2013 had not been living in poverty in 2011, and a similar volatility is found across many—if not all—developing countries. Households are frequently hit by shocks and crises or, alternatively, are able to take opportunities to improve their livelihoods. Without access to regular and predictable

> “The claims made about the success of Graduation programmes are both misleading and exaggerated, since they give the impression that impacts are much greater than they actually are.

TABLE 3: Value of monthly cash transfers that could be provided to beneficiary households

Country	Value of monthly transfers over 5 years (USD)		Value of monthly transfers over 10 years (USD)	
	PPP value	Nominal value	PPP value	Nominal value
Bangladesh	19	8	9	4
Ethiopia	52	20	26	10
Ghana	59	20	29	10
Honduras	39	22	20	11
India (West Bengal)	18	6	9	3
India (Andhra Pradesh)	40	12	20	6
Pakistan	78	24	39	12
Peru	74	43	37	21

Source: Authors' elaboration.

social security transfers, beneficiaries of graduation programmes are just as exposed to risk as other households, and, over time, it is likely that the assets of most will be significantly eroded.

Cost-effectiveness of the Graduation Approach

Graduation programmes are not cheap. Costs range from USD379 per household in India to USD2,865 in Peru, not counting the cost of health services.[9] Banerjee et al. (2015) used a simplistic technique to argue that the benefit–cost ratio of the programme is positive: they assumed that the estimated consumption gains only one year after the programme would continue indefinitely into the future, although a discount rate was included. Thus, they were able to report benefit–cost ratios of between 133 per cent and 433 per cent (although it is minus 198 per cent in Honduras). Similarly, Bandiera et al. (2016) used the highly optimistic assumption that the gains from the programme would last "year-on-year"—presumably until the death of the participants—to derive an average benefit–cost ratio of 5.4 for BRAC's Graduation scheme.

They also appear to use a cost of USD280 per recipient for the entire two-year programme, whereas in an earlier paper they put the cost of the programme at USD300 per year, which would result in an overall cost of USD600 (Bandiera et al. 2011). Since the USD600 cost is more in line with other estimates, it suggests that Bandiera et al. (2016) have significantly underestimated the true cost of the programme and, consequently, significantly overestimated the benefit–cost ratio.

Nevertheless, as indicated above, the average level of productive assets in graduation programmes declines over time, which would most likely result in progressively lower incomes. Indeed, across the six countries studied by Banerjee et al. (2015), consumption among the poorest beneficiaries was already falling after one year. Therefore, the assumptions of Banerjee et al. (2015) and Bandiera et al. (2016) appear to be flawed, and the finding that these programmes are cost-effective is highly questionable. It is certainly not based on robust evidence.

A more interesting question would be whether offering families a regular and predictable transfer—and nothing else—over a longer period but at the same cost would result in greater impacts. Table 3 indicates the value of monthly transfers that could be provided over five and 10 years for the same cost as graduation programmes across seven countries. Compared to many social security cash transfers in developing countries, the values of the benefit are relatively high. Given that there is a great deal of evidence that providing families with regular and predictable transfers enables them to build productive assets and engage in the labour market, it is likely that the benefits of a long-term regular transfer would be significant (see DFID 2011; Kidd 2014; Bastagli et al. 2016; Davis et al. 2016; and Handa et al. 2016). Even among old-age pensioners in Uganda, the proportion purchasing livestock within a period of one year increased to 46 per cent, compared to 26 per cent prior to the introduction of the pension, alongside a 42 per cent increase in the value of their purchases (Kidd 2016). Yet many Graduation programmes do not allow older people to participate, mistakenly regarding them as unproductive.

Regular and predictable transfers offer families income security, which enables them to plan for and invest in the future. Furthermore, if they are hit by shocks, they have this transfer to fall back on, as an alternative to selling their productive assets. However, this essential safety net offered by social security transfers is not available to graduation beneficiaries, unless they manage to access a national social security scheme. Indeed, the absence of a regular and predictable social security transfer is likely to undermine the investment in Graduation programmes, since the assets given to families could be lost as a result of exposure to even relatively small shocks.

Until a proper evaluation is undertaken to compare graduation programmes with regular and predictable transfers that endure for longer periods of five or even 10 years, we will not know the actual cost-effectiveness of the Graduation Approach compared to other viable options. Those donors financing graduation schemes may find that using their funds to provide a regular and predictable transfer for up to 10 years may have greater and more sustainable results. There is, of course, value in offering active labour market programmes

Photo: MGLSD Uganda. Ugandan SCG beneficiary at her pig farm.

to recipients of social security schemes, but Graduation programmes should never be seen as a replacement for comprehensive national social security systems. At best, they are a complement, albeit an expensive one.

Conclusion

There is clear evidence that the Graduation Approach does not achieve its purpose of 'graduating people out of poverty'. It may improve the consumption of beneficiaries, but this is hardly surprising, given that they have recently received a range of productive assets as gifts. Moreover, those who are most able to take advantage of the Graduation Approach are not the so-called 'ultra poor' but, instead, those who are better-off (a reflection of the programme's inclusion errors).

The claims made about the success of graduation programmes are both misleading and exaggerated, since they give the impression that impacts are much greater than they actually are. It would be much more realistic if programme implementers were to set a target of, for example, about 20 per cent of beneficiaries having long-term success due to the intervention. Indeed, that would be a rather successful outcome, given the low rate of success associated with employment programmes and start-up companies in developed countries.

The Graduation Approach is based on the traditional belief in the international development community of heroic individuals dragging themselves out of poverty by their bootstraps. Indeed, Bandiera et al.'s (2013) claim that Graduation programmes turn beneficiaries into 'entrepreneurs' is, perhaps, a slight exaggeration, given that they only possess a few goats, chickens or guinea pigs.

The Graduation Approach alone does not engage with the more fundamental challenge of addressing social injustice and ensuring that people living in poverty can access State-funded social services, including social security (such as tax-financed old-age pensions and child and disability benefits), although BRAC, at least, implements other programmes that support people to access their rights. All NGOs delivering graduation programmes should ensure that they also focus on advocating for comprehensive national social security systems, as this is the best means of bringing about

FIGURE 5: Movement of households in Uganda across wealth quintiles between 2011/12 and 2013/14

Source: Kidd and Gelders (2016).

> "The assertion that households are on a continuously upward path out of poverty, as indicated by the advocates of the Graduation Approach is unrealistic.

fundamental and long-lasting change. And, in the absence of such systems, NGOs may find that the provision of a regular transfer for up to 10 years may serve beneficiaries much better than offering a few animals alongside some training.

Graduation programmes considered in isolation are certainly not social protection, since they neither protect beneficiaries against risk—except in the short term when people are able to sell off their assets—nor do they provide regular and predictable transfers (apart from for a few initial months).

They most definitely should not be regarded as innovative programmes, as heralded by their advocates. Instead, they are—as indicated earlier—just rather expensive versions of good old-fashioned livestock schemes, following a long tradition of such programmes, which have had mixed success. They are not the 'silver bullet' for widespread poverty reduction, and, in contrast to the claims of their advocates, do not even achieve the aim of moving most of their beneficiaries into 'sustainable livelihoods' or even out of poverty.

As stated at the beginning of this article, there is no harm in giving people a few animals, and it is even better to offer them complementary training. Nonetheless, a more strategic activity for those engaged in graduation programmes would be to advocate for the introduction of comprehensive social security systems accompanied by active labour market support to the beneficiaries. Only through the redistribution of national wealth across all citizens through tax-financed social security schemes—ensuring the realisation of the basic right of everyone to social security—can there be fundamental social transformation. Unfortunately, this cannot be achieved solely by graduation programmes. ●

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1. Development Pathways.

2. We use the USD1.25 PPP poverty line rather than the current USD1.90 PPP poverty line of the Sustainable Development Goals, as this is the line that was used by the evaluators themselves. Nonetheless, given that the Graduation programme is aimed at the 'ultra poor' rather than 'poor' people, it seems appropriate to use the USD1.25 PPP poverty line.

3. Misha et al. (2014) came to the same conclusion among beneficiaries of the Bangladeshi Graduation programme.

4. BRAC is a non-governmental organisation (NGO) based in Bangladesh. See <http://www.brac.net>.

5. Unfortunately, it is not possible to use the evaluation results from the study by Bandiera et al. (2016) of the effects the Bangladesh Graduation programme seven years after programme commencement, since there was no longer a control group, and impacts could not be measured.

6. PovcalNet is an online analysis tool for global poverty monitoring. See <http://iresearch.worldbank.org/PovcalNet/home.aspx>.

7. The actual reduction in the proportion of those depending on day labour was, in fact, modest, falling from 60 per cent to 50 per cent after nine years (Misha et al. 2014).

8. For example, while beneficiaries of the BRAC Graduation programme had seen an increase in the number of cows/bulls owned of 1.5 by 2005, by 2011 that number had fallen significantly to a net gain of only 0.4 cows/bulls.

9. These figures are in nominal USD (2014 values). In USD PPP terms, costs range from USD1,257 per household in India to USD5,150 in Pakistan. It is also likely that the administrative costs of implementing NGOs and donors are not included in these figures.

The labour markets of the ultra poor[1]

Clare Balboni,[2] Oriana Bandiera,[3] Robin Burgess [3] and Imran Rasul [4]

Why labour markets?

One in 10 people live in extreme poverty today (World Bank 2016). Bringing this number to zero by 2030 is the central tenet of the Sustainable Development Goals agreed in 2015. This will involve moving 700 million people out of extreme poverty. Can it be done?

The answer, we argue, requires understanding poor people's labour markets. Labour is all that poor people have, and employing it in a productive way is key to enabling them to exit poverty. In simple terms, poor people need to work more hours and/or earn more per hour to lift themselves out of poverty.

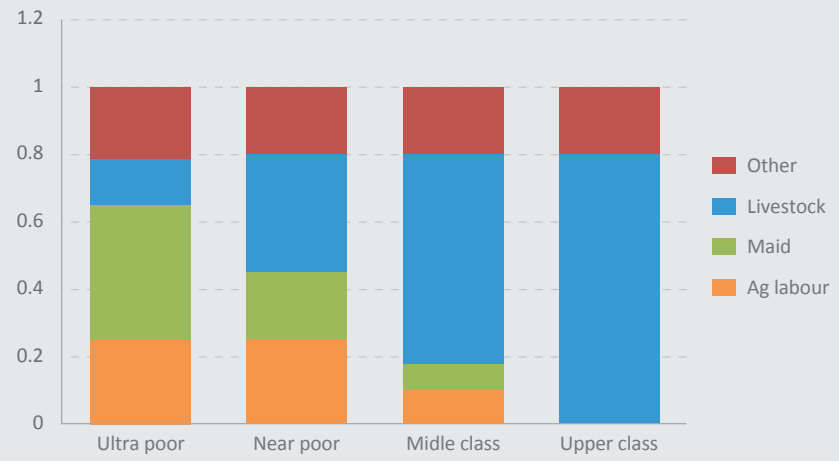
Here we report on results from the evaluation of a programme designed to achieve this goal. The programme is BRAC's Targeting the Ultra Poor (TUP), also known as 'Graduation'. This consists of a transfer of livestock assets and skills training to the poorest women in the poorest villages of Bangladesh. The programme targets women, as they are the most vulnerable among ultra-poor people. Previous approaches to poverty reduction typically involved providing access to capital (e.g. assets, finance) or human capital (e.g. skills, education). The programme we study is innovative in that it combines both these approaches with a view to making labour supplied by poor people more productive.

To evaluate this programme, we ran a large-scale and long-term randomised control trial in Bangladesh, covering over 21,000 households in 1,309 villages surveyed four times (in 2007, 2009, 2011 and 2014). The evaluation design allows us to look at effects for a full seven years after the programme was introduced. This helps us to see beyond short-term effects and to assess whether the programme is capable of achieving its aim of lifting people out of poverty or only provides a short-term boost.

Our baseline survey revealed a very strong correlation between poverty and labour market choices. We found that the poorest women engage in low-paid and seasonal casual wage labour, while wealthier women engage in livestock rearing.[5]

The programme enables poor women to start engaging in livestock rearing, increasing their aggregate labour supply and earnings. Further, we show that this leads to the accumulation of livestock, land and business assets and poverty reduction, both sustained after four and seven years.

FIGURE 1: Occupation by wealth class at baseline



Source: Authors' elaboration.

Our results show that poor people are able to take on the occupations of the wealthier but face barriers to doing so, and that one-off interventions that remove these barriers lead to sustainable poverty reduction.

Who are the ultra-poor people?

To identify who is eligible for the programme, BRAC asks the village residents to classify all households into four or five wealth groups, broadly corresponding to three 'social classes'—namely, the poor class, the middle class and the upper class. BRAC officers then visit households in the two lowest ranked groups—which correspond to the poor group—and determine eligibility for the programme based on a set of criteria meant to identify the most vulnerable poor people and those of them who are able to participate in the programme.[6] The eligible poor group is called 'ultra poor', and the non-eligible poor, 'near poor'.

Baseline data show that the able-bodied women who are identified as being ultra-poor are disadvantaged across a whole range of dimensions relative to other women in these villages. Not only are more of them living beneath the global poverty line, they are also almost entirely illiterate, and a much larger proportion of them are the sole earner in their household. These women are also largely landless and lack livestock and business assets. Indeed, this is the key feature that differentiates them from those women who are better off in the village.

The randomisation of the villages into treated and control villages, and the detailed data collection undertaken in both types of villages, allowed for a thorough description of the nature of poverty before the implementation of the programme and a thorough analysis of how the programme has affected living standards and vulnerability across a range of dimensions beyond monetary poverty.

How do they employ their labour?

Figure 1 shows that, across all social classes, women devote 80 per cent of their labour hours to just three labour market activities—maid work, agricultural labour and livestock

rearing. The choice of where women can employ their labour is, therefore, extremely limited. What is even more striking in Figure 1 is that poor people are predominantly engaged in low-paid and seasonal casual wage labour, whereas middle- and upper-class women are engaged in higher-paid and less itinerant livestock rearing. Poverty is thus associated with those labour market activities that require unskilled labour and no inputs of capital.[7]

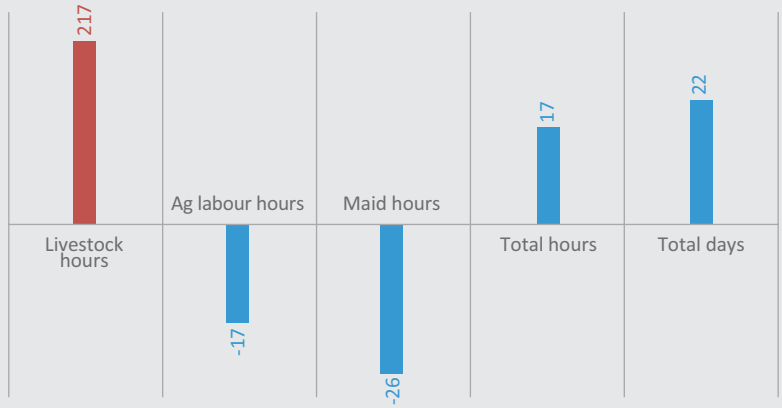
Because of seasonal demand for their labour, ultra-poor women work for many fewer days per year than their wealthier counterparts—two months less over the course of a year. This is consistent with evidence from other parts of the developing world that rural landless poor people are often underemployed. Indeed, across the globe, the people who remain in extreme poverty are often characterised by having an almost complete dependence on low-paid and insecure activities where they are on daily wage contracts in unskilled occupations. The baseline data we gathered, therefore, make it very clear that any serious attempt to lift these women out of poverty will have to address the labour market activities in which they are engaged.

Would beneficiaries be able to take on rich people's occupations and escape poverty?

BRAC's TUP programme gives participating women a menu of income-generating assets, all valued at USD560 in purchasing power parity (PPP) terms, from which all participants select a bundle of livestock assets. The assets are accompanied by a support package of similar value to train and assist recipients in working with livestock over two years, including via weekly home visits.

The fundamental question this study is asking is whether poor people can take on the labour market activities of wealthier women in the same villages. The answer to this question depends on whether ultra-poor women can successfully employ the assets they receive as part of the programme and combine this with the skills training and support they receive to successfully operate small livestock businesses. The history of asset transfer programmes in the developing world is a chequered one, with many cases of poor people being unable to operate businesses that are typically run by wealthier households. The illiterate, asset-less group that the programme targets may be expected to be the least well positioned in these communities to become successful entrepreneurs.

FIGURE 2: Four-year effect on hours and days worked (percentage increase) [8]



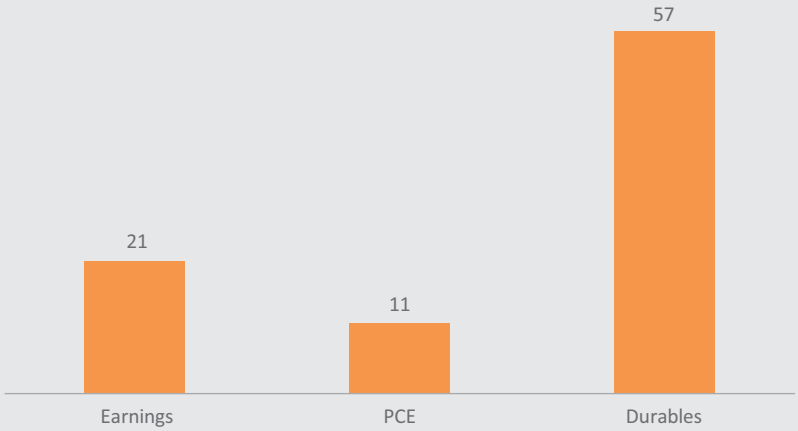
Source: Authors' elaboration.

Yes they can

Figures 2 and 3 answer the question of whether the poorest women in the treated villages can take on the occupations of their wealthier counterparts and escape poverty. The short answer is that they can. Four years after the asset transfer, they work 17 per cent more hours and 22 per cent more days per year, as shown in Figure 2. This Figure also shows that this change is driven by a 217 per cent increase in hours devoted to livestock rearing, while hours devoted to agricultural labour and maid work both fall.

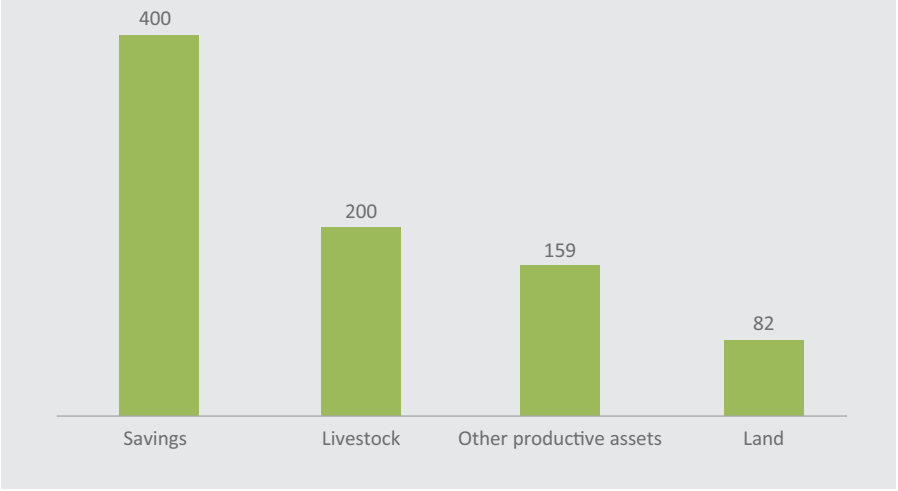
As shown in Figure 3, this shift in working hours from casual wage labour towards livestock rearing means that the earnings of women in the programme after four years are 21 per cent higher, their per capita expenditure is 11 per cent higher, and the value of durable goods they own is 57 per cent higher. There is, therefore, clear evidence that ultra-poor women in the villages which received the programme

FIGURE 3: Four-year effect on earnings and expenditure (percentage increase) [8]



Source: Authors' elaboration.

FIGURE 4: Four-year effect on asset value (percentage increase) [8]

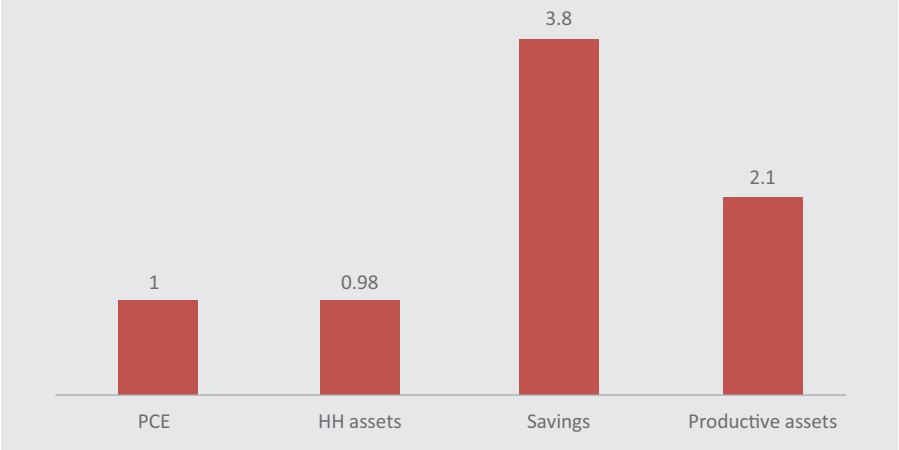


Source: Authors' elaboration.

experienced a very significant improvement in living standards. This is an important finding, in particular because the results presented in Figure 3 are four years after the baseline, and two years after the programme ended, demonstrating that welfare gains were maintained even without further assistance. This is supported by evidence from a survey conducted in 2014—seven years after the programme began—that seven-year impacts were at least as large as the four-year impacts.[9]

In Figure 4, we examine financial and productive assets, which are what differentiate the poorest women from richer women at baseline. Here we see very large effects. Moving from a very low base, ultra-poor women in these villages experience a 400 per cent increase in savings, a 200 per cent increase in the value of livestock held, a 159 per cent increase in the value of other productive assets and an 82 per cent increase in the value of land owned after four years. These effects demonstrate that women are moving from a position of being largely asset-less, with limited participation in financial markets, to one of greater asset ownership and financial inclusion.

FIGURE 5: Treatment effect as a share of the gap [8]



Note: Household assets include jewellery, sarees, radio, television, mobile phones, furniture etc. Productive assets include livestock, land, agricultural equipment and other machinery used for production.
Source: Authors' elaboration.

Our study design allows us to test whether these gains come at the expense of other households in villages where the programme operates and that do not receive the programme. We tracked 15,100 households from wealth classes other than the ultra poor (near poor, middle class and upper class), and found no evidence that this is the case: the livestock-rearing businesses of richer women are not crowded out, and the agricultural and maid wages they receive increase, particularly for those who are near poor, as participating women withdraw their labour.

Are these big effects?

There is no doubt that these effects are very large relative to baseline values and relative to ultra-poor women in control villages. But these comparison benchmark values are very small, so even small changes for the treated group lead to large percentage differences. Given that the absolute effect is not informative, we need to look for alternative benchmarks to gauge how large these effects are.

One such benchmark is given by similar programmes in other settings. The effects we estimate are larger than those achieved by pilots of similar programmes across six different countries and similar to those achieved in neighbouring West Bengal (Banerjee et al. 2015).

Our sample design also allows us to compare the size of the impact with the gap between the 'ultra-poor' households and those in the next wealth class, the 'near poor'—who, as described above, were not eligible for the programme because they had productive assets, an able working male or were already receiving assistance from the government. Figure 5 compares the ultra poor to the near poor in these communities. In terms of per capita expenditure (PCE) and household assets, ultra-poor people close the gap between them and those who are near poor. Even more surprising is the fact that in terms of savings and productive assets, ultra-poor people actually overtake the near-poor group. These findings point to the programme's transformative effect, not only on the welfare of the poorest women in these villages as measured by earnings and per capita expenditure, but also in terms of their asset holdings. The finding that women are acquiring more productive

assets and saving more is important because these provide a future income stream, thus cementing a better economic future for them within the village.

Another useful benchmark is the cost of the programme, which leads to the next question.

Is it worth it?

The ultra-poor programme that we studied is expensive. The combined value of the assets, training and support provided over two years is USD1,120 per household in PPP terms. Therefore, this is really a 'big push' but a time-limited programme. As we know the returns to the programme, we can carry out a cost–benefit analysis. We estimate that the programme's benefit–cost ratio is 3.2 if the estimated consumption benefits in the fourth year are repeated over 20 years. In short, based on this assumption, the benefits from the programme far exceed the costs. We also estimate the internal rate of return of the programme to be between 16 per cent and 22 per cent, which is very high relative to existing market rates. This demonstrates that it would have been worthwhile for households to have invested in these types of activities if they could have afforded to do so. The highly positive benefit–cost ratios and internal rates of return underline the fact that this is a highly cost-effective programme.

Things we know

The findings of this study demonstrate that the programme gives previously underemployed women a labour market activity across the whole year. This allows them to dramatically expand the hours they work by putting many additional hours into raising livestock. More importantly, rather than being entirely consumed, the extra earnings are used to purchase more productive assets, including land. This bodes well for poverty reduction in the long term. As the new assets start producing income, the increase in per capita expenditure, and the corresponding reduction in the share of beneficiaries below the poverty line, will be larger than the figures estimated here.

Thus, to have a permanent effect on the living standards of very poor people, interventions need to change the labour market activities in which they can engage. Benefits and transfers that do not change poor people's labour market activities are essential as insurance policies but are not going to allow them to permanently escape extreme-poverty.

The fact that the living standards of ultra-poor peole continue to improve and that they continue to accumulate assets long after the end of the two-year programme makes it very clear that as a result of the programme they are in a very different position from ultra-poor women in the control villages. Although the programme is very expensive, these costs are time-limited, whereas the benefits continue to accrue over time.

Things we do not know

The study helps to open up a whole new area of research focused on combining capital and human capital in large amounts in one-off, 'big push' interventions to counter extreme poverty. However, it leaves several questions unanswered. One key question relates to the heterogeneity of effects: while no households are harmed by the programme, some benefit much more than others. Understanding why some households are able to generate very large returns from the assets and skills that are transferred to them while others are not is a key area for further research.

Another key question is why, if the internal rate of return from acquiring livestock and skills is so much higher than going market rates, poor people do not invest in these activities themselves. This raises fundamental questions about the ultimate causes of poverty traps in these contexts, a topic on which we hope to conduct future research.

Finally, this study only looks at the transfer of assets and skills designed to enable poor people to set up small livestock businesses. It is possible that a better approach might be to give them cash and let them choose how to invest this money. We are engaged in another randomised evaluation in the Punjab in Pakistan which compares the effectiveness of cash and asset transfers, and we look forward to reporting on those results in the near future. ●

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1. This article draws on Bandiera et al. (2017).
2. London School of Economics (LSE).
3. LSE and International Growth Centre (IGC).
4. University College London (UCL) and IGC.
5. We focus on the labour markets of women because the programme targets them. Poverty and labour market choices are also strongly correlated for men, with the poorest men engaging in casual wage work, and the wealthiest in land cultivation.
6. Three out of five of the following inclusion criteria have to be met: household owns less than 10 decimals of land; adult women in the household work outside the homestead; no active male adult (female household head); school-aged children working for pay; no productive or income-generating assets. Households are excluded if they satisfy any of the following exclusion criteria: no active female member in the household; microfinance participants; household members receiving government benefits such as old-age pensions.
7. The figure reports the share of total work hours devoted to each of the three occupations and to a residual 'other' category at baseline by all the sample women divided into four wealth classes. The 'other' category is distributed across several other activities, which typically account for less than 1 per cent of hours each (where work on the household's own land is counted as own cultivation, not agricultural labour). The activities that account for more than 1 per cent for ultra-poor people are begging, tailoring, casual day labour outside agriculture and land cultivation. For the near poor, they are begging, tailoring, casual day labour outside agriculture and land cultivation. For the middle classes they are tailoring and land cultivation. For the upper classes they are tailoring, teaching and land cultivation.
8. The figure reports the coefficient of the interaction between a treatment status dummy and a dummy for four years after baseline (two years after the end of the programme: 2011) from a specification that includes treatment, survey dummies and sub-district fixed effects. The sample is all ultra-poor women in treatment and control villages.
9. By 2014, every control BRAC branch office had treated some villages within its radius, and 20 per cent of the originally selected beneficiaries were treated overall. The challenge in identifying the effect of the programme in 2014 is that the selection of the late treated is correlated with the outcome of interest: poverty. In the paper (Bandiera et al. 2017) we perform a bounding exercise that exploits our quantile treatment effect estimates on the original treated to create counterfactuals of the effect of the programme on the late treated, and we find that the effects are stable.

Can graduation approaches contribute to building social protection floors?[1]

Christina Behrendt [2]

Graduation approaches[3] have attracted intense interest for helping poor and vulnerable households develop sustainable livelihoods (e.g. Hashemi and de Montesquiou 2016). As both graduation approaches and social protection floors aim to lift people permanently out of poverty, it is not surprising that observers have raised the questions of whether and how graduation approaches can contribute to build social protection floors and realise the right to social protection for people living in extreme poverty (e.g. Dharmadasa et al. 2016).

Social protection floors play a key role in eradicating poverty, reducing vulnerabilities and promoting social inclusion, as highlighted in the 2030 Agenda for Sustainable Development—namely, Target 1.3 of Sustainable Development Goal 1 ("end poverty in all its forms everywhere"): "implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable" (United Nations 2016a) and the ILO Social Protection Floor Recommendation No. 202, which was adopted in 2012 by the ILO's 187 Member States (ILO 2012a; 2012b; Kaltenborn 2015).

Social protection floors can be considered as the 'ground floor' of a national social protection system, which should guarantee at least a basic level of social security to all with a view to realising the human right to social security (ILO 2014; United Nations 2016b). They should guarantee at least access to essential health care and basic income security for all members of society throughout the course of their lives. Guided by the ILO Recommendation, it is the responsibility of each country to define their social protection floors in accordance with their national circumstances, ensuring that the different elements of their national social protection systems guarantee at least a basic level of social security for all. The Recommendation also highlights the importance of coordinating social protection policies with labour market, employment and other policies, and emphasises the need to support in particular disadvantaged groups and people with special needs, including those in the informal economy.

These features—a focus on reducing poverty and vulnerability, outcome orientation and linkages to employment promotion—highlight the potential contribution of graduation approaches to nationally defined social protection floors.

Yet there are many questions surrounding the theory and practice of graduation approaches which make their contribution to social protection floors less straightforward than it may seem at first glance. This article focuses on three core questions, and sketches out some considerations for policymakers and practitioners, based on ILO's Recommendation No. 202, on how graduation approaches could be upgraded to better and more broadly contribute to nationally defined social protection floors.

Graduation from what?

The first and most fundamental of these questions is: 'Graduation from what?' While the stated objective of graduation approaches is 'an exit from poverty' (which is fully in line with the social protection floor concept), they are often operationalised as 'an exit from a particular social protection programme'. Despite efforts to problematise this operational definition issue, 'graduation from social protection' continues to be a commonly used term (e.g. in Devereux and Sabates-Wheeler 2015). This notion seems to suggest that (a) social protection is only for those living in poverty, and (b) social protection and employment/income generation are not compatible. Both assumptions are problematic (Kidd 2013).

While recognising the importance of employment, income generation and labour market integration for people of working age, Recommendation No. 202 emphasises the principle of *universality of protection* and sets out that the social protection floor guarantees should cover all members of society throughout the course of their lives. This implies that everyone should be *protected* throughout their life course—it does not necessarily mean that everyone should *receive* a benefit at every point of their lives. In practice, this can imply that people who move out of a means-tested programme because they no longer fulfil the eligibility criteria are still effectively *protected* through other elements of the social protection system (should they come to need it), including in case of ill health (health insurance or public health service), disability, maternity etc., to *prevent* poverty. It also implies that they can reapply for means-tested benefits at any time in case of need. The conditions under which benefits are provided should be set out in national legislation, ensuring that benefits are adequate and predictable, respecting people's rights and dignity and including adequate complaint and appeal procedures.

Such continued universal protection through the social protection *system* (not necessarily through the same *programme*) is key to enabling people to engage in productive and decent employment (including entrepreneurial risk-taking) in a sustained way, to address poverty dynamics and prevent people from being pushed back into poverty due to a lack of social protection (Chronic Poverty Advisory Network 2014; ILO 2014). The combination of non-contributory (tax-financed) and contributory (social insurance) mechanisms can play an important role in ensuring universal coverage—including poor people—through equitable and sustainable financing mechanisms.

Some graduation programmes include elements of continued social protection coverage (e.g. health insurance—see de Montesquiou et al. 2014), yet in many cases such coverage is limited or incomplete. If graduation approaches are to contribute to a social protection floor, more systematic efforts would be needed to shift from the notion of 'graduation from social protection' to 'an exit from poverty through

continued social protection'.[4] This would imply that people receive cash transfers and other benefits for as long as necessary, based on clear eligibility conditions, and continue to be protected by appropriate social protection mechanisms (including effective access to health care, income security in case of maternity disability, unemployment or loss of livelihood, as well as child benefits and old-age pensions) after having started employment or other income-generating activities. This continued social protection would not only contribute to realising their right to social security but also protect their fragile livelihoods and enable them to follow a more solid upward trajectory out of poverty.

Graduation for whom and at what cost?

The second question is: 'Graduation for whom and at what cost?' While the basic premise of graduation approaches—of helping poor people overcome the multiple obstacles to exiting poverty—is undisputed, the question of how resources are allocated has been subject to extensive debate, especially regarding targeting mechanisms. Many graduation programmes use targeting mechanisms that are not sufficiently effective, transparent or equitable, often leading to both exclusion and inclusion errors (Mkandawire 2005; Kidd 2013; 2015; Brown et al. 2016).[5] A package of productive assets, cash transfers and other types of support is provided—often at a significant cost—to a small group of programme participants, while other people in similar situations are excluded from accessing any (or most) of the benefits and services provided (but may have to serve as a control group for programme evaluations). Within communities, this may lead to frustration, tensions and stigmatisation.

The provision of expensive graduation packages to a subset of poor people (often not the poorest) may be justified where the programme is run and financed by a non-governmental organisation, often as a response to a lack of effective and inclusive public services. However, governments have different obligations and are accountable to their entire population (United Nations 2012). As these obligations have important implications for the provision of public services, governments may conclude that, instead of allocating a cost-intensive graduation package to a very limited group of people, it may be more effective, efficient and equitable to provide a differentiated set of benefits and services to a larger share of the population in a way that ensures the inclusion of the most vulnerable. Such a universal and inclusive approach can exploit economies of scale in the provision of such benefits and services, and make use of innovative approaches to facilitate access to public services—particularly in rural areas, such as one-stop shops ('single window services'), integrated and individualised support (as in the *Chile Solidario* programme and its successor, *Ingreso Ético Familiar*) and mobile communication services. Such an approach also helps to redress inequalities, promote social inclusion and enhance trust in effective and efficient public institutions.

Graduation to where?

The third question is: 'Graduation to where?', and focuses on the capacity of graduation approaches to foster true transformation in people's lives. Many observers have pointed to the limited capacity of graduation programmes to ensure the quality and sustainability of employment and income generation, and to their relative blindness towards demand-side barriers (McCord and Slater 2015; Daidone et al. 2015). In addition, despite some positive effects, many graduation programmes do not pay sufficient attention to children's current and future needs with regard to access to nutrition, education, care and any other goods and services (Roelen 2015). As a result, many 'graduations' are relatively short-term, and fail to break the vicious cycle of poverty in a sustained way.

While graduation approaches focus on endowing poor people with the capacity to improve their lives through micro-level and supply-side interventions, they are not (or not sufficiently) equipped to address the structural issues that perpetuate poverty and deprivation, and that prevent people from exiting poverty in a sustained manner.

A more comprehensive approach combines micro-level and supply-side interventions with macro-level and demand-side interventions to address the full range of barriers to employment and income security, and to achieve a real transformation of poor people's livelihoods. Recommendation No. 202 sets out an ambitious agenda for such a policy approach: the progressive extension of social protection systems—including floors—should be coordinated with other policies "that enhance formal employment, income generation, education, literacy, vocational training, skills and employability, that reduce precariousness, and that promote secure work, entrepreneurship and sustainable enterprises within a decent work framework" (ILO 2012a). This reflects a broad commitment to tackle the wide range of issues that trap people in precarious or informal employment conditions and hold back sustainable development, which has been further elaborated in Recommendation No. 204, concerning the transition from the informal to the formal economy (ILO 2015).

Social protection floors, embedded in such a comprehensive policy framework, contribute to lift people out of poverty in a sustainable way. Graduation approaches can play a role in this by shifting their focus from 'graduation *out* of a social protection *programme*' to 'graduation *into* a social protection *system*'. This could be done, as previously mentioned, through a concerted effort to directly link participants with existing mechanisms (such as health protection, cash transfers etc.) or, where these do not exist, support for building up effective and inclusive mechanisms that can ensure continued social protection for all—in other words, universal social protection. This is indispensable for the reduction and prevention of poverty, the promotion of productive employment and decent work, human rights and inclusive growth and development, and, ultimately, for realising the commitments of the 2030 Agenda for Sustainable Development. ●

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Photo: Conor Ashleigh/AusAID. Children take part in an exercise in groups inside a BRAC primary school in Manikganj, Bangladesh, 2012 <https://goo.gl/cm0h76>.

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1. This contribution is written in a personal capacity and does not necessarily reflect the position of the International Labour Organization (ILO). Comments from Uma Rani Amara, Stephen Kidd, Ian Orton, Ippei Tsuruga, Fábio Veras Soares and Veronika Wodsak are gratefully acknowledged.

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3. While there is a significant variety of definition of graduation approaches, this article follows the following definition: "graduation programmes aim to provide a sequenced and intensive package of support to very poor people, with the objective of facilitating their movement out of poverty towards resilient and sustainable livelihoods" (Devereux and Sabates-Wheeler 2015, 1). These packages typically include a social protection component (e.g. cash transfer), in addition to a transfer of productive assets (often livestock), access to savings and credit facilities, and in many cases also livelihood training or coaching (for BRAC's approach, see BRAC 2016).

4. The importance of continued social protection coverage has been recognised also within the graduation community. Recently, Lauren Whitehead (2016) of BRAC emphasised that "graduation aims to enhance the visibility of the poorest, providing a 'big push' and placing them on an upward trajectory from extreme poverty and towards, not out of, formal government protection and social services".

5. To be clear, this is not exclusive to graduation approaches; similar targeting mechanisms are also used by cash transfer programmes, which do not follow an explicit graduation approach.

What we know about graduation impacts and what we need to find out

Nathanael Goldberg[1]

Rarely has an antipoverty strategy been evaluated so thoroughly as the Graduation Approach, the holistic livelihood development programme popularised by BRAC.[2] The Graduation Approach includes five or more components designed to ensure that beneficiaries—typically people living in extreme poverty—are able to manage or avoid new shocks while finding a pathway out of poverty. Targeted households are provided with consumption support (cash or food assistance) to meet basic daily needs, an income-generating asset (or a combination of assets, usually livestock) along with training in managing the asset, a savings account (or savings groups where banking is unavailable), and coaching or mentoring over a two-year period to reinforce lessons, monitor households' progress, provide moral support and help to overcome any challenges along the way.

In 2006 the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation teamed up to determine whether BRAC's Ultra-Poor Graduation Approach could be adapted successfully outside Bangladesh. They identified ten partners in eight countries around the world and, with much foresight, invested in an evaluation strategy that would provide an impressive body of evidence once these programmes had run their course nearly a decade later. The eight sites were subject to randomised evaluations, which were complemented with rigorous qualitative research. Innovations for Poverty Action (IPA) conducted seven of these evaluations, while one of the research sites in India was managed by our partners at J-PAL. We pooled the data from six[3] of the randomised evaluations and published the results in *Science* (Banerjee et al. 2015).

What we know now

The results showed positive impacts on every outcome we looked at, including income and revenues, total per capita consumption, assets, food security, women's empowerment, physical health, financial inclusion, mental health, total time spent working and political involvement. Most of the outcomes were remarkably stable from year 2, when the programme completed, through year 3, a full year after households stopped receiving any services from the programmes. Two results, physical health and women's empowerment, were no longer statistically significant by year 3, though the direction of the impact remained positive. There was very little or no decline in the impact of the programme after 36 months on the key outcomes, including consumption, household assets and food security.

The magnitudes of the individual impacts are relatively modest (per capita consumption increases by about 5 per cent compared to the control group), but they do add up. We conducted a thorough cost-benefit analysis, which showed a benefit-cost ratio of 166 per cent across all the sites, with the highest result being over 400 per cent. The benefits were based primarily on a projection of the three-year impact of the programme on per capita consumption. This calculation rested on an assumption that the impacts would continue into the future, based on the stability of results from year 2 to year 3. This assumption was bolstered by results from a separate randomised evaluation of BRAC's original programme, which showed strong impacts after four years (Bandiera et al. 2016) and later greatly strengthened by a long-term follow-up at one of the sites (Bandhan, India), which showed that impacts actually increased after seven years (Banerjee et al. 2016).

The Ford Foundation and CGAP's investment in research paid off. The publication of the results drew wide attention, including coverage in the *New York Times* and *The Economist* and on US National Public Radio.

Today, CGAP counts 55 graduation sites implemented by governments and non-governmental organisations, and is further extending to new populations, including the urban poor and refugees. The United Nations High Commissioner for Refugees (UNHCR), with technical assistance from Trickle Up, is piloting Graduation for refugees in five countries, with plans to expand to 22. CGAP and BRAC have released guides to help new implementers plan graduation programmes. However, we still know relatively little about how best to design and deliver graduation. The CGAP–Ford Foundation evaluations primarily tested the full graduation package compared to control households who received nothing, so we know less about the impacts of individual components. The evidence for the impact of that package remains strong, but the median cost to deliver the package was around USD1,100—beyond the reach of many governments.[4] Is the full package necessary, or might a reduced form enable more households to benefit from the programme?

As graduation gets further embedded into safety net programmes, governments will need to find ways to identify those who should receive the programme and can benefit from it. An analysis of targeting in Honduras and Peru showed the three-step graduation targeting method (geographic targeting, participatory appraisal and verification check) failed to perform much better than random sampling within a poor community (Karlan and Thuysbaert 2016). But community targeting can still have benefits that may make such approaches worthwhile. Alatas et al. (2012) found that while community targeting does not outperform proxy means tests on objective measures of poverty, it results in greater community satisfaction.

Not all graduation programmes explicitly target women, and it remains unclear whether within-family targeting can improve women's empowerment or other outcomes. Is the standard Graduation Approach sufficient, or could something like gender-specific training improve outcomes for women? Future research may address how graduation can increase female empowerment, as measured by asset and land ownership, social networks and decision-making power.

Photo: Conor Ashleigh/AusAID. A women's group, graduated through BRACs TUP programme, gather for a meeting, Rodrodha village, Bangladesh, 2012 <https://goo.gl/nMu7E9>.

> "As graduation gets further embedded into safety net programmes, governments will need to find ways to identify those who should receive the programme and can benefit from it.

Going forward: unpacking the pieces

Two lessons from the CGAP–Ford Foundation sites shed light on the holistic nature of the Graduation Approach, which has livelihood creation at its core. In one of the sites (Honduras) the income-generating activity did not pay off for beneficiaries. Most participants chose poultry as their income-generating activity; however, the chickens they received died off in large numbers from disease, and household consumption was not higher among programme participants. In Ghana, we were able to test just the income-generating assets (goats), with no other supporting services: no training, coaching or savings accounts. In this case, the households that only received goats had more of them three years later, but despite the windfall in assets (approximately USD250 in goats) they had no more net worth in livestock and consumed no more per capita than control households. From these examples, we learn that the Graduation Approach, without income generation, does not achieve the stated goals of the programme, and income generation by itself is also insufficient. However, these are extreme cases.

IPA has a research agenda designed to optimise the Graduation Approach by learning more about poverty traps and what it takes to move households out of extreme poverty. Some of this, such as finding ways to improve psycho-social outcomes for beneficiaries, is frontier research, and some will require only simple tests to determine how much of each component is necessary to create a positive impact. In some cases, simply trying the programme with and without individual components can shed light on the nature of poverty traps. For example, household visits are often the most expensive component of the programme to deliver, representing 30–40 per cent of the total programme budget. Naturally, programme implementers will be interested to know whether the coaching component is essential to the success of the programme. Testing the programme with and without coaching will help reveal the constraints faced by extremely poor people: do they primarily lack capital and technical skills, or are behavioural constraints (such as lack of confidence) more binding?

Optimising component levels

Interesting as such a test with and without coaching might be, perhaps the right answer is somewhere in between. The classic version of the programme calls for weekly coaching visits over a two-year period. Are weekly visits necessary? At the Peru site, in the mountains surrounding Cusco, the beneficiaries were simply too remote to visit every week. Households were visited every six weeks and fared reasonably well, though not as well as in the top-performing sites. Whether this is because of the limited coaching or another explanation such as limited access to markets is impossible to say. Blattman et al. (2016), evaluating a package of cash, business skills training and supervision among extremely poor people in Uganda, varied the number of follow-up visits provided to participants. Some households received two visits to ensure beneficiaries invested the cash, while others received five visits, for both commitment to invest and business advice. Those who received visits were more likely to have a surviving business but did not have more income or consumption.

Yet were two or five the right numbers? Five is much closer to zero than the 104 visits a beneficiary would expect in the Graduation Approach. Perhaps five is too few, and 104 more than necessary. A robust research agenda would require testing many permutations of the graduation components to determine the optimal intensity of each component, measured by cost-effectiveness analysis: the greatest impact per dollar spent by the programme.

Such a research agenda would not only consider the classic graduation model as it is now, but would allow for variations to determine which ones can improve the cost-effectiveness of the programme. For example, *Fundación Capital* has been working with tablets to replace face-to-face coaching in Colombia. E-coaching is likely to reduce costs, but the cost-effectiveness of the programme will improve only if the tablets perform sufficiently well to do better than the cost-effectiveness of face-to-face coaching. This includes designing software that can be used by illiterate beneficiaries, and solving the last-mile problems of making sure the tablets remain charged and in working order. If the e-coaching initiative is designed well enough, it may even

work better than traditional coaching by ensuring consistency in messaging and allowing the households to work through materials at their own pace.

Group approaches may also increase the cost-effectiveness of the graduation model. In Kenya, the BOMA project[5] provides cash grants of approximately USD300 to a group of three women—the amount other graduation programmes typically spend on assets for a single beneficiary.[6] Group accountability and support may allow BOMA to create impact at lower cost. Nevertheless, is the investment in productive assets per beneficiary sufficient to put them on the path out of extreme poverty? The effect of group versus individual delivery of graduation has yet to be rigorously evaluated, and must be weighed against the additional burden of forming and following small groups.

Adjusting the model for those who don't succeed

Analysis of the distribution of impacts of the CGAP–Ford Foundation sites showed that while everyone benefits from the programme on average, some benefit much more than others. Even those at the 10th percentile on many outcomes—such as consumption, assets, and income—show some gains, but the difference was quite small compared to those at the upper end of the distribution. The question remains why some people were able to seize the opportunity to sharply change their trajectory out of extreme poverty, while others improved just a bit. Those who do least well or backslide in the traditional programme may need more support or a different programme altogether. We are working with Trickle Up to test a version of the programme whereby field staff would identify the households that need the most support and allocate their time to ensure that those with the greatest need get additional coaching. Or perhaps livelihood choice is the critical factor. Evidence suggests that some livelihood choices were more profitable than others, but does that reflect the inherent profitability of the livelihoods or the types of participants who selected them? Households could potentially be nudged into selecting livelihoods with greater income potential.

Perhaps some beneficiaries struggle to engage with new livelihoods due to underlying psychosocial capabilities. In Ghana, we are testing the addition of group-based cognitive behavioural therapy (CBT) to reduce depression and improve the forward-looking aspirations among poor people before they enter the graduation programme. The CBT has been shown to reduce depression and improve productivity among patients in India and Uganda and may help 'ultra-poor' people engage more productively with their new livelihoods (Thomas and Haushofer 2015).

Challenges of scaling-up

An ideal programme would be customised to the individual needs and potential of each household, with those requiring fewest resources given only what they need, and others receiving more intensive services. Designing an evaluation to learn how to do that would be unrealistically expensive, but we can learn a lot from evaluations of individual scale-up solutions. For maximum scalability, households could simply be given cash grants rather than any of the support services in the Graduation Approach. An evaluation of cash grants[7] provided by GiveDirectly in Kenya showed positive impacts on consumption, assets and psychological well-being (Haushofer and Shapiro 2016), but the follow-up period for the endline survey was much shorter (four months) than in graduation evaluations, and the targeting was performed differently than by graduation programmes. New studies directly comparing graduation to cash grants will help determine whether the holistic nature of the Graduation Approach outperforms cash, in cost effectiveness, for the poorest and most vulnerable households.

A hybrid approach providing much of the support structure of graduation while easing procurement challenges is to give cash rather than in-kind assets, along with other graduation services. But will households invest the cash well? In this sense, programmes could provide cash at the marketplace, with assistance in selecting profitable assets and healthy livestock.

Technology solutions, such as e-coaching as previously mentioned, can potentially boost the impact of lighter-touch programmes at low cost. Some potential

"The question remains why some people were able to seize the opportunity to sharply change their trajectory out of extreme poverty, while others improved just a bit.

Photo: BRAC/Alison Wright. Girls carrying vegetable on their heads, Tanzania, 2014.

Photo: Conor Ashleigh/AusAID. Woman received a cow and goat from BRAC through its TUP programme, Kazipara, Bangladesh, 2012 <https://goo.gl/h8u7Wf>.

> “As the programme increases in reach and density, several scale-up questions about the impact of the approach will increase in importance.

examples include providing information on market prices, or accountability mechanisms to help beneficiaries stick to their plans. These can be readily tested with randomised evaluations.

The Graduation Approach is now being brought to scale in several countries, including Ethiopia, Pakistan and Colombia, with interest and activity in many more. As the programme increases in reach and density, several scale-up questions about the impact of the approach will increase in importance, starting with the general equilibrium effects of the programme. What happens to goat prices when so many new entrants are given livestock? Neither Banerjee et al. (2015) nor Bandiera et al. (2016) find evidence of crowding out among non-beneficiaries, though the ultra-poor people targeted by BRAC represent only the bottom 6 per cent of the population. There is strong interest in adapting the Graduation Approach to serve the urban poor and livelihood options will have to be adjusted for urban contexts, including more choices beyond livestock.

So far, most graduation programmes are working within the constraints of existing value chains. The standard graduation model identifies a menu of livelihood activities for beneficiaries and works with households to match them to appropriate activities. Programmes could potentially improve revenues by facilitating group input purchases and market price information. It may be possible to push out the curve of potential livelihoods by linking poor people to markets or supporting the creation and expansion of local and national value chains. The BRAC enterprise model promotes quality products, fair producer pricing and market literacy across entire value chains in Bangladesh. For example, their poultry operations include a feed mill, chick distribution, processing plants and package printing. Is such a vertical approach possible outside BRAC and Bangladesh? The CGAP–Ford Foundation programme was set up to answer just such a question for the original BRAC model. The research questions mentioned in this article could be answered with a similarly ambitious investment in the delivery and evaluation of next-generation graduation programmes. ●

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1. Innovations for Poverty Action.
2. A non-governmental development organisation based in Bangladesh.
3. The Yemen evaluation was delayed due to conflict, but the data were eventually collected, and data analysis is being completed.
4. Where potential beneficiaries already receive cash transfers under pre-existing safety net programmes, the cost of implementing Graduation will be reduced, as there is no need to include consumption support.
5. A US non-profit and Kenyan non-governmental organisation.
6. Village Enterprise also provides grants to groups of women, though in slightly larger amounts (USD500).
7. Cash grants differ from other social cash transfer programmes in that they are explicitly unconditional, large and concentrated in time. In the case of Kenya, the experiment relied on two payment modalities: monthly instalments over nine months vs. a one-time lump sum transfer; and two transfer magnitudes: USD404 PPP vs USD1,525 PPP (Haushofer and Shapiro 2016).

Responsible graduation

Keetie Roelen,[1] Stephen Devereux [1] and Rachel Sabates-Wheeler [1]

The 'Graduation Approach' has enjoyed a surge in policy and academic attention in the past few years. Graduation programmes provide a comprehensive mix of sequenced support that includes consumption transfers, asset transfers, access to savings and credit, training and coaching (Hashemi and Umaira 2011), offering a holistic approach to poverty reduction. They are grounded in the theory that extremely poor households require a big push to set in motion a positively reinforcing cycle of income generation and asset accumulation (Carter and Barrett 2007).

Graduation programmes have been applauded for their success in 'graduating' people out of extreme poverty in Bangladesh and elsewhere (Devereux and Sabates-Wheeler 2015). A recent multi-site evaluation found that graduation programmes can improve food security, assets, income and consumption, and that impacts are sustained one year after the end of the programme (Banerjee et al. 2015). Evidence from BRAC's Targeting the Ultra Poor (TUP) programme in Bangladesh indicates that the programme sets poor women on a positive trajectory of asset accumulation and poverty reduction following increased earnings after participation in the programme (Bandiera et al. 2016). Findings in Burundi and Rwanda show that programmes also have positive effects on non-material outcomes such as hygiene practices and social relations (Devereux et al. 2015; Devereux and Sabates 2016). Evidence from Bangladesh and Burundi also indicates that impacts stretch beyond direct beneficiaries and lead to positive changes for the wider community (Devereux et al. 2015; Raza and Van de Poel 2016).

Notwithstanding this evidence of success, not all of the attention that graduation programmes have attracted has been positive. Questions have been raised about the long-term sustainability of graduation and the cost of implementing these programmes, especially if they scale up from pilot projects to national programmes, and whether governments—unlike grassroots non-governmental organisations—have the human resources needed to deliver the intensive support (coaching) that is considered critical to graduation success stories. Estimates suggest that the overall cost per participant ranges from roughly USD1,500 to USD6,000 (for two-year programmes), with the labour requirements for the implementation of programmes representing a considerable share of those costs (Banerjee et al. 2015). While cost–benefit analyses point out that benefits outweigh the costs and that programmes are cost-effective (ibid.), the financial implications nevertheless give rise to discussions about the value-added of individual components and the extent to which support can be stripped down or built up while still achieving positive change.

Challenges have also been raised at an ideological level, with critics arguing that graduation as a concept is antithetical to the drive towards rights-based social protection and a minimum 'social protection floor' for all, which has been endorsed not only by rights-based agencies such as the International Labour Organization (ILO) and the United Nations Children's Fund (UNICEF) but even by market-oriented agencies such as the World Bank (see the joint statement by the ILO and the World Bank in June 2015). Graduation implies withdrawing support—a 'one-way door' out of the programme—and can, therefore, be considered the epitome of neoliberal social policy, offering a pathway out of poverty but no support for those needing continued or renewed protection against poverty (Kidd 2013 in Devereux and Sabates-Wheeler 2015). Rights-based social protection, however, stipulates the provision of support for anyone who needs it at all times.

Thus, are graduation programmes just another manoeuvre by governments and donors who favour narrowly targeted time-bound programmes, and who are always looking for exit strategies to minimise their spending on poor people?

We at the Centre for Social Protection support the vision driving graduation programmes, but we also believe in rights-based approaches—specifically, of course, the right to social protection. This apparent ambivalence explains the question mark in the title of a recent Institute of Development Studies *IDS Bulletin*: 'Graduating from Social Protection?' (Devereux and Sabates-Wheeler 2015). Can we reconcile these apparently contradictory stances?

Yes, we can. The solution lies in 'responsible graduation'. This means implementing graduation in such a way that the livelihoods of participants are strengthened and supported while ensuring the right to social protection is not violated. Our response to graduation critics is that the challenges to graduation programmes stem primarily from linear and short-term understandings of theories of change, feeding into inadequate funding, short policy cycles and donor time-frames and the lack of appropriate monitoring and evaluation. These elements coalesce, so that too often recipients are being removed from programmes in 'irresponsible' ways, in the sense that there is limited or no consideration given to their human welfare and future well-being. Graduation implemented in irresponsible ways is antithetical to a rights-based approach, yet it does not have to be.

We advocate the following principles on how to 'graduate' programme participants 'responsibly' rather than 'irresponsibly'.

- Don't confuse 'exit' with 'graduation': Most social protection programmes include exit strategies—i.e. provisions that stipulate the discontinuation of programme support. These strategies can be considered 'exogenous' or 'endogenous', with exogenous provisions basing decisions on exit independent of programme participants' poverty status or living conditions, while endogenous strategies do consider changes in socio-economic criteria (Samson 2015). The two terms are often conflated to denote 'graduation', yet only the endogenous approach refers to a discontinuation of programme support following movements out of poverty.

Referring to exit from programmes without actual changes in living conditions as 'graduation' is misleading and directly opposes a rights-based approach to graduation.

- A 'revolving door', not a 'one-way door': Most graduation programmes register participants only once, and see that they leave the programme permanently after the graduation cycle is complete—a 'one-way door' (see Pritchard et al. (2015) on the Chars Livelihood Programme in Bangladesh). Similarly, other programmes—including BRAC's pioneering TUP—support participants for a fixed period, typically about two years, after which participants exit the programme, and support is terminated. This contradicts the rights-based principle that social protection should be available to whoever needs it, whenever they need it. We believe that people should be allowed to move in and out of programmes when they are eligible and in need of their support. The new agenda on 'shock-responsive' social protection systems speaks to this, whereby 'potential' programme recipients are registered within a social protection system so that when shocks occur and support is required, people are able to register and make claims on social provisioning. This would apply equally to past graduates who subsequently fall back into programme eligibility—they should be allowed to re-register. While recognising that implementers face resource constraints, programmes often lack the degree of flexibility to allow 're-entry' but move to new cohorts of eligible groups instead.

- Appropriate programmes: Many graduation programmes operate a single income-generating model or offer participants a limited set of livelihood options to choose from. Programme design, delivery and provision should be appropriate to individual contexts that influence the extent to which participants are able to capitalise on graduation opportunities. This includes acknowledgement of individual situations such as household composition, dependency ratio and ability to do physically demanding work, as well as community-level factors such as availability of markets. Programmes can provide more tailored responses by introducing 'full-family targeting' or including child care services for households with children, for example (Roelen 2015).

- Graduation should be based on applying clear and consistent eligibility criteria to determine whether each participant has exceeded graduation thresholds. Households that have not reached these thresholds should not be 'exited' but should remain on the programme for another cycle, or until they are assessed as ready to graduate, however long that takes. This principle requires that robust and transparent targeting, monitoring and evaluation systems and indicators are in place.

- Graduation should facilitate movement into other support as needed: 'Developmental' graduation (Samson 2015) sees graduation as a continuous pathway rather than a 'threshold' outcome. Instead of being abandoned, graduates should move from social assistance into social services, gain access to microfinance and so on. The principle is graduation 'into' other forms of support, rather than 'out of' all forms of support. This is a rights-based principle that ensures 'rights across the life-course'.

- Graduation programmes require accountability mechanisms: Issues such as inappropriate targeting, premature graduation (either individually or *en bloc*) and inadequate support post-graduation require strong and transparent accountability mechanisms. The establishment of grievance and complaints procedures, including an adequate response mechanism, is crucial for ensuring that graduation is underpinned by rights.

- Graduation programmes should be accompanied by labour market policies addressing structural barriers to employment. Graduation programmes focus on the capacities of individuals, households and communities to build assets, increase productivity and diversify their livelihoods. The large majority of those initiatives are premised on a model of entrepreneurship and self-

Photo: BRAC. A member of BRAC's CFPR—TUP programme, taking care of her nursery, Bangladesh, 2008 <https://goo.gl/NB6gJr>.

> "Programme design, delivery and provision should be appropriate to individual contexts that influence the extent to which participants are able to capitalise on graduation opportunities.

> “Instead of being neglected or abandoned once the programme cycle ends, these households should be moved out of graduation programmes and into social assistance programmes, either permanently or temporarily.

Photo: BRAC/Alison Wright. Woman runs a small tailoring business, Tanzania, 2012.

employment, raising broader questions of how graduation programmes can support moves into stable employment (McCord and Slater 2015). Formal jobs not only represent a cornerstone of sustainable employment but may also be favoured over self- or informal employment (Sumberg et al. 2015). Graduation programmes should be implemented within a wider remit of structural policy, to avoid governments being absolved of their responsibilities and individuals and communities bearing the brunt of creating their own employment opportunities.

- Graduation is not for everybody: Some households will not be able to reach graduation thresholds within the time-frame of the programme because they lack the necessary capabilities for generating self-reliant livelihoods (due to health constraints or old age, for example). Instead of being neglected or abandoned once the programme cycle ends, these households should be moved out of graduation programmes and into social assistance programmes, either permanently or temporarily. In Ethiopia's graduation-oriented Productive Safety Net Programme (PSNP), for example, women who fall pregnant are moved out of public works and into direct support until their newborn child is one year old. Those unable to work receive direct support without an expectation to 'graduate' out of programme support.

Even if most graduates remain better off than before they joined the programme, there will inevitably be some who fall back into poverty after they stop receiving programme support. 'Responsible graduation' requires making appropriate arrangements for these people. Either they should be allowed to rejoin the programme if they can demonstrate their eligibility, as argued above, or assisted into other programmes that offer poor people social assistance. Follow-up assessments would help to determine whether graduation was sustained and to offer appropriate support to those for whom it was not. Some thought about reconceptualising and redesigning graduation programmes along the lines suggested in this article may help to ensure that livelihoods are supported over the long term and in a way that adheres to a rights-based understanding of development. ●

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(Accidentally) Harvesting higher hanging fruits: addressing under-5 malnutrition using the Graduation Approach[1]

Wameq A. Raza [2]

Despite significant improvements in various social and health indicators over the past decades, children under five years of age (under-5s) are still disproportionately affected by extreme poverty and, consequently, malnutrition. A recent paper by the World Bank Group and UNICEF (2016) suggests that the largest proportion of the 767 million people living under the extreme poverty line of USD1.90 per day are under-5 children (15.9 per cent).[3] The consequences of such a high burden of malnutrition are far-reaching and detrimental, not only to these children, but also to the societies in which they live. A number of targeted and general social protection programmes have been implemented to combat both poverty and, in some cases, also malnutrition, with varying results. Although the innovative 'Graduation Approach' focuses more on poverty reduction, socio-economic empowerment and food security outcomes than malnutrition per se, this article explores whether this approach has contributed to this issue in Bangladesh.

Drivers and consequences of malnutrition

The UNICEF framework suggests that child and maternal malnutrition are exacerbated by a lack of access to maternal and child health care, inappropriate health practices and a lack of knowledge about and access to safe water and sanitation services, all of which are exacerbated by poverty (Gartner et al. 2005; WHO 2013). Malnutrition is further compounded by factors such as poor housing conditions (Odunayo and Oyewole 2006), access to mass media (Rahman, Chowdhury, and Hossain 2009) and cultural practice—for instance, in Bangladesh, the administration of formula milk to infants was considered a sign of wealth and a higher social status (Egata, Berhane, and Worku 2014; Hien and Kam 2008; Rayhan and Khan 2006; Bill & Melinda Gates Foundation 2007).

Such a high burden of childhood malnutrition is an acute public health problem, over both the short and the long terms. Early stages of malnutrition lead to extreme weight loss, stunting and susceptibility to infections and chronic illnesses. Prolonged exposure, especially within the first 1000 days, can permanently limit cognitive development and productivity (Brown and Pollitt 1996; Black et al. 2008). Malnourished children living in poverty are significantly more likely to remain trapped in their current socio-economic status in later life, thereby precipitating an intergenerational cycle of poverty (Black et al. 2008).[4] Moreover, malnourished girls are more likely to have poorer pregnancy outcomes, leading to higher probabilities of children with low birthweight and culminating in higher rates of maternal and neonatal mortality (ibid.).

Global attempts at curbing child malnutrition

The Millennium Development Goals are considered one of the initial drivers of global efforts to curb malnutrition, especially for under-5s. A variety of programmes exist with the exclusive goal of reducing malnutrition among children, varying from supplemental feeding to nutritional supplements such as micro-nutrient packets and encouraging exclusive breastfeeding for the first six months. However, the results have thus far been mixed (Allen and Gillespie 2001). For instance, the Bangladesh Integrated Nutritional Project (BINP), implemented at scale by the World Bank, aimed to improve maternal and child nutritional status by improving the knowledge of caring practices via training, education and the provisions for supplementary feeding. While the mid-term effects were modest, the impact all but evaporated by the end of the programme (White 2005; Pelletier et al. 2005).

The late 1990s saw the spread of social assistance interventions such as conditional cash transfer (CCT) programmes. The receipt of the CCTs is typically predicated on the beneficiaries participating in predetermined conditionalities set out by the programme such as sending children to school or using certain forms of health care (Manley, Gitter, and Slavchevska 2012). A rising number of positive evaluations have provided further impetus to their popularity and growth—while nearly all countries in Latin America have implemented some sort of CCT programme, they have also spread substantially across Asia (Benhassine et al. 2015; Haushofer and Shapiro 2016; Manley, Gitter, and Slavchevska 2012). Though the positive effects of these social assistance programmes on core outcomes such as education and greater use of health care are generally beyond reproach, as are their impacts on consumption to some degree, their efficacy in reducing malnutrition remains mixed (Fiszbein and Schady 2009; Angelucci and De Giorgi 2006; Angelucci 2015).

Evidence from the Graduation Approach

Ushering in a new era of social protection programmes, the concept of the Graduation Approach has taken off since the early 2000s when BRAC, an international non-governmental organisation from Bangladesh, pioneered the Targeting the Ultra Poor (TUP) programme through its Graduation initiative.[5] Enrolled after a rigorous three-step targeting procedure, participants receive a host of interventions over a two-year period, including income-generating asset transfers (such as livestock), comprehensive business development training and bi-weekly mentorship sessions to embed and apply essential life-skills knowledge. While TUP's primary mandate is to socio-economically improve the lives of the 'ultra-poor', the programme is also nutrition and health sensitive. Participation within the TUP programme facilitates the participants' access to the 'Essential Health Care' package, which includes health and nutrition education, covering topics such as the importance of exclusive breastfeeding, child immunisation, pregnancy care, oral

> “Participation within the TUP programme facilitates the participants’ access to the ‘Essential Health Care’ package, which includes health and nutrition education.

Photo: UN Photo/Kibae. A mother and her newborn baby, Bangladesh, 2010 <https://goo.gl/TyP4nL>.

rehydration therapy, and the provision of basic curative care for common illnesses by BRAC Community Health Promoters. If the patient is unable to pay for advanced care, TUP staff arrange the funds through community mobilisation efforts. Lastly, the programme guarantees access to sanitary latrines and safe drinking water for the participants through the existing BRAC WASH programme, either through a direct transfer to beneficiaries or to nearby facilities via negotiations with their owners.

Evidence from the first phase of the programme (2002–2006) shed some light on its effects on adult calorie consumption and child nutritional status. Haseen and Sulaiman (2007) reported that participation led to both an increase in mean calorie intake from 1,750 to 2,138 calories per day and in the quality of the calories consumed.[6] Studying the causal effects on the nutritional status of under-5 children, Jalal et al. (2009) were able to identify positive effects on the weight-for-height z-scores of children aged 24–36 months (0.32 SD).[7] This study, however, used a non-experimental design and relied on a control group of children who live within the districts targeted by TUP. Spill-over effects could, therefore, have been responsible for the nutritional improvement among the control groups and hence the seemingly small impact of the programme on TUP participants.

The second phase of TUP was rolled out between 2007 and 2011 across 13 districts in Bangladesh. Using the randomised rollout of the programme, Raza and van de Poel (2016) identify its causal effects on the nutritional status of under-5 children living in participant households using data amassed from 8,000 ultra-poor households. By comparing trends across 12,500 non-participant poor households living in treated and control areas, the authors next identify the spill-over effects of the programme on under-5 children.

Lastly, the authors report the most important pathways through which the effects are channelled. They report a marked improvement in the nutritional status of children living in ultra-poor households (see Table 1). The weight-for-height (WHZ) indicator increases by 0.78 SD, representing a 40 per cent increase over the baseline level. Similarly, ultra-poor under-5 children experienced a 0.52 SD increase in the weight-for-age (WAZ) indicator, a 31 per cent increase over the baseline. This translates into a reduction in the likelihood of wasting (WHZ<-2 SD) by 8 percentage points, followed by a reduced probability of being underweight (WAZ<-2 SD) of 19 percentage points. Significant effects on the height-for-age indicator (stunting) were not detected, suggesting that there is some room for improvement.

Results also suggest that TUP has significant spill-over effects among under-5 children living in poor non-participant households in treated communities. These poor households, also known as ‘other-poor’, were not invited to take part in the programme because they were disqualified during the final verification survey after the initial village wealth ranking.[8] Similar to the effects on the treated households, the WHZ and WAZ indicators are significant and positive (0.45 SD and 0.28 SD, respectively). The likelihoods of wasting or being underweight among children in these households were reduced by 9 percentage points and 12 percentage points, respectively. The fact that the effects on being underweight is lower among the ‘ultra-poor’ than among the ‘other-poor’ is probably driven by a greater proportion of the latter group falling near the underweight cut-off point of -2 SD; a smaller push, therefore, allows non-participant children to be classified as not underweight.

Raza and van de Poel continued to analyse the effects of the TUP programme on underlying determinants of childhood malnutrition: likelihood of breastfeeding, its exclusive duration, administration of vitamin A and food security. Given its high prevalence, while the authors found no effects on its likelihood, they did report large increases in the duration of exclusive breastfeeding (75 per cent increase over the baseline for the ultra-poor and 49 per cent among the other-poor). Similarly, the probability of a child receiving a vitamin A supplement increased by 26 percentage points and 20 percentage points among ultra-poor and other-poor households, respectively. The combination of these factors is expected to have a larger effect on children younger than 24 months, and this is reflected in the results where the

point estimates are nearly twice as large in magnitude. The proxy for food security, the ability to secure at least two meals a day, increases for both ultra-poor and other-poor households. Lastly, the availability of sanitary toilets increases substantially, though the effects on the prevalence of infectious disease is minimal, since it was already low at baseline.

A pleasant surprise: What next?

Despite not being a targeted outcome, the positive effects of the Graduation Approach on the nutritional status of children are remarkable. Moreover, the detection of spill-over effects among non-participant children makes the overall impact more notable and interesting. The fact that the study does not detect effects on the likelihood of stunting, a long-term indicator of undernutrition, does raise some concerns and suggests that the programme could benefit from further fine-tuning to achieve these higher-order gains.

At present, there is no evidence disaggregating the exact pathways through which the programme affects the nutrition status of children. However, it is likely that TUP's integrated nature explains the impact and thus presents an attractive alternative to traditional nutrition-specific interventions, as it addresses multifaceted vulnerabilities that exacerbate malnutrition. There is, however, room for improvement from a nutritional perspective. Evidence suggests that behavioural components such as the explicit encouragement of exclusive breastfeeding have had a marked positive impact on the participants. Therefore, appropriate messaging and consciousness-raising efforts can have positive outcomes. Implicit encouragement channelled through 'demonstration effects' have similarly and positively affected non-participants.[9] Explicit targeting of pregnant women and children in the programmatic framework and the deliberate use of behavioural interventions merit further testing and incorporation into the programme. Interventions such as the administration of micro-nutrient packets, supplemental feeding or food transfers have proven to be moderately successful on their own. The positive effects of these programmes can be further reinforced by embedding them within TUP's integrated framework. Lastly, from a research perspective, it is important to track the cognitive development[10] among the members of participant households to ensure whether these nutritional gains are indeed translating into higher cognitive abilities between the short and the long term. ●

TABLE 1: Impact and spill-over effects of the TUP programme

	Primary effects	Spill-over effects
Weight for height (SD)	0.781***	0.452***
Wasting (WHZ<-2SD)	0.079***	0.119*
Height for age (SD)	0.096	0.057
Stunting (HAZ<-2SD)	0.049	0.019
Weight for age (SD)	0.520***	0.282***
Underweight (WAZ<-2SD)	0.191***	0.086***

*Note: *, **, *** indicate significance at 1 per cent, 5 per cent and 10 per cent, respectively.*

Source: Raza and Van der Poel (2016).

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> “The positive effects of the Graduation Approach on the nutritional status of children are remarkable.

Photo: Asian Development Bank. Women wait with their children in the Alhaz Johurul Islam City Maternity Centre at Mirpur, Dhaka, Bangladesh, 2012 <https://goo.gl/svxGw5>.

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1. The results presented in this article are based on a study by Raza and Van de Poel (2016), published by the Research and Evaluation Division, BRAC Bangladesh.

2. Independent Evaluation and Research Cell (IERC), BRAC International.

3. The proportion of 0–18-year-olds living in extreme poverty outweighs all older age groups (50.2 per cent versus 48.8 per cent).

4. From a developmental perspective, malnourishment represents impeded human capital formation and reduced future productivity and economic growth for that society. For example, a study by the International Food Policy Research Institute (IFPRI) estimates that the impact of the nutrition supplements of the *Progresa* cash transfer on small children’s anthropometric development alone could account for a 2.9 per cent increase in lifetime earnings (Behrman and Hoddinott 2001). Another study estimated that when children reach adulthood, they “will have permanently higher earnings of 8 percent as a result of the increased years of schooling” facilitated by *Progresa* (Skoufias 2005).

5. BRAC (2013) considers individuals earning USD0.60–0.70 per day to be ultra poor.

6. For instance, several participant households were seen to have substituted lentils with meat as a source of protein.

7. Anthropometric z-scores (height-for-weight [WHZ], weight-for-age [WAZ] and height for age [HAZ]) for children (under 5) are calculated using the World Health Organization 2006 growth standards (Borghi et al. 2006). The standard deviation (SD) indicator for an individual serves as a reference point against the median of a global reference population. Children with z-scores below -2 SDs from the median of the reference population in each of the categories are considered wasted, underweight and stunted (ibid.).

8. The inclusion criteria include (three of five have to be met): household owns less than 10 decimals of land; the main source of income is a female member begging or working as domestic help; no active male adult (female household head); school-aged children working for pay; and no productive or income-generating assets. The exclusion criteria, all of which have to be met, include: no active female member in the household; microfinance participants; and household members receiving government benefits such as old-age pensions.

9. The training sessions on topics such as health and nutrition are typically held in courtyards in front of participant households, leading to ‘demonstration effects’ of the treatment messages.

10. This can be accomplished through simple validated cognitive tests such as the Raven Test for adults and Early Childhood Development Index for children.

Challenges for addressing child poverty in Malawi through graduation[1]

Edward Archibald[2]

Given the growing emphasis on graduation worldwide, it is important to consider the relevance and implications that a graduation approach might have for reducing child poverty in Malawi. This article considers the likely impact, trade-offs and potential unintended consequences of introducing a fully fledged BRAC-style graduation programme for beneficiaries of the Malawi Social Cash Transfer Programme (SCTP). It contends that in light of the circumstances in Malawi, doing so is neither feasible nor desirable. Among a range of considerations, perhaps the most troubling is that some of the poorest families could be left in a highly fragile and vulnerable situation—particularly if there are optimistic assumptions that a BRAC-style programme can be replicated in Malawi.

Nonetheless, graduation programmes do pose an important question that is pertinent to both the context of Malawi and social policy in general: what does it mean to 'exit' from a social assistance programme? And what should it mean? Should 'exit' even be part of the language and approach of social policy? This article will focus on this particular consideration, with reference to Malawi's social protection system and the perspective of child well-being. It contends that a graduation approach which only considers the poorest and most vulnerable people in the country is not consistent with the ideal of a coherent social protection system. It concludes that decision-makers and development partners should focus, first and foremost, on intergenerational graduation from poverty—not 'graduation' or exit from a cash transfer programme.

Chronic, concentrated and fluid poverty in Malawi

Almost one quarter of Malawians are chronically monetarily poor, and in recent years a further one third moved either into or out of monetary poverty (de la Fuente et al. 2017). Malawi is one of the poorest countries in the world, ranking 173 out of 188 on the Human Development Index, and with an estimated 70 per cent of the population living on less than USD1.90 per day (World Bank 2017).[3] More than 50 per cent of Malawians live under the national monetary poverty line (using the most recently assessed needs basket that, in 2010, cost MWK37,000 per person per year);[4] 25 per cent live in ultra poverty, defined as the inability to satisfy food needs (de la Fuente et al. 2017). There is also significant variation in levels of poverty and ultra poverty between districts (ibid.).

Multidimensional poverty is a particularly important consideration for children. The assets or income held by a household may not reflect the status or decisions of children, and indicators used to target households may not directly affect children's ability to develop and thrive. The 2016 Malawi Child Poverty Report indicates that the level of multidimensional child poverty is 63 per cent, whereas 43 per cent of children live in monetary poverty (Government of Malawi and UNICEF 2016). This suggests that programmes which target based on income may exclude many poor children. Child poverty comprises several different dimensions, including availability of safe drinking water, clean sanitation facilities, age-appropriate education, and a secure home environment free from abuse.

How cash transfers are reducing poverty and improving human development

The SCTP is a social protection initiative that aims to reduce monetary poverty and improve educational and nutritional outcomes. The programme provides an average of around USD10 per month to the poorest 10 per cent of Malawian households (targeting criteria are that the household is both ultra poor and labour-constrained, and the transfer is unconditional). Targeting is undertaken through a combination of community-based targeting, followed by proxy means testing (PMT): a community social support committee creates a list of potential beneficiary households which meet the eligibility criteria (ultra poor and labour-constrained). The list is validated by the community, and then ranked through PMT before being validated again by the community. The programme currently operates in 18 districts of Malawi, and will scale up to cover all 28 districts in 2017.

The SCTP is protective, and does not have promotive or transformative objectives. It does not include any aspects of a graduation model and, therefore, differs significantly from a 'classical' approach such as BRAC's Targeting the Ultra Poor (TUP) programme. There is no transfer of assets, provision of agricultural or other inputs or other forms of business support, psychosocial support or regular case management.

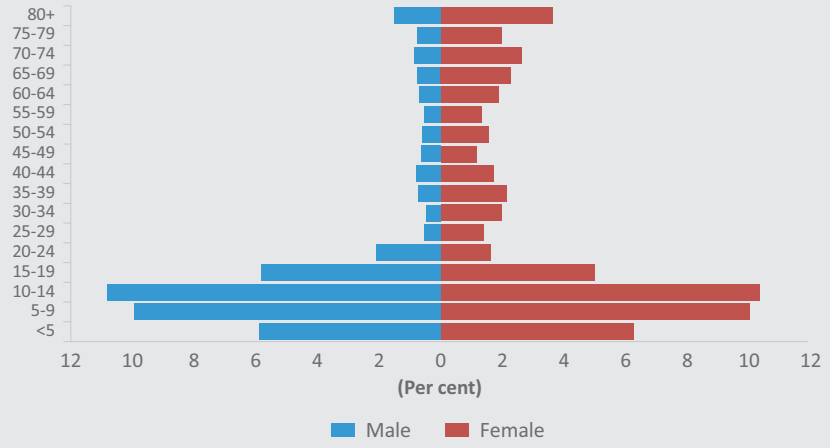
The demographic profile of SCTP beneficiary households shows a large proportion of older household heads, children and adolescents. There are relatively limited numbers of prime-age adults. This is a significantly different profile from many Latin American conditional cash transfer programmes, which tend to comprise younger couples with young children (Handa et al. 2017).

The SCTP has had substantial impacts on human development indicators, even though the transfer value represents approximately 23 per cent of the baseline consumption of beneficiary families (ibid., Annex, Table 1). For example, the school attendance rate of students aged 14–17 is 13 percentage points higher in households that received the transfer compared to those that did not (Abdoulayi et al. 2016). In a country with particularly low secondary school enrolment, especially in rural areas, this is a strong achievement. As shown in Figure 2, the school enrolment impact of an unconditional cash transfer in Malawi has similar or even higher impacts on school enrolment than conditional or unconditional cash transfers elsewhere, including in Latin America.

The SCTP has also produced strong results on income poverty and food security. Over a three-year period it reduced ultra-poverty by 15 percentage points (ibid.). Similarly, the level of worrying about food was seen

> “A graduation approach which only considers the poorest and most vulnerable people in the country is not consistent with the ideal of a coherent social protection system.

FIGURE 1: SCTP eligible population by age and sex



Source: Handa (2016), based on Abdoulayi et al. (2016).

to decrease by 18 percentage points. On the other hand, the impacts on health are muted, and there is no impact on anthropometric measures of child nutrition (ibid.). This evidence underscores the contention that cash alone is insufficient, and there is a need to identify and strengthen linkages to other social services and appropriate productive activities.

Given the high level of transient poverty, and regional variations in ultra-poverty, the 10 per cent cap on the SCTP in each district has significant equity implications. Up to one quarter of all households in some districts are both ultra poor and labour-constrained (Juergens and Pellerano 2016a). Yet there is likely very little variation in consumption levels within the cohort of all who are ultra-poor. This means that selection into the programme can be perhaps dependent on micro-variations within household assets or consumption at the time of programme targeting. Mobility above the 10th percentile could occur by purchasing a hoe for the household and shoes for children, rendering a household ineligible for the SCTP.

What happens when a beneficiary exits the SCTP?

The SCTP is re-targeted every four years. Beneficiaries will exit the programme at

> “The school enrolment impact of an unconditional cash transfer in Malawi has similar or even higher impacts on school enrolment than conditional or unconditional cash transfers elsewhere, including in Latin America.

FIGURE 2: School enrolment impacts (secondary-school-age children) of selected cash transfer programmes

Source: Handa (2016), based on Abdoulayi et al. (2016).

TABLE 1: Percentage of SCTP households no longer eligible for the programme upon recertification in 2012, selected districts

District	Households no longer labour-constrained (%)	Households no longer ultra poor (%)	Households no longer labour-constrained and ultra poor (%)
Mchinji	2.7	0.06	0.26
Salima	1.99	0.07	0
Chitipa	5.1	1.7	1.1
Machinga	4.8	0.3	0.3
Mangochi	3.7	0.26	0.26
Phalombe	4.9	1.0	0.67

Source: SCTP Management Information System. Figures provided by Ayala Consulting, 27 March 2017.

> “A beneficiary who exits the SCTP does not transition automatically into another form of social protection.

this point if they are no longer labour-constrained or are no longer ranked (by the community and PMT) as among the poorest 10 per cent. The proportion of beneficiaries that exit the programme on recertification is relatively small. Table 1 shows the percentage of SCTP households that were found to be no longer eligible upon recertification in 2012 (in the SCTP districts with the largest caseloads). Less than 5 per cent were no longer labour-constrained, and less than 2 per cent were no longer ultra poor. These figures also highlight that the design of the SCTP is protective and not promotive. After four years in the programme, SCTP households were eating more and better food, and were sending children to school. Yet, by and large, they were still among the most impoverished members of their communities.

Although recertification creates some opportunities for a small number of new beneficiaries, available evidence suggests that the benefits of the SCTP are not always maintained for households that exit the programme. Recent qualitative research of households that have exited the programme through recertification shows that not a single former SCTP household surveyed was now engaged in a sustainable livelihood (Scott, Harman, and Chinsinga 2016).[5] Perhaps most tragically, many former SCTP beneficiaries reported that, on exiting the programme, they were forced to withdraw children from secondary school due to an inability to afford the fees.

A beneficiary who exits the SCTP does not transition automatically into another form of social protection. There is no laddered system whereby SCTP beneficiaries graduate into the next stage of the social protection system (as is the case in Chile). Graduates of the SCTP have instead been left to their own devices and informal support networks. Although there are no coherent options for mobility between social assistance programmes, there are some positive signs of reform in this regard. The recently revised Public Works Programme (PWP) is intended to target the 15 per cent next most vulnerable households that are not enrolled in the SCTP. This should include former beneficiaries of the SCTP who have exited the programme. Yet there is a clear and currently unmet need for coherence between the SCTP and the PWP. For instance, an SCTP household may have progressed closer to the ultra-poverty line over several years of receiving transfers. This household may have exited SCTP during the recertification process yet still be labour-constrained. SCTP can of course influence consumption levels, but there is no evidence that it influences indicators related to labour constraints. As the demographic pyramid in Figure 1 shows, the SCTP is characterised by high numbers of elderly people, children and adolescents. Would a former SCTP household now be eligible for PWP, a programme that requires work in return for cash transfers? The design of PWP and the broader National Social Support Policy are silent on this issue.

Indeed, the process and design of how beneficiaries exit from the SCTP is unclear, and it seems probable that some SCTP ‘graduates’ may slip through the gaps—particularly if they remain labour-constrained and, therefore, theoretically ineligible for public works. In most districts, the programme cycles and beneficiary management of the SCTP and the PWP are not yet aligned. Furthermore, beneficiaries enrolled in the revised PWP are expected to be registered as beneficiaries for a full three years, implying that a beneficiary can neither join nor leave the PWP over that time-frame. As with the SCTP, it is a lengthy wait for potential PWP beneficiaries in the event of exclusion errors.

The risks of a graduation agenda for the most vulnerable people

The attention of decision-makers in Malawi on graduation has been primarily limited to emphasising the need for beneficiaries to graduate from the SCTP. There has been virtually no focus on whether beneficiaries should or could graduate from the other major social support programmes, including PWP (15 per cent of the population) or the fertiliser subsidy, which in recent years has provided benefits to about a quarter of all Malawian households and has been shown to not target poor people (Kilic, Whitney, and Winters 2013). These two programmes represent about 1 per cent and 4.5 per cent of gross domestic product (GDP), respectively, whereas the SCTP currently costs the equivalent of about 0.5 per cent of GDP (Juergens and Pellerano 2016b). Focusing on one layer of the social protection system, particularly the poorest and most vulnerable people in the country, is not consistent with the ideal of a coherent social protection system.

Graduation as a concept can be misused, with potentially deleterious impacts. Important nuances and complexities are lost by the use of a word which implies finality. The word ‘graduation’ is commonly applied as an objective for households benefiting from a specific social protection programme. Yet ‘graduation’ usually refers to something fully completed or attained, and never to be returned to. However, the prospects of those living in poverty,

or close to the poverty line, are often highly fluid. Cross-country evidence shows that poverty is dynamic and fluctuating, with many people falling in and out of poverty (Subbarao 2002). Many people are 'sometimes poor' rather than 'always poor' over a certain period of time. The movement can be in either direction: while some people can be poor and escape poverty, large numbers can also be non-poor and then fall into poverty for many different reasons. This highlights the risks of assuming that SCTP beneficiaries will never return to poverty after exiting the programme. In fact, it underscores the importance of social protection throughout the life cycle: a catastrophic health event can plunge all but the wealthiest citizens in the world into a poverty trap which they may not be able to overcome.

Another risk relates to the political economy of 'graduation'. The results of graduation programmes in some countries have been shown to be robust (although this view is not universally shared). More significantly, expectations can be raised and may unduly skew the discourse on prioritisation within social protection programmes and policies. The prominent focus on the successes of BRAC's graduation programmes, for instance, can have political economy implications elsewhere where replicability is assumed all too easily. The objective of sharing lessons across borders is intrinsically good. However, the results of programmes such as BRAC's can lead decision-makers to conclude that social protection programmes in very different contexts should lead to the same outcomes. This can result in policymakers seeing graduation programmes as a quick fix to rapidly reduce extreme poverty. In such circumstances, incomplete information could indirectly harm the lives of highly vulnerable families. Access to a graduation programme could lead to exclusion from social protection, and may render a family unable to mitigate their risks. The discourse in Malawi has often focused on how many SCTP beneficiaries can or should graduate from the programme—despite the SCTP being designed without any promotive or transformative components.

The broader enabling environment, particularly the real economy, also poses significant challenges to implementing a graduation approach. The macroeconomic environment in Malawi is particularly weak. Inflation has been at 20–25 per cent for the past two years (Record 2016). Unemployment and underemployment are widespread. The country has been hit by three successive shocks in two years: floods in January 2015, followed by a drought, followed in turn by an *El Niño*-induced drought. The cost of humanitarian responses to these shocks has been substantial. Economic growth has also been weak, with rates of less than 3 per cent in 2015 and 2016 (World Bank 2017). The economy has been in crisis for several years, and although there are prospects of recovery, sadly Malawi is not yet a dynamic economy on the cusp of an exciting transformation.

> "The broader social protection system and network of social services in Malawi are insufficiently developed to support a graduation programme.

Photo: Tim Chesney/freeimages. Kid selling chickens in Malawi <https://goo.gl/v8T9ly>.

The broader social protection system and network of social services in Malawi are insufficiently developed to support a graduation programme. Government implementation of a graduation programme would require increased capacity on multiple levels, and the supply-side constraints in Malawi are enormous. For example, many relevant services have highly limited coverage. There has also been a freeze on public service recruitment for several years due to inadequate budget and ballooning costs, and unfilled government positions are widespread at both district and national levels.

If government resources cannot support a graduation programme for the SCTP, should decision-makers look to non-governmental organisations (NGOs)? That depends, to some extent, on objectives and resources. The cost of hands-on management and implementation at village level can be substantial, due to geographic isolation of many communities, poor-quality transport infrastructure, and a prevailing culture of 'allowances' for local travel. NGOs are capable of implementing small-scale graduation programmes. Nevertheless, the prospects for the vast majority of SCTP beneficiaries would be limited; implementation at scale—either through government or non-government systems—is highly improbable in the short to medium term.

Ensuring that the SCTP children of today are not the SCTP heads of households of tomorrow

The dividends would be greater if there were increased investment in the SCTP rather than a BRAC-style graduation approach. Although a graduation approach based on BRAC could potentially succeed in Malawi with parallel NGO service delivery at scale, it is unlikely to be cost-effective. The SCTP is proven to be delivering substantial returns in both social and economic development. It is the most evaluated, monitored and well-coordinated social support programme in Malawi. At this stage in Malawi's development, it is likely to be more cost-effective to scale up the SCTP to a greater proportion of the population and provide a higher level of transfer, which is indexed to inflation and/or accounts for seasonal variations. In a time of increasingly limited resources, and with attention focused on economy and efficiency, such courageous actions may not be popular but are likely to deliver the best value for money.

In addition, there should be a strengthening of the recently developed system to create linkages and referrals for SCTP beneficiaries to social services. This nascent system entails elements of a classical graduation approach, including case management, although beneficiaries will only be visited twice a year, and many services are lacking in quantity or quality. Nonetheless, the referral system shows good potential to provide support to SCTP beneficiaries beyond cash transfers.

Decision-makers should focus more attention on intergenerational graduation from poverty in Malawi, rather than graduation from specific social assistance programmes. Given the economic malaise, the concentration of ultra-poverty, the lack of government services and the poor coherence within the social protection system, policymakers and donors should instead give serious and robust attention to how the entire social protection system can help prevent the intergenerational transmission of poverty.

Graduation approaches should, therefore, view children in SCTP households as direct beneficiaries of the SCTP, and focus on *their* graduation from the programme rather than solely the household head—who may well be elderly and/or have a disability or a chronic illness. The graduation of SCTP children is much more likely than that of their caregivers. Providing too little money to too few people, and exiting them from a programme before they are ready to be independent, could hinder rather than help efforts to rid Malawi of extreme poverty. The first responsibility of policymakers and development partners is to ensure that the SCTP children of today are not the SCTP heads of households of tomorrow. ●

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1. The opinions expressed in this article are those of the author and do not necessarily reflect the policies or views of UNICEF.
2. Chief of Social Policy, UNICEF Malawi.
3. Figures cited are from 2010, which are the most recently available.
4. Approximately USD50.95 as of publication date.
5. This finding is consistent with the high levels of both chronic and ultra poverty, and community norms relating to sharing the benefits of social services.

Digital inclusion for the ultra poor: the Graduation Approach

Tatiana Rincón [1]

One of the defining characteristics of the Graduation Approach is its focus on those living in extreme poverty, frequently referred to as the 'ultra poor'. These individuals and families often live in isolated areas where, among other challenges, access to markets and opportunities, financial inclusion, secure jobs and businesses, and education for their children are all difficult. Moreover, these communities are also often excluded from the technological and digital revolutions reshaping the world. For instance, nearly 2 billion people worldwide do not own a mobile phone, and nearly 60 per cent of the world's population have no access to the internet (Bauer 2016).

At *Fundación Capital*, our graduation programmes have, from their inception, worked directly with governments to promote the development and use of digital solutions to support both the scaling-up of programmes and digital inclusion. Together, these partnerships and tools, such as e-learning platforms for coaches[2] and educational tablet and smartphone apps for participants, represent a key way to scale up while keeping quality high and costs low. Additionally, by introducing digital tools, we are able to smartly embed monitoring and evaluation tools in our systems, which permits further progressive and timely adjustments of the programme, including channels for reporting and settling grievances, among other advantages. Moreover, these tools also create the opportunity to connect and empower vulnerable communities and advance their economic, financial and digital inclusion.

Digital solutions for training

There are two sides to any training initiative: the participant and the coach. On the one hand, for participants, training can mean long commutes to reach a workshop location, high opportunity costs such as lost wages, and money spent on child care or transportation, costs accumulated before even reaching the training, where the coach may not show up or may be poorly trained themselves. On the other hand, coaches might receive little support, low wages and insufficient capacitation to effectively perform their role. For our graduation work at *Fundación Capital*, we have decided to tackle these issues from both sides, integrating digital solutions to help alleviate some of these limitations and eliminate bottlenecks.

E-learning: training the coaches

In most social projects, the success of participants directly depends on the performance of the staff working with them. The best coaches are often the peers of programme participants—individuals who live in the same communities, have experienced similar situations, speak the same language and cultural code and are able to 'teach through example'.[3] Peer-to-peer learning reinforces the idea that it is possible to succeed despite difficulties and challenges. However, peers may lack some of the technical skills needed to coach other people, which is where technology can come in.

To respond to the needs of both the coaches and the programmes—from how to improve and monitor performance, to how to reduce costs without impacting the salaries of the coaches—we have developed an online course featuring all the specific components of the project. Complementing the digital learning platform is a human component, seeing that participants receive the support of a virtual tutor who motivates them, provides feedback and documents their best contributions. Additionally, for critical topics, coaches receive face-to-face training in addition to the virtual training. Coaches can study at any time, although they must complete each module by a specified deadline, usually one week before their field visit. The course can be accessed via any digital device, such as a computer, tablet or smartphone. It is important to mention that all programme staff are literate, and many already own smartphones or other digital devices, thereby facilitating the use of online courses. Our courses are designed specifically with their needs and education levels in mind.

The coaches must study the content of and pass exams on each module to both demonstrate and reinforce the lessons and track their understanding, and because the coaches' contracts are linked to their performance in the course. Following the grading of the exams, if any coach continues to have difficulties, a traditional class is arranged in the field to address any remaining questions or doubts. Through the course, it is possible to verify whether staff have the necessary skills before they proceed to coach the families.

APPtitude: training the participants

We have also developed and introduced a tablet- and smartphone-based application for graduation programme participants, 'APPtitude'.[4] It covers themes such as developing a microbusiness, financial education and personal development, and includes educational games and inspirational videos featuring the stories of successful peers. By the end of 2016, approximately 27,500 direct participants of our graduation projects in Colombia, Mexico and Paraguay had been trained using APPtitude.

By using the application, participants train themselves in parallel with the implementation of their productive activity. At the beginning of each module, participants enter their ID number, and the system automatically confirms their GPS coordinates, allowing project staff to track their progress online. At the end of each module, participants are presented with a 'rule of thumb'—the most important lesson they should take away from that module. Each module then ends with a basic survey, which helps determine whether participants believe the module was useful to them and easy to understand, and allows for continued improvement of the application based on real-time user feedback.

Integrated solutions

In the first graduation projects where we worked with governments, such as 'Producing for my Future' and 'Transforming my Future' in Colombia, we found that the use of tablet- and smartphone-based applications for training both staff and participants has many advantages. It guarantees the quality of the content while minimising dependence on the personal training abilities of a given coach. It reduces costs for the programme as well as for the participants, who also have the flexibility to choose when to work on their training module. It contributes to closing the 'digital gap' and empowers families who have never had access to an application before. In this sense, having a multi-platform application is key: families that have a smartphone can download content to their own device, while tablets that are circulated by coaches reach families that do not own a device or that live in areas without an internet connection.

The use of this type of application also enables participants to learn at their own pace, as modules can be repeated as often as needed until content is internalised. Additionally, it reaches other household members, including children, creating a spill-over effect. For instance, based on the 27,500 direct participants reached since the beginning of this approach, we estimate that it has indirectly reached more than 144,000 people, considering the average number of family members that are also impacted by the programme and the shared learning that we have seen in our work.

With both APPtitude and the e-learning platform, economies of scale take effect: the more users the programme reaches, the lower the cost per person becomes, as fixed costs and investments in software development, coordination staff, communication and data management fall, and market hardware costs decrease over time. Both applications also have a robust monitoring backend: a metric system that allows tracking and monitoring of the learning activity. As participants and coaches use the app, the information is sent in real time and uploaded to a database. Coordinating teams can then access the information using a web browser and can view reports, alarms and key performance indicators, including progress reports for each participant and coach, the average time spent on each module, and the location of each training session. When a participant is having difficulties, coordinating teams can instruct coaches to pay extra attention and provide additional support to ensure that no one is left behind. Currently, these digital solutions, with country-specific adaptations, are being implemented in Colombia, Paraguay and Mexico, and will begin in Honduras and Angola in 2017.

Digital solutions for savings

When considering the challenges facing graduation programmes and participants, we were aware that digital solutions for training, made accessible on tablets and smartphones, were just one piece of the puzzle. By putting knowledge directly into the hands of the poorest families we are

Photo: Screenshot of the APPtitude interface, demo video: <https://www.youtube.com/watch?v=Ocl7xdIyGiA>.

> "The use of tablet- and smartphone-based applications for training both staff and participants has many advantages.

reducing the digital gap, but additional efforts are needed to tackle other bottlenecks such as financial exclusion.

At *Fundación Capital*, we have worked throughout Latin America, as well as recently in Africa, to encourage the transition from cash payments to e-payments for the recipients of cash transfer programmes, since e-payments tend to be more secure, are better for rural communities located far from banks and represent a first step towards financial inclusion. As an organisation, financial inclusion and education[5] are at the heart of our work. Therefore, in our graduation programmes, we promote not only strong financial education but also financial inclusion. Indeed, financial inclusion allows practical financial education through 'learning by doing'.

Banking has become increasingly more accessible to clients at the lower end of the income distribution, yet it remains far from meeting the needs of the poorest people. Today, an estimated 2 billion adults worldwide still do not have a basic bank account (World Bank 2016). Banking locations are often far away, account rules and norms confusing, and branches intimidating. Additionally, misplaced negative beliefs about accounts—such as that the bank will take all of one's money through fees, or the government will kick someone out of a given cash transfer programme if they see they are not using all of their transfer money—persist, and lead to transfer recipients often withdrawing all of their money as soon as they receive it. Between the challenges of physical banking and the need for more user-friendly options, the need for products designed for the poorest citizens is clear.

On the other hand, there is the emerging trend of mobile phone use across all levels of society. It is estimated that currently almost 2 billion people have access to a mobile phone but not to a bank (Carter 2015). With even a basic mobile phone, mobile banking becomes possible. "Mobile banking allows the global poor to have access to financial services and transactions that most of us take for granted. For example, employers can transfer money to employees, allowing them to safely store and save their income. It also allows people to apply for microloans or send money seamlessly to friends and family in need" (ibid.). Indeed, some electronic wallets have been created by telecommunications companies, making it possible to save some money, but their use is still limited.

Recently we worked with Tigo, a leading telecommunications company in Latin America, to design the 'Microsavings with a purpose' product, linked to the participant's mobile phone. During the first semester of 2017 this product will be tested with participants of Paraguay's graduation project, *Sembrando Oportunidades Familia por Familia*,[6] itself the result of collaborative design between *Fundación Capital* and the Government of Paraguay.

In our work with the poorest families, we have learned that people save more when they have a clear objective in mind: 'I want to buy a bicycle', 'I want to save to improve/renovate my kitchen', 'I want to save to buy a fridge to expand my business' are the common statements of intent we encounter daily in the field. Using the principles of human-centred design and behavioural economics, we were able to design a product that could be used by regular participants of graduation programmes to save towards their own specific goals. This solution—as all of our solutions—was created together with the end-user and iterated based on their feedback. The key is that the technology is adapted to the needs of the user, and not the other way around.

The electronic wallet is only the first step for participants of 'Microsavings with a purpose'; all of the savings are being secured in savings accounts with a formal bank, and the microsavings programme with Tigo is the channel that allows for this.

We are eager to learn from this pilot, and hopefully expand this experience to participants of graduation programmes in other countries around the world. We are constantly working not only to learn from the work within countries but between them, which has motivated us to establish a cross-country evaluation platform supported by the International Development Research Centre (IDRC) and led by Colombia's Universidad de Los Andes. This platform is currently conducting process, results and impact evaluations in the countries where we are implementing our graduation programmes, and through these evaluations we will be able to learn more about the results and impacts of our initiatives.

How to effectively use technology to improve the well-being, and increase the digital inclusion, of some of the poorest and most vulnerable members of society is among our greatest challenges. Poverty is a complex problem that cannot be solved with just an app or the implementation of an electronic wallet, but technology can play a key role in promoting high-quality solutions, greater access to services and, ultimately, more opportunities. ●

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2. Coaches are programme support staff who help participants in their personal development throughout the programme. Normally, they are peers of programme participants, coming from the same region and having a similar socio-economic background, but with higher educational levels.

3. To learn more about our work on this topic, please see <http://nextbillion.net/peermentorships-helping-colombiawrite-its-next-chapter/>.

4. For more information, see <https://www.youtube.com/watch?v=OcI7xdlyGiA>.

5. There is an important difference between financial education (sometimes called 'financial literacy' in the global North) and financial inclusion. While the first concept mainly refers to knowledge, the second concept also entails having financial capabilities (knowledge put into practice), which increases the probability of positive behavioural change. There is also a difference between financial education and financial literacy: while the former refers to education for people at the base of the income pyramid (therefore, most of them illiterate), financial education applies to everybody.

6. See <http://fundacioncapital.org/en/economic-citizenship/graduation-program/paraguay/>.

Caveat emptor: the Graduation Approach, electronic payments and the potential pitfalls of financial inclusion

Paulo L. dos Santos[1] and Ingrid Harvold Kvangraven[1]

The Graduation Approach to poverty reduction is inextricably bound up with programmes promoting financial inclusion. Proponents for the approach see it guiding a series of interventions that encourage poor households to 'graduate' into 'mainstream development programmes' which are centred on the provision of credit and other financial services (BRAC 2014). Indeed, the approach has been presented as a way to address the needs of those "too poor for microfinance services" (UNHCR 2014). The presumption is that the development and poverty reduction needs of 'graduates' will be well served by financial inclusion initiatives.

Recent interventions by influential development actors have sought to deepen the policy connection between graduation approaches and financial inclusion initiatives, including through the use of electronic payments systems (EPSs). The Ford Foundation and the Consultative Group to Assist the Poor (CGAP) recently called for 'Graduation 2.0' approaches that would establish and promote the "impact of financial services in the graduation approach and how Graduation Approaches are or could be synergistic with national financial inclusion initiatives, social safety nets and large-scale digitization of social transfers" (CGAP 2017).

This call parallels the efforts of the Better than Cash Alliance (BtCA) to promote the diffusion of EPSs in developing countries. Funded by Visa, MasterCard, Citigroup, the Gates Foundation and USAID, the BtCA advocates public investment in EPSs to facilitate their use to expand the reach of private suppliers of services in payments, savings, insurance and loans. This includes calls on governments to use EPSs to make cash transfer and broader social programme payments to encourage the financial inclusion of some households even before their graduation from extreme poverty.

The promotion of financial inclusion as a central tool in graduation and broader poverty reduction efforts rely on two widely cited propositions: first, the view that greater access to all types of financial services can universally (and in itself) contribute to poverty reduction and broader economic development; and, second, the contention that market-based provision of credit, savings, insurance and payment services by profit-driven agents is desirable over provision by state or mandate-driven firms such as postal or cooperative banks.

A recent study by dos Santos and Harvold Kvangraven (2017) has drawn on an extensive review of empirical and theoretical work to offer a critical assessment of these propositions and of broader policy calls for the expansion of EPSs to expand financial services to poor households. Considering the potential impacts of different financial services separately, the study raises serious concerns about efforts to expand volumes of lending to poor households, communities and regions. It also points to the important reductions EPSs can make to the costs of managing, safeguarding and sending money, while underscoring the vital role of government interventions in ensuring quality EPSs are universally available at low cost. Those arguments are directly relevant to debates concerning graduation approaches and their relationship to financial inclusion initiatives and EPSs.

Why credit often hurts poor people?

Influential organisations such as the BtCA have argued that EPSs can make a positive contribution to development by enabling,

Photo: BRAC. Woman selling produce, 2014.

> "Recent interventions by influential development actors have sought to deepen the policy connection between graduation approaches and financial inclusion initiatives, including through the use of electronic payments systems.

among other things, expansions of credit via electronic banks.[2] However, recent research has refuted the long-accepted proposition that enabling greater lending to poor people invariably reduces poverty and promotes development.[3] Influential and widely cited studies purporting to establish the positive effects of microcredit initiatives targeting poor borrowers in developing countries have been shown to suffer from deep methodological flaws, and to report findings that cannot be replicated.[4] Meanwhile, a growing body of evidence has documented how those initiatives primarily encourage consumption credit—often at annual rates of interest exceeding 100 per cent and under predatory terms—and not new types of productive enterprise.[5]

These perverse outcomes are not accidental. They reflect the realities of underdeveloped areas, where shortages of skills, infrastructure and markets, among others, create formidable obstacles to the development of new, higher-value-added enterprises. Without broader policy interventions to improve prospects for such enterprises, banks will not generally find it profitable to finance them. Low incomes, small markets and other constraints ensure that even where financial inclusion initiatives support the development of new enterprises, those firms typically displace previously existing ones, yielding no appreciable net benefits to the areas in question (Bateman 2010).

In contrast, lenders are often able to develop a profitable business in consumption lending in those areas, where many people struggle to meet basic consumption needs. Living with few choices and many privations, the would-be beneficiaries of microcredit are often driven into consumption loans that are usurious or predatory. In contrast to loans supporting new productive enterprises, these loans do not contribute to increases in borrowers' income. However, they do impose interest payment burdens, through which lenders can appropriate entire portions of borrowers' meagre incomes.[6] The long-term effects of this type of lending on development and poverty reduction are clearly negative. Yet in many settings where financial inclusion initiatives are pursued, the comparatively higher profitability of this lending ensures that it is precisely the type of credit lenders find most attractive.

The geographical distance of electronic banks from their borrowers in low-income areas makes them even less likely than traditional microfinance institutions to engage in lending to new productive enterprises. This lending requires detailed knowledge of all aspects of the operations of the small borrowing enterprises. Proponents for traditional microfinance initiatives explicitly recognised this difficulty and pointed to existing social connections among borrowers and between them and local lenders as a basis for addressing it. It is not clear how electronic banks would overcome such thorny problems to support the development of new productive enterprises.

The likely focus of these lenders on offering credit to poor borrowers *qua* consumers is also clear in the BtCA's proposals, which tout the prospect that electronic banks in low-income areas will be able to make loans collateralised by poor households' income from cash transfers or foreign remittances.[7] This is a particularly problematic idea. It would ensure that fractions of precious money flows aimed at improving the conditions of some of the poorest households on the planet are diverted into interest payments on consumption loans. Policymakers would be well advised to resist calls for the expansion of such practices.

Delivering quality payments and savings services for all

While the prospect of EPSs being used to ramp up lending to poor people raises serious concerns, those systems can reduce the costs of sending and safeguarding money. They can also promote savings. Yet ensuring that these benefits are widely shared requires careful government intervention and policy.

Markets for payment services are prone to uncompetitive behaviour. Payment systems are networks. Like languages or computer operating systems, their value to any given user depends on the number of total users. Consumers and merchants may be reluctant to switch to better or cheaper competing suppliers simply because fewer people use them, giving dominant suppliers of payment services the ability to abuse their position.[8] Both Visa and MasterCard have been accused by regulators and merchants in the USA and Europe of abusing their dominance of point-of-sale (POS) electronic payment systems to charge uncompetitive fees.[9] This raises concerns about uncompetitive behaviour in the significantly weaker regulatory environments of low-income economies. It is notable that the technologies the BtCA promotes still include the POS systems dominated by Visa and MasterCard,[10] even though that technology is widely seen as having been rendered obsolete by mobile and computer-based networks.

The uncompetitive tendencies inherent in markets for payment services ensure that there is an important role for governments to play. Depending on national conditions and capacities, there are at least three approaches they can follow to ensure that quality EPSs are available at low cost: first, governments may directly regulate the actions and prices of private suppliers; second, they may support the operation of a mandate-driven supplier that effectively sets the market price for payment services, leaving room for competitive private suppliers to operate profitably; and, third, governments may simply have central banks make electronic deposits widely available, as a new form of cash.

The resulting low-cost EPSs can also encourage savings. In this vein, they may function like postal banks, enabling modest wealth accumulation and asset acquisition by poor households and helping boost their resilience. These savings may also be pooled and used to support development projects.

Development agencies can provide valuable assistance by helping governments develop institutional capacities to regulate or run such systems, to identify valuable development projects that can be financed with electronic savings, and to design contracts allowing this financing to take place at minimal to no risk to savers.

Micro-level innovation is no substitute for systemic development policy

Well-regulated EPSs that offer low-cost payment services, encourage savings and are prevented from extending

BRAC/Alison Wright. BRAC microfinace project, Tanzania, 2014.

> “Living with few choices and many privations, the would-be beneficiaries of microcredit are often driven into consumption loans that are usurious or predatory.

loans to poor people can contribute to development and poverty reduction. Yet such contributions will be modest.

The arguments promoting EPSs and financial inclusion embody a third, widely cited proposition: that small-scale technological or institutional innovations can by themselves contribute to significant reductions in poverty and to the broader economic development of low-income communities, areas or economies. This tendency to see micro-level innovations as development or poverty-reduction panaceas downplays the stubborn structural and systemic obstacles and deficiencies that define underdevelopment, and the need for joined-up national industrialisation strategies and broader social policies to overcome them.[11] Without such strategies and policies, even promising innovations and well-intended initiatives can yield unintended or even perverse results.

This understanding should inform policymakers and development practitioners to consider the likely impacts of all ‘graduation’ interventions aiming to make permanent, sustainable reductions in the depth and spread of poverty in developing economies. ●

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1. The New School for Social Research.
2. See BtCA et al. (2014, 7–9).
3. See Karlan and Zinmann (2009), Banerjee et al. (2013) and Duvendack et al. (2011), for instance.
4. As shown by Roodman and Morduch (2009) and Devendack et al. (2011).
5. See Bateman (2010), Karim (2011), Roodman (2012) and Sinclair (2012), for instance.
6. See dos Santos (2011).
7. See BtCA et al. (2014, 7).
8. See Gowrisankaran and Stavins (2002), for instance.
9. See Mangelbaum (2012).
10. See, for instance, BtWC et al. (2014, 15).
11. See Gerschenkron (1962), Amsden (1992) or Chang (2002), for instance.

Resilience and graduation

Greg Collins [1]

From Bangladesh to Ethiopia and well beyond, the contribution that graduation approaches have made towards helping poor households escape poverty is well documented. Learning from these approaches is also instructive to the broader set of investments by governments, donors and communities themselves aimed at enabling these pathways, including for the 'ultra poor' and those who are chronically vulnerable. At the same time, the growing risk, frequency and intensity of shocks and stresses that poor households face is not only inhibiting their ability to escape poverty but is also causing many who have escaped to fall back into poverty, and still others to hover around the poverty line or even descend into poverty for the first time (ODI 2014; 2016; Hallegatte et al. 2017).

How significant is this as a (counter) development trend? According to the Overseas Development Institute's 2014–2015 *Chronic Poverty Report*, over 60 per cent of households who escaped poverty in rural Ethiopia between 1999 and 2009 fell back into poverty during the same period. In rural Kenya the rate was 44 per cent between 2004 and 2010. As a percentage, fewer people who escape poverty are falling back into it in Asia. However, data from Bangladesh, the Philippines, Vietnam and Indonesia suggest rates of above 20 per cent, which translates into massive numbers of people and households (ODI 2014).

When added to the rate of near-poor households descending into poverty or unable to effectively distance themselves from it, the numbers become truly alarming. For example, a recent World Bank report estimates that some 26 million people are forced into poverty each year due to natural disasters alone (Hallegate et al. 2017). The same dynamics are also sending those already living on less than USD1.90 per day deeper into poverty and, in extreme cases, resulting in recurrent crises that manifest as repeating, large-scale humanitarian emergencies (ODI 2016; Hallegate et al. 2017).

In this light, sustainably reducing both recurrent crises and poverty requires strengthening resilience—that is, "the ability of people, households, communities, systems and countries to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability[2] and facilitates inclusive growth" (USAID 2012).

The Graduation Approach's contribution to resilience

The real and potential contribution of graduation approaches to strengthening resilience and enabling sustainable escape from poverty is significant.

First and foremost, graduation approaches aim to target ultra-poor households caught at the intersection of chronic poverty, vulnerability and exposure to shocks and stresses—that is, those often left out of the development enterprise.[3] As with efforts to strengthen the resilience of people and places subject to recurrent crises throughout Africa, Asia and beyond, this constitutes an important shift towards treating those not reached by market-based, formal social protection provisions and growth-oriented development strategies as a development priority rather than a perpetual humanitarian risk. It also underscores the importance of strengthening resilience to ensure that people not only escape poverty and chronic vulnerability but sustain these escapes in the face of recurrent shocks and stresses.

Second, the tailored combination of interventions used by graduation approaches to help enable poverty escapes also aligns with (and is supported by) the growing body of evidence on sources of resilience, which explains why some households fall back—or deeper—into poverty and chronic vulnerability in the face of recurrent shocks and stresses, while other, 'more resilient' households are better able to manage shocks and stresses, maintain their well-being and sustainably escape from (or remain out of) poverty and chronic vulnerability (ODI 2016; Smith et al. 2015). This no doubt reflects an implicit understanding of the importance of resilience to maintaining graduation in complex risk environments. Making this understanding more explicit in programming and measurement would only further enhance the contributions of graduation approaches.

Financial services

Chief among the 'sources of resilience' is improving access to financial services among poor people—the very foundation of BRAC and the impetus behind the Graduation Approach. Recent research not only affirms that access to financial services helps explain why some households were able to escape poverty and remain out of it in Bangladesh, Ethiopia and Uganda, it helps to explain why some households were able to maintain their food security status over multiple drought waves in Ethiopia during 2015–2016, while other—less resilient—households were not (ODI 2016, Smith et al. 2015).

Off-farm economic activities, employment and diversified livelihood risk

Recent evidence also suggests that engaging in off-farm economic activities, including the type of sustainable livelihoods increasingly promoted by graduation approaches, provides both a pathway out of poverty and a source of resilience in the face of shocks and stresses (ODI 2016). This is particularly true of off-farm livelihood and income strategies outside the agriculture sector that diversify and reduce a household's livelihood risk profile in relation to climate shocks and stresses (Nelson et al. 2016).

Graduation approaches are designed to help ultra-poor households transition out of precarious (last-resort) wage labour and into more secure self-employment. Small enterprises are making a clear contribution on this front, albeit with a varying degree of attentiveness to livelihood risk. However, employment—including wage labour accessed through migration to rural towns and cities—constitutes an equally important adaptive strategy, particularly for the poorest households. As Mueller and Chan (2015) suggest, expanding and enabling poor households to access viable and stable employment will become more important—not less—as economies develop and agricultural systems transform.

Transfers: assets and consumption support

Graduation approaches that combine asset transfers and predictable, time-bound consumption support are also making an important contribution to resilience. This is evidenced by the role of asset transfers and consumption support in enabling poor households in Ethiopia to better manage through and begin to recover from the *el Niño*-induced drought in 2015–2016, either through transfers through the Productive Safety Net Programme (PSNP) or the PSNP contingency mechanism that enabled transfers to an additional 2 million non-PSNP households experiencing transitory food insecurity or, in its absence, external humanitarian assistance (Smith and Frankenberger 2017).

This experience in Ethiopia, and the growing body of evidence on shock-responsive social protection, also makes clear that social protection systems and their ability to flexibly expand in the face of shocks are critical for effective disaster risk and drought-cycle management (Oxford Policy Management 2016). Put simply, these systems provide both a 'push' to enable poor households to escape poverty and chronic vulnerability, and a protective buffer that allows these and other households to remain out of poverty in the face of extreme events that overwhelm the ability of households and communities to manage these events on their own.

Social capital, women's empowerment, aspiration and confidence

The importance of graduation approaches to resilience also extends to its very visible contribution to building social capital (inclusive social networks), women's empowerment and aspirations, as well as the confidence to mitigate, adapt to and recover from shocks and stresses in ways that are just now starting to be properly understood. The existing evidence on both sustainable poverty escapes and managing recurrent crises makes it abundantly clear that these social and psychological factors are as important—and potentially even more so—to build resilience than the other contributions of Graduation approaches previously outlined (Béné et al. 2016).

The contribution of resilience to graduation approaches

The emergence of resilience as an analytic, programmatic and organising concept also significantly contributes to scaling more shock-responsive, risk-informed approaches to graduation.

Complex and compound risk

First, resilience demands a more explicit recognition of the risk environments in which poor and chronically vulnerable people live and the pernicious and perennial threat this poses to their ability to both escape and remain out of poverty and chronic vulnerability. The complex and compound nature of these environments is also clear; it is rarely a single event that sends households back or deeper into poverty and chronic vulnerability but, rather, a combination of shocks and stresses, from large-scale, covariate droughts and floods, to more idiosyncratic shocks such as the loss of a wage earner or a health crisis within the household that unfold over time.

An explicit focus on strengthening resilience capacities

This more explicit recognition of risk demands a greater focus on strengthening the set of capacities (absorptive, adaptive and transformative) that enable households and communities to mitigate, adapt to and recover from shocks and stresses and remain out of poverty and chronic vulnerability, alongside efforts to facilitate escapes from poverty. As the term 'graduation' implies, there is likely a threshold (distance from poverty) beyond which households are less likely to fall back. Yet, as much as this distance can provide some buffer, it alone is insufficient without also strengthening resilience capacities—particularly given the extent to which recurrent shocks and stresses can erode this buffer over time.

Graduation approaches are already clearly contributing to strengthening these capacities. However, this contribution would be even greater if graduation approaches were combined with other interventions that not only help people escape and distance themselves from poverty and chronic vulnerability but also strengthen their ability to sustain these escapes in the face of complex risk and recurrent shocks and stresses. The starting point for this type of collective action is a deeper and shared understanding of risk and resilience capacities in the varied contexts in which graduation approaches are being implemented.

Photo: BRAC. Woman beneficiary of BRAC Poultry project, Uganda, 2012.

> "These systems provide both a 'push' to enable poor households to escape poverty and chronic vulnerability, and a protective buffer that allows these and other households to remain out of poverty in the face of extreme events.

Collective action across scales, systems and sectors

The concept of resilience provides a useful framework in that it demands working not only across different sectors but across different scales—from individuals and households to communities, systems and countries. It does so both because resilience capacities exist at these different scales and because strengthening resilience at any scale, including the resilience of poor and chronically vulnerable households, requires working across them.

Increasing income from both on- and off-farm livelihoods as a source of resilience and as a sustainable pathway out of poverty illustrates the point. Graduation approaches help empower and 'push' individual households through asset transfers, consumption support, access to financial services and skills development. However, the ability to do so at scale will be severely constrained without accompanying investment in the development of inclusive market systems that engage the private sector and create 'pull' dynamics by expanding opportunities for employment and enterprise (Irwin and Campbell 2015). Similarly, investments to improve natural resource management and the resilience of ecological systems are critical for expanding (and even maintaining) livelihoods that depend on the natural resource base, particularly during shock events (Nelson et al. 2016; Smith et al. 2015).

Inclusive social protection systems serve as another important example. As with graduation programmes, social protection provides a much-needed 'push' in the form of timely and predictable transfers. Moreover, transfers provided through social protection systems are, in general, not time-bound and provide critical ongoing support to those ill-equipped to benefit from a graduation approach. Inclusive social protection also provides a critical protective buffer when household and community resilience capacities are overwhelmed in the face of large-scale, covariate shock events such as droughts and floods, as well as idiosyncratic shocks such as a health crisis or the loss of a wage earner within a household. Given the alarming rates at which households are descending or falling back into poverty, the existence and *permanence* of inclusive social protection systems as a source of resilience is just as critical for 'near poor' people and those who have escaped poverty as they are to those who are poor and chronically vulnerable.

Strengthening resilience also requires working across sectors, including—but not limited to—those in which graduation programmes typically engage. Beyond expanding economic opportunities, this includes strengthening governance through improved natural resource, conflict and disaster risk management (including the aforementioned shock-responsive social protection), as well as strengthening local institutions in these and other areas. In more fragile contexts, it also requires the very difficult endeavour of addressing strained State–society relations, which are the cornerstone of transformative capacity and shape the enabling environment within which household- and community-level resilience can be fully realised.

Finally, strengthening resilience requires next-generation investment in human capital, including in health, nutrition and education, as a complement to investment in short-term skills and capacities. For example, prior-generation investment in education, as measured by current-generation educational attainment, is a powerful predictor of a household's ability to sustain and even improve its well-being in the face of recurrent shocks and stresses across a wide range of contexts in which the relationship has been examined (Smith et al. 2015; ODI, 2016). This is well recognised by many poor and resource-constrained households which prioritise sending their children to school above other needs.

Conclusion

Resilience and graduation are intimately interwoven in both purpose and approach. Yet it is equally clear that there is much to be gained by incorporating resilience more explicitly into work on graduation and ensuring that the tenets of and lessons from work on graduation inform a broader, collective effort to build resilience and sustainable ends to recurrent crises and extreme poverty. This requires moving beyond unnecessary polemics that suggest that graduation approaches and social protection are somehow competing with one another or that investment in one sector is more important than investment

> "Strengthening resilience requires next-generation investment in human capital, including in health, nutrition and education, as a complement to investment in short-term skills and capacities.

Photo: BRAC. Woman running small grocery from BRAC microfinance project, Tanzania, 2014.

Photo: BRAC/Alison Wright. Woman in maize fields producing crops independently, Tanzania, 2014.

in another, towards a shared, evidence-based vision for collective action and impact, which recognises the role of varied investment across different sectors, scales and time horizons. The emergent field of resilience measurement and the growing body of evidence being generated by it provide a fertile platform for advancing thinking on this front. ●

> "There is much to be gained by incorporating resilience more explicitly into work on graduation and ensuring that the tenets of and lessons from work on graduation inform a broader, collective effort to build resilience and sustainable ends to recurrent crises and extreme poverty.

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2. 'Chronic vulnerability' refers to an enduring susceptibility to the effects of external shocks on life and livelihoods—"a shock that is not acute or transient, but constant and cyclical". See <http://odihpn.org/magazine/editors-introduction-chronic-vulnerability/>.

3. Kidd (2013) and others have criticised the effectiveness of graduation approaches in reaching ultra-poor people.

Leaving no one behind: graduation for refugees

Helene Kuhle,[1] Alexi Taylor-Grosman[2] and Andrew Mitchell[3]

More people have been forced to flee their homes than at any time since the Second World War, and this number continues to grow: currently, more than 65 million people are forcibly displaced[4] globally; among them, more than 21 million are refugees. Many refugees find themselves in protracted situations of five years or more with few prospects for attaining a solution to displacement because of shifting political landscapes and unending conflicts (UNHCR 2003; 2017b).

With the number of forcibly displaced persons caught in protracted displacement situations on the rise, it is increasingly evident that a humanitarian response focusing on the short term is inadequate. Accordingly, a growing global consensus recognises that displacement requires a joint humanitarian and development response, underpinned by long-term planning and programming for solutions. The response must involve a broad coalition of actors, including governments. Planning for solutions should include strengthening refugees' self-reliance and resilience, as these approaches can empower them to live more independently of external assistance; stabilise their means for living; and enable them to contribute to the local economy, while preparing them to take advantage of whatever solution ultimately becomes available. These insights are reflected in core high-level policy addressing forced displacement, including the 'New York Declaration for Refugees and Migrants' (United Nations 2016a) and the 'Comprehensive Refugee Response Framework' (UNHCR 2016). Moreover, these policies link with, and build on, the Sustainable Development Goals and principles of the 2030 Agenda for Sustainable Development—that no one should be left behind, and that those furthest behind should be reached first (United Nations 2016b).

The vast majority of refugees live in the developing world, and more than 4 million are hosted by countries where the average income of their own citizens is far below the extreme poverty line. Often, the socio-economic situation of refugees matches that of the host community. As such, it is not surprising that in these contexts refugees often lack access to sustainable livelihoods and long-term support from host governments. Moreover, they often struggle with additional challenges pertaining to their refugee status: they may face legal or administrative barriers limiting opportunities to gain lawful and decent employment (Zetter and Ruaudel 2016), further compounded by discrimination from the local population, a lack of documentation necessary for formal markets, and a lack of language and skills that match the market opportunities in the host country.

In response, the United Nations High Commissioner for Refugees (UNHCR) has been enhancing collaboration with development actors to bridge the current gap between humanitarian and development efforts and ensure that refugees—in particular, extremely poor ones—are not left behind. UNHCR engages in efforts to strengthen self-reliance and resilience with the objective of equipping and preparing its persons of concern to respond to the protection risks they face and to take advantage of opportunities leading to solutions. How a displaced person fares in the future, whether in the country of asylum or origin or in a third country, depends on the skills, experiences and qualifications, mental and physical health, material assets and attitudes maintained and developed while displaced. These resources and qualities are beneficial not only to refugees but to their communities, including in areas of return or relocation, or in countries of settlement.

With support from Trickle Up, in 2013 UNHCR adopted the Graduation Approach as a vehicle to enhance international protection and improve refugees' prospects for solutions. Through the Graduation Approach, UNHCR and its partners set out to increase self-reliance and resilience among refugees and host community members living in extreme poverty.

Graduation: building self-reliance in refugees

Efforts to build self-reliance aim to enable refugees to meet essential needs and to enjoy human rights in a sustainable manner and with dignity. Participants in graduation programmes are supported to progress along a set of objectives, including establishing food security, building self-confidence and agency, increasing resilience through sustainable,

BOX 1: UNHCR's mandate for protection and solutions

UNHCR is mandated by the United Nations General Assembly to work with others to provide international protection and seek permanent solutions for refugees and other persons of concern.

Solutions are secured when refugees enjoy their rights, including access to national services and systems, at the same level as people they live among, without facing any discrimination—whether in their country of origin, country of asylum or a third country. It entails addressing four interrelated dimensions: economic, legal, socio-cultural and civil-political, to ensure sustainable solutions. Voluntary repatriation, local integration, resettlement and complementary pathways are all possible routes to attain solutions.

Source: UNHCR (2017a).

BOX 2: Self-reliance and resilience

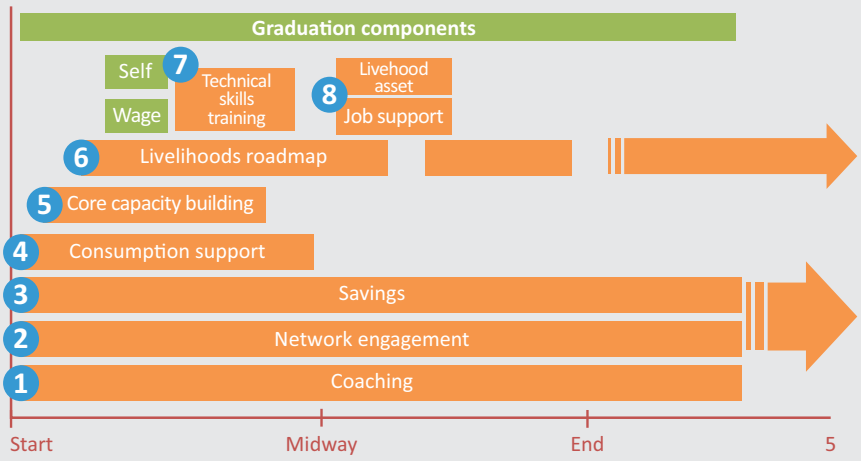
- Self-reliance refers to the ability of an individual, household or community to meet essential needs and to enjoy human rights in a sustainable manner and with dignity.
- Resilience refers to the ability of individuals, households, communities, national institutions, systems and societies to prevent, absorb and recover from shocks, while positively adapting and transforming their structures and means for living in the face of long-term stresses, change and uncertainty.

> "Displacement requires a joint humanitarian and development response.

stabilised income and savings, and establishing access to networks and services that will continue after the end of the project. The following components are included in UNHCR's Graduation Approach:

- Coaching: Intensive weekly or bi-weekly 20–30-minute coaching sessions throughout the programme implementation period facilitates a smooth transition as the participant navigates the multi-staged programme. The coach also helps establish links to relevant networks and service providers that will remain available after the project ends.
- Network engagement: UNHCR encourages its graduation participants to interact with other programme participants, refugees and host community members alike, either through savings groups, social gatherings or group training. This helps refugees overcome the very common sense of isolation and reinforces social capital, both within the refugee community and with the host community, which is essential for self-reliance.
- Savings: Saving, whether in a formal financial institution or in an informal group setting, is a vital tool for risk management. Regular saving helps participants build assets and instils the habit of saving. In addition to helping overcome unexpected shocks, these assets can be used for investment and productive risk-taking activities.
- Consumption support: Often poverty and food insecurity inhibit households from taking on any meaningful longer-term livelihood strategy. UNHCR provides food and/or cash assistance, often in collaboration with the World Food Programme (WFP) or other pre-existing safety net programmes, for a fixed period. With this support, participants' basic needs are met, allowing them to engage in programme activities and more proactively focus on livelihood activities that increase their self-reliance.
- Building core capacities: Many refugees arrive in their host country without documentation or knowledge of what services exist to support them. UNHCR offers capacity-building on legal rights, cultural norms and integration, and other core skills such as household financial management which support engagement in successful income-generating activities in the country of asylum. By building core capacities, refugees are supported to better claim their civil, cultural, economic, political and social rights (UNHCR 2017c).
- Livelihoods roadmap: Coaches work closely with their graduation

FIGURE 1: Components of UNHCR's Graduation Approach[5]



Source: Authors' elaboration.

> "The vast majority of refugees live in the developing world, and more than 4 million are hosted by countries where the average income of their own citizens is far below the extreme poverty line.

> “Building the resilience of people living in poverty is necessary to ensure that progress towards self-reliance is not eroded or reversed in the face of shocks or crises.

Photo: UNHCR/S.Rich. Cenelia, an internally displaced person in Colombia, makes intricate beaded bracelets.

participants to develop and implement appropriate and decent livelihoods strategies, both through self-employment and wage employment mechanisms, depending on the context. To ensure that the roadmap offers a sustainable path for income growth and self-reliance, it must be based on market opportunities, build on participants' financial resources and skills, and leverage participants' agency to seize these livelihood opportunities. When refugees do not have access to legal employment, UNHCR and partners inform refugees about their rights, monitor refugees and their employers to ensure protection, advocate on the behalf of employees for those rights that do exist, and work on the regulatory environment to help build more formal opportunities.

- Technical skills training: Following the roadmap, technical skills training is offered to graduation participants to equip them to successfully engage in the self- or wage employment opportunities identified. Technical skills training is often critical for refugees to be able to meet the demand in the local market; for example, it is not uncommon for former city-dwellers to arrive in rural areas or for farmers to settle in urban areas. Graduation participants who are engaged in the self-employment track receive entrepreneurship training as well as technical training linked to their specific livelihood activities. Examples of technical training may include food hygiene, good practices in animal rearing or local agricultural best practices. Graduation participants engaged in the wage employment track receive employability training and vocational training, which is often provided by the employers.

- Livelihoods asset transfer/employment support: Finally, those participants who will start their own enterprise receive an asset transfer to start their livelihood opportunity. This is most frequently offered in the form of cash, linked to the purchase of a specific asset, though it may also be offered in-kind. In Burkina Faso, for instance, participants who planned to create artisan bowls used their seed capital to purchase raw metal, leather sheets and tools required to fashion the artisan products. In the UNHCR setting, particularly in urban and peri-urban areas where the wage employment track is pursued, participants are also linked to employment opportunities. In Cairo, UNHCR and partner staff work closely with local employers to understand their needs, and screen refugees, to better link candidates with potential employers. When possible, these programmes also leverage UNHCR's or governments' existing employment linkage programmes. In Costa Rica, for example, UNHCR staff use a network of private-sector actors to offer training on refugee employment to human resources offices; then they map vacancies with private-sector companies to share with refugees.

Ensuring sustainability through resilience

Building the resilience of people living in poverty is necessary to ensure that progress towards self-reliance is not eroded or reversed in the face of shocks or crises and longer-term trends (such as climate

BOX 3: Integrating resilience into programming means enhancing three forms of capacities

- An absorbance capacity protects people against household, individual and widespread shocks.
- An adaptive capacity allows people to use new ways of managing (and adapting to) changes in shocks and direct impacts of long-term trends.
- A transformative capacity enables people to become the agents of political and economic change to tackle underlying issues of power at the heart of vulnerability to shocks and change.

change). By instilling the habit of saving, ensuring that productive assets consider the risk of natural hazards, and building participants' capacity to proactively address fluctuating markets and changing ecosystems, the Graduation Approach contributes to strengthen the capacity of refugees and host communities living in extreme poverty to cope with shocks. While more long-term research is required to measure how participants confront these types of challenges, it is expected that the increased economic and social assets that participants acquire through the Graduation Approach will better position them to confront common household and individual-specific shocks, such as illness, loss of income, negative coping mechanisms and protection abuses.

In UNHCR, the Graduation Approach may furthermore address unequal power dynamics that drive vulnerability to risk, such as the subservient role of women in families and communities and the exclusion of non-nationals and extremely poor people from community development and local government processes. For example, coaches are trained to address intra-household conflicts, either by working with the household to mitigate them or by referring the household to necessary and appropriate services. In addition, by building confidence and facilitating joint planning and economic activities within families, marginalised families are more likely to participate in social and economic opportunities in the wider community.

A key aspect of the Graduation Approach in UNHCR is to ensure that participants are linked to relevant services and social support structures, ensuring sustainability after graduation and empowering people to take advantage of government services. In Ecuador and Costa Rica, UNHCR is exploring arrangements with the government to incorporate graduated participants into social services, including social protection, training and job placement programmes. Coaches may also refer participants to psychosocial counselling or legal services, if needed, or accompany participants to health clinics or to schools to register children. By linking participants to existing structures and services, the Graduation Approach helps address the multiple constraints of refugees living in extreme poverty, ultimately strengthening their transformative capacity and assuring a life of well-being with dignity—both while in displacement and once a solution becomes available.

Preliminary results

While UNHCR and Trickle Up are still learning about how best to adapt the Graduation Approach to the specific needs of refugees in different contexts, initial economic and social results have been promising.

In Egypt, 1,275 households, including Syrian refugees in the emergency context, Africans living in a protracted refugee status, and poor Egyptians, were enrolled in the pilot. At the time of the mid-term evaluation, UNHCR Egypt found that the average income earned per person per month increased by 27 per cent for participants in Alexandria and 18 per cent for participants working in Cairo. Six months into implementation, 68 per cent of participants on the wage employment track had been placed in a job. For participants engaged in the self-employment track, 97 per cent of participants in Cairo and 78 per cent of participants in Alexandria had started a business. This is particularly noteworthy, since legal access to work for refugees is limited. More research on longer-term job retention is needed (Beit Al Karma Consulting 2016).

UNHCR Ecuador piloted the Graduation Approach with 180 urban refugees, most of whom hailed from neighbouring Colombia. Just eight months after services commenced, participants reported an overall increase in average household and per capita monthly incomes. Moreover, 35 per cent of participants reported generating an income of at least the national poverty line of USD82 per capita. At the time of the study, 61 per cent of participants reported access to a formal savings account, compared to 1 per cent at the beginning of the programme. This is especially significant given the challenge faced by refugees in opening a bank account in Ecuador, and came as a result of considerable effort by the UNHCR Ecuador team to ensure financial inclusion (UNHCR and Trickle Up 2016).

In Costa Rica, UNHCR's 200 pilot participants included refugees from Colombia, many of whom had been in the country for years, and Costa Rican women who were at risk of sexual and gender-based violence. In its final evaluation, UNHCR Costa Rica reported that unemployment rates of its graduation participants decreased from 36 per cent to 4 per cent, while self-employment increased from 24 per cent to 59 per cent. The percentage of participants who had a monthly household income equal to or greater than the national minimum wage increased from 15 per cent to 79 per cent. The percentage of households that reported saving money increased from 14 per cent to 68 per cent. Fifty-eight percent of participants reported increased emotional well-being (UNHCR Costa Rica 2017).

Going forward

Since adopting the Graduation Approach in 2013, UNHCR, with technical assistance from Trickle Up, has piloted the methodology with refugees in Burkina Faso, Costa Rica, Ecuador and Egypt. In each context, UNHCR targets at least 25 per cent of local community members living in extreme poverty, to build buy-in and help foster social cohesion. In addition to blazing the trail for selecting refugees for the Graduation Approach, these pilots have innovated in serving urban populations through it and incorporating wage employment opportunities.

As part of its Global Strategy for Livelihoods Programming 2014–2018, which focuses specifically on enhancing the economic inclusion of refugees, UNHCR, in collaboration with Trickle Up, is in the process of designing and implementing the Graduation Approach in at least five more countries in 2017, including Argentina, Mozambique, Sudan, Zambia and Zimbabwe. By the end of 2018, UNHCR expects to expand the implementation to more than 20 country operations.

Through these efforts, UNHCR will continue to explore how the Graduation Approach can contribute to the protection of refugees. This begins by ensuring that efforts are systematically linked with national systems and development plans to ensure sustainability. Of course, there are limits to the scope of the Graduation Approach. On the one hand, it is a time- and resource-intensive intervention that targets those living in extreme poverty, rather than those who are better off; at the same time, it requires that a participant

> “A key aspect of the Graduation Approach in UNHCR is to ensure that participants are linked to relevant services and social support structures, ensuring sustainability after graduation and empowering people to take advantage of government services.

Photo: UNCHR Ecuador/C.Loza. Marcela, a refugee from Colombia, makes plantain chips in her new home in Ecuador.

be able to engage in livelihood activities, excluding some of the most vulnerable. These limitations may, however, be mitigated by targeting participants whose graduation from extreme poverty will enable them to better care for more vulnerable family members, thus expanding protection dividends to the wider community. In addition, other types of livelihoods and protection programmes may be applied to benefit those not engaged in graduation programmes.

For its part, Trickle Up, with support from the US Department of State's Bureau of Population, Refugees, and Migration, is supporting the effort to improve the economic well-being of refugees through continued technical assistance and staffing support to UNHCR. Trickle Up is also seeking to engage other graduation practitioners in the inclusion of refugees, and to engage organisations focused on refugees to integrate lessons from graduation into their livelihood programming.

For UNHCR, the importance of the linkages between protection, solutions and development endeavours that are inclusive of refugees, internally displaced people, returnees and stateless persons is clear. By committing to the Sustainable Development Goals and the 2030 Agenda for Sustainable Development's aim to leave no one behind, States and international actors promise to proactively address the needs of persons often excluded based on their legal status, displacement or their recent return to homes and communities damaged by conflict. UNHCR is hopeful that its efforts will be one of many. With 192 signatories, the New York Agreement from September 2016 provides a global framework for convening development actors, governments, private-sector actors and UN institutions in a collective response to the global refugee crisis. The Graduation Approach could represent a global good practice that might enable governments and development actors to bridge the gap between humanitarian and development efforts and take over what UNHCR and partners started by including refugees in regional, national and local development plans. ●

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1. UNHCR's Livelihoods Unit.
2. Trickle Up.
3. Operational Solutions and Transitions Section, UNHCR.
4. 'Forced displacement' refers to situations where a person has been forced to move from their home—for example, due to armed conflicts or natural disasters. Forcibly displaced persons include refugees, internally displaced persons and asylum-seekers.
5. This image is used to highlight the components and sequencing being used by UNHCR in the design and implementation of the Graduation Approach with persons of concern.

Private-sector investment capital in graduation: it is time to unlock sustainable financing at scale

Shaifali Puri [1] and Anne H. Hastings [2]

Poverty is a pernicious and fundamental problem, one that has perennially plagued society. The United Nations estimates that 10.2 per cent of the world's population lived with their families in extreme poverty on less than USD1.90 per person per day in 2015, and the World Bank estimates that around 767 million people lived under this threshold in 2013.[3] Moreover, children are more than twice as likely as adults to live in extreme poverty, and globally almost 385 million children were living in extreme poverty. In sub-Saharan Africa, half of all children live below this threshold (UNICEF and World Bank Group 2016; World Bank 2016).

Since 2000, the United Nations, together with its Member States, has sought to align global actors around major development challenges, with the target to halve extreme poverty between 1990 and 2015 as part of Goal 1 of the discontinued Millennium Development Goals (MDGs). Once again, in 2015, 193 countries endorsed the Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), reaffirming their commitment to eliminate poverty in all its forms everywhere by 2030, now with a target of eradicating extreme poverty (as defined by the USD1.25 a day threshold). While a growing number of stakeholders have joined in the pursuit of this ambitious goal, and significant progress has been made in the last two decades, the poorest subset of this group has not benefited from this progress. Termed 'ultra poor', this most underserved group is the population that Uplift[4] exclusively focuses on.[5]

To end extreme poverty, we must prioritise reaching ultra-poor people first

Within the landscape of extreme poverty, the challenge of reaching ultra-poor people is a particularly difficult one. Existing at the margins, they are the most deprived people within their communities, with extremely limited livelihood prospects and severe social isolation, expending much of their energy and time on procuring food for their households. Often beyond the reach of most formal social protection and poverty alleviation programmes funded by philanthropy and government, they cannot meaningfully access existing market-based support mechanisms such as microfinance. They also lack the financial resources to withstand economic setbacks or to sustainably lift themselves out of ultra poverty.

Whether due to difficulty, high cost or lack of know-how, to date, economic growth and development interventions have largely excluded—or failed to reach—ultra-poor people, or address the unique and specific circumstances that keep them caught in poverty traps. However, without the targeted and sustained support they need to cultivate livelihoods and attain social inclusion, the ultra poor and their families are unlikely to escape the intergenerational cycle of extreme poverty. It has recently been noted that they are the most difficult demographic group to pull over the extreme poverty line, given that most of them live in countries with feeble or inadequate social safety net systems and little opportunity for formal participation in the labour market (The Economist 2017).[6]

Therefore, attaining the ambitious goal of eliminating all forms of poverty by 2030 will require both a concerted commitment by governments and multilateral organisations to prioritise reaching the ultra poor, as well as a very large commitment of resources to craft the targeted policies, programmes and other interventions necessary to do so.[7] According to estimates from the United Nations Conference on Trade and Development (UNCTAD 2014a; 2014b), achieving the SDGs will require between USD3.3 trillion and USD4.5 trillion in investment per year, and likely more, with an annual funding shortfall of USD2.5 trillion. However, poverty alleviation efforts have, to date, remained dependent on traditional sources of financing, including national government programmes, overseas development aid funding or private philanthropic capital. These sources of funding, with numerous constraints and political considerations, are insufficient to address the magnitude of the problem. For example, data from the Organisation for Economic Co-operation and Development (OECD 2015) for Official Development Assistance showed a total expenditure of USD131.4 billion, while the Global Impact Investing Network (2017) found that those surveyed—who comprise merely a snapshot of the total global impact investing picture—currently manage USD114 billion in impact investing assets. It is, therefore, imperative to tap into alternative funding resources for capital for social protection programmes. In other words, a significant deployment of private-sector investment capital will also be crucial.

Unlocking innovative financing mechanisms to scale up the Graduation Approach

A number of factors account for the dearth of scalable private investment capital in extreme poverty eradication. First, private-sector investors typically require an identifiable and measurable return on capital deployed within an agreed timeframe. Traditionally, programmes to eradicate extreme poverty have lacked the ability to show verified evidence of their efficacy along specific indicators, or a guaranteed timeline for an expected result. Even impact investment capital and so-called 'patient capital'—investments that demand both social and financial returns on longer time horizons—require clearly measurable returns, benchmarks of clear success and a specified timeline to achieve them.

In recent years, however, two exciting innovations in the fields of ultra poverty and social finance have gained momentum, which together have the potential to leverage private-sector investment capital at scale towards eradicating ultra-poverty: the Graduation Approach and social and development impact bonds (SIBs and DIBs).

Pioneered by BRAC in Bangladesh, the Graduation Approach provides a comprehensive intervention that specifically targets the needs of ultra-poor households. Given BRAC's success in Bangladesh, from 2006 to 2014 the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation launched 10 pilot initiatives in eight countries to test the replicability of the BRAC approach in different settings. In 2015, the findings of six randomised controlled trials (RCTs) assessing the pilots were published in *Science*.[8] The researchers concluded that the Graduation Approach yields significant improvement across multiple indicators of extreme poverty and that its outcomes are sustainable, and continue to improve over time (Kristoff 2015). Since its inception, it has been adapted by BRAC and replicated and adapted by many other implementers and governments (Fahey and Loiseau 2016). Thus, the Graduation Approach provides, for the first time, a rigorously vetted, data-driven, evidence-based method that has the potential to permanently eradicate ultra poverty.

The social impact bond (SIB) and development impact bond (DIB) models

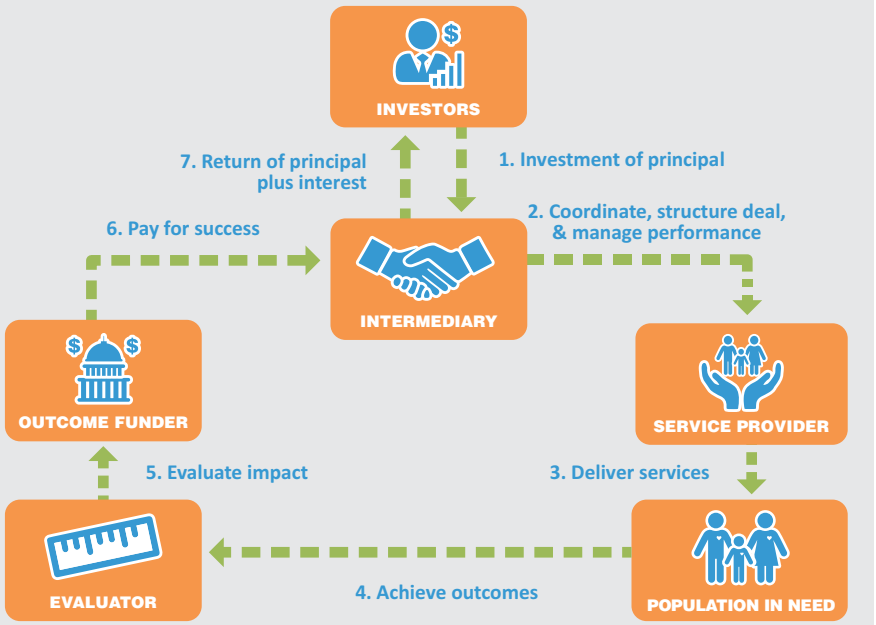
Equally as exciting has been the emergence of SIBs, and their counterpart in the development context, DIBs, over the past decade.[9] Though they take their name from the fixed-income asset class, impact bonds are not bonds in the traditional sense of a debt-based security that pays investors a fixed interest rate until they mature. Rather, they provide a pay-for-performance mechanism whereby a private investor, rather than the government, provides the upfront funding for the implementation of a programme by a service provider to deliver specific social or environmental outcomes. A third party (e.g. government, private donors or both) acts as the outcome funder, returning the capital plus interest to the upfront investor once the specified outcomes have been independently vetted and met. If the outcomes are not met, the interest plus part of the capital is lost.

Unlike traditional philanthropic or government funding models, impact bonds help align incentives between service providers and funders by: (i) providing the full cost of programme delivery up front and incentivising transparency and rigour around the true costs of implementation; and (ii) giving implementers more flexibility on implementation iteration and innovation, and emphasising efficiency and efficacy for funders by rewarding performance and outcomes rather than programme inputs.

> "The Graduation Approach provides, for the first time, a rigorously vetted, data-driven, evidence-based method that has the potential to permanently eradicate ultra-poverty.

Photo: BRAC/Alison Wright. BRAC community healthcare promoter, trained by BRAC to be the village doctor, Uganda, 2014.

FIGURE 1: Social impact bonds



Source: Authors' elaboration.

> "Structuring impact bonds is a complex multi-step process.

As Figure 1 shows, structuring impact bonds is a complex multi-step process. Governments or other outcome payers, service providers and upfront funders must collaboratively identify the outcomes to be prioritised within the scope of the bond and develop detailed metrics that will trigger payment when outcomes are reached, and often must rely on specialised intermediaries to assist with this process. The parties then need to mobilise the capital from investors to fund the upfront costs of delivering the services. The service provider—or recipient of funds—then needs to implement and execute the project with a high degree of programme management and transparent data to assess milestones, enable course correction and inform performance measurement. Moreover, an independent evaluator must validate and assess the outcomes against the predetermined metrics to determine success or failure. Finally, governments and other outcome payers must be able to deliver the capital plus agreed interest for successful completion.

Since the first SIB was launched in the UK in 2010, enthusiasm for impact bonds has grown. The UK organisation Social Finance estimates that there are currently 60 live SIBs that have raised USD216 million in capital, and 160 more in development, with most activity occurring in the USA and the UK, and the majority of the bonds tackling areas such as workforce development and homelessness. In the global development context, the application has proceeded more slowly. To date, there have only been two active impact bonds applied in the development context: one focused on improving education for girls in Rajasthan, India, and another focused on improved coffee production in Peru.[10]

The Graduation Approach is well suited to the impact bond model

Despite the slow uptake of impact bonds in the development context, the Graduation Approach, which provides an evidence-based model of service delivery along specific indicators or metrics of progress—for example, household consumption, hygiene, livelihood development etc.—that lend themselves to translation into performance metrics, is ideally suited to the construction of such a financing instrument. Moreover, as a time-bound intervention, the Graduation Approach already has built into its methodology clear time parameters for achievement of the specified performance outcomes that can be assessed to trigger payment. Thus, with a graduation programme, investors would be able to determine the relevant performance metrics above baseline that they wish to establish for each of the indicators (e.g. household consumption, hygiene, access to clean water, children of school age enrolled in school, asset growth) that the intervention addresses in a given context, rather than having to craft bespoke measures of impact or target population. Moreover, they could determine the overall success of the programme, triggering repayment plus interest, within a relatively short period after investment, since graduation interventions typically last from 18 to 24 months. This, in turn, lends itself to reducing the complexity and transaction costs of designing a SIB.

Additionally, because of extensive independent RCT evaluation in a variety of contexts, investors are able to rely on independent evidence when setting their risk calculations, instead of investing in an untested method or

> “Despite strong evidence of its efficacy, one of the greatest barriers to scaling the Graduation Approach has been the programme’s relatively high cost of implementation.

Photo: BRAC. Samsunnahar and her children, Bangladesh, 2015.

provider assertions of success.[11] Finally, thanks to BRAC’s open dissemination of the model and technical assistance, there is an increasing number of high-quality implementers of the Graduation Approach that have the capacity to manage and execute the programmes and work with partners effectively to execute an impact bond.

Despite strong evidence of its efficacy, one of the greatest barriers to scaling the Graduation Approach has been the programme’s relatively high cost of implementation. Graduation has a higher cost per participant than many traditional poverty alleviation programmes or simple cash transfers, due to its ‘big push’ approach. Impact bonds have the potential to lower this barrier by aligning private investment capital to take on the ‘risk ‘of funding the programmes at greater scale and enabling government and philanthropic donors to pay agreed returns only on delivery of successful outcomes. Because service providers are incentivised to maximise performance rather than specific, rigid programmatic inputs, impact bond financing could also identify innovations that reduce costs while maintaining— or even improving— outcomes and better addressing the heterogeneous needs of programme populations. Implementers could even receive a ‘performance bonus’ if they identify efficiencies in delivery that engender cost savings while maintaining or improving outcomes.

Obstacles to the development and implementation of impact bonds

Nonetheless, despite the promise, there are important cautionary considerations. Very few bonds have been attempted in the highly complex context of global development. The largest one—the Educate Girls DIB in Rajasthan—deployed USD267,000 from the UBS Optimus Foundation to reach approximately 15,000 students in India over three years, with the Children’s Investment Fund Foundation (CIFF) serving as the outcome payer. While the initial outcome metrics are very promising, with reports that after one year of the three-year programme 44 per cent of the targeted number of girls had been enrolled in school, triggering recoupment of 40 per cent of UBS’s investment (Basu 2017), the relatively small scope and scale of the bond, and the paucity of other examples, may deter investors from moving into new sectors of development at greater scale.

Moreover, as exemplified by the construction of the Educate Girls bond, these financing mechanisms are still being underwritten and powered by private-sector philanthropic capital, even when aligned with investment houses such as UBS. As a result, they remain hybridised instruments with philanthropic funding serving as the underwriter, and as such, the true potential of investment capital has not yet been demonstrated. There is reason to believe, however, that as the approach gains traction, and long-term social and financial returns are

better quantified, there will be greater enthusiasm for true capital investment.

Creating impact bonds involves significant transaction costs and a high degree of coordination among a non-traditional alliance of stakeholders that do not generally work together, including: the upfront funder; the service or intervention provider and implementing organisation; the outcome payer (government in the case of a SIB, or foundation or donor agency in the case of a DIB); and a specialised intermediary that can help assess feasibility and facilitate development of the structure of the SIB, help cross-sector stakeholders align, and raise capital (Gustafsson-Wright, Gardiner, and Putcha 2015). Additionally, independent evaluators are also likely to be necessary to verify and validate the performance metrics triggering repayment. As a result of this complexity, the time, effort and resources required to develop a bond at the outset can be steep even when the programme implementation it funds is relatively small in scale, which may deter investors. Still, there is reason to believe that as impact bonds are more widely deployed, transaction costs will decline as design becomes more standardised and new models for pooling costs emerge.

The crucial role of data in enabling innovative finance for ultra-poverty interventions

Finally, data-driven implementation will be essential to ensure programmes funded by impact bonds successfully reach ultra-poor people. Yet quality data on programme implementations and real-time measurements of progress are still severely lacking due to inefficiencies in data collection by implementers or lack of standardisation or robust analytics performed on the data gathered. However, we believe that technological innovation has a crucial and exciting role to play in helping to redress this gap and unlock pay for performance.

To this end, Uplift has helped develop a mobile platform called 'Impact Atlas' that enables accessible data collection, real-time analysis of those data and actionable insights and predictive analytics that can help improve service delivery and performance. Impact Atlas equips field staff to collect data anywhere, and to deliver and track a wide range of interventions, including productive asset transfer, livelihood and life skills training, nutrition, hygiene, education and savings. Additionally, through its sophisticated functionality, Impact Atlas provides very thorough targeting surveys, better enabling clean and validated data to be collected and verified. Initially designed specifically for the graduation programme, and 'beta tested' with BRAC in Bangladesh, it is now also being piloted in the Philippines with Opportunity International. In Bangladesh, the use of Impact Atlas enables BRAC to analyse aggregated programme data from the initial baseline, something it could not previously do. This allows BRAC to ascertain the true relevance and impact of its interventions in shorter time, rather

Photo: BRAC. After graduating from BRAC's programme, Samsunnahar is currently a popular tailor in her village and grows her own vegetables, Rangpur, Bangladesh, 2015.

> "Data-driven implementation will be essential to ensure programmes funded by impact bonds successfully reach ultra-poor people.

than only relying on RCT analysis. In the Philippines pilot, the platform will be able to run analytics based on the targeting surveys to help assess which factors were more or less effective in identifying the ultra poor. It will also facilitate an RCT on a cohort not participating in the programme, thus enabling more efficient, credible evaluation.

In other words, Impact Atlas enables implementers to easily set baselines, establish performance indicators and gather real-time data on participant progress. This real-time insight enables funders and implementers to continually assess whether the front-line staff of implementing organisations are meeting performance milestones, and to change course or adapt as needed. Scaling up the implementation of tools such as Impact Atlas, and growing the capacity of implementing organisations to be data-driven and responsive, will be crucial to successfully deploy impact bonds at scale, which in turn will enable the sustained inflow of private-sector investment capital.

Conclusion

We know all too well that poverty is a systemic challenge that must be addressed with a systems-level response. It has long been established that a sustainable and lasting remedy cannot depend solely on government and philanthropy but must be driven by an integrated, collaborative, multi-sector approach. Though the private sector has been notably absent to date, and despite the complexity and obstacles discussed in this article, we find good reason to believe that impact bonds present the most exciting and promising potential to help fill the funding gap that has slowed the progress of ending intergenerational poverty and to accelerate scaling of the Graduation Approach, and perhaps other evidence-based interventions or adaptations that might emerge. With over 60 implementations globally and 30 ongoing RCT studies, momentum behind the Graduation Approach, and concomitantly the recognition that the ultra poor must be prioritised within the movement to end extreme poverty, is growing (Fahey and Loiseau 2016). What remains is mobilising the resources to match.

We believe that, together, national governments and implementing organisations, leveraging public funding alongside private philanthropic and market-based capital, can make significant headway towards meeting the 2030 goal of eradicating extreme poverty by ensuring that those who are the furthest behind are no longer left behind. Instead, they, like so many others who have progressed out of extreme poverty in the last few decades, will be enabled to unlock their human potential—and that of their children—permanently. ●

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1. CEO of Uplift.

2. Uplift's Global Advocate.

3. The World Bank defines the extreme poverty line as USD1.90 per person per day. While beyond the scope of this article, there is much debate about the utility of a USD1.90 a day benchmark for identifying extreme poverty, given the multidimensional aspects of poverty and the variability of relevant indicators across geographies. Only for simplicity have we referred to this benchmark in this portion of our discussion.

Photo: BRAC. After being forced to beg for food, Shohiton received livestock and training from BRAC's ultra poor programme and is now a confident entrepreneur, Rangpur, Bangladesh, 2015.

> “Poverty is a systemic challenge that must be addressed with a systems-level response.

4. A champion for ultra-poor people, Uplift unites a network of visionary, cross-sector partners and deploys advocacy, innovation and investment to lift households out of the most dire forms of poverty by 2030. For more information, see <www.joinuplift.org>.

5. Definitions of ultra poverty vary, with some describing the ultra poor as those in the bottom half of the extreme poverty demographic, subsisting on USD0.60 to USD0.70 per day, or those who eat below 80 per cent of their energy requirements, despite spending at least 80 per cent of their income on food, with some using the term to generally refer to those living under a threshold of USD1.25 per day. Uplift takes as its baseline the Multidimensional Poverty Index (MPI) developed by the Oxford Poverty and Human Development Initiative (OPHI), which is an international measure of acute poverty covering 100 countries that complements traditional income-based measures by capturing deprivations with respect to education, health and living standards <http://www.ophi.org.uk/>. See also de Montesquiou and Sheldon (2014).

6. See also de Montesquiou and Sheldon (2014).

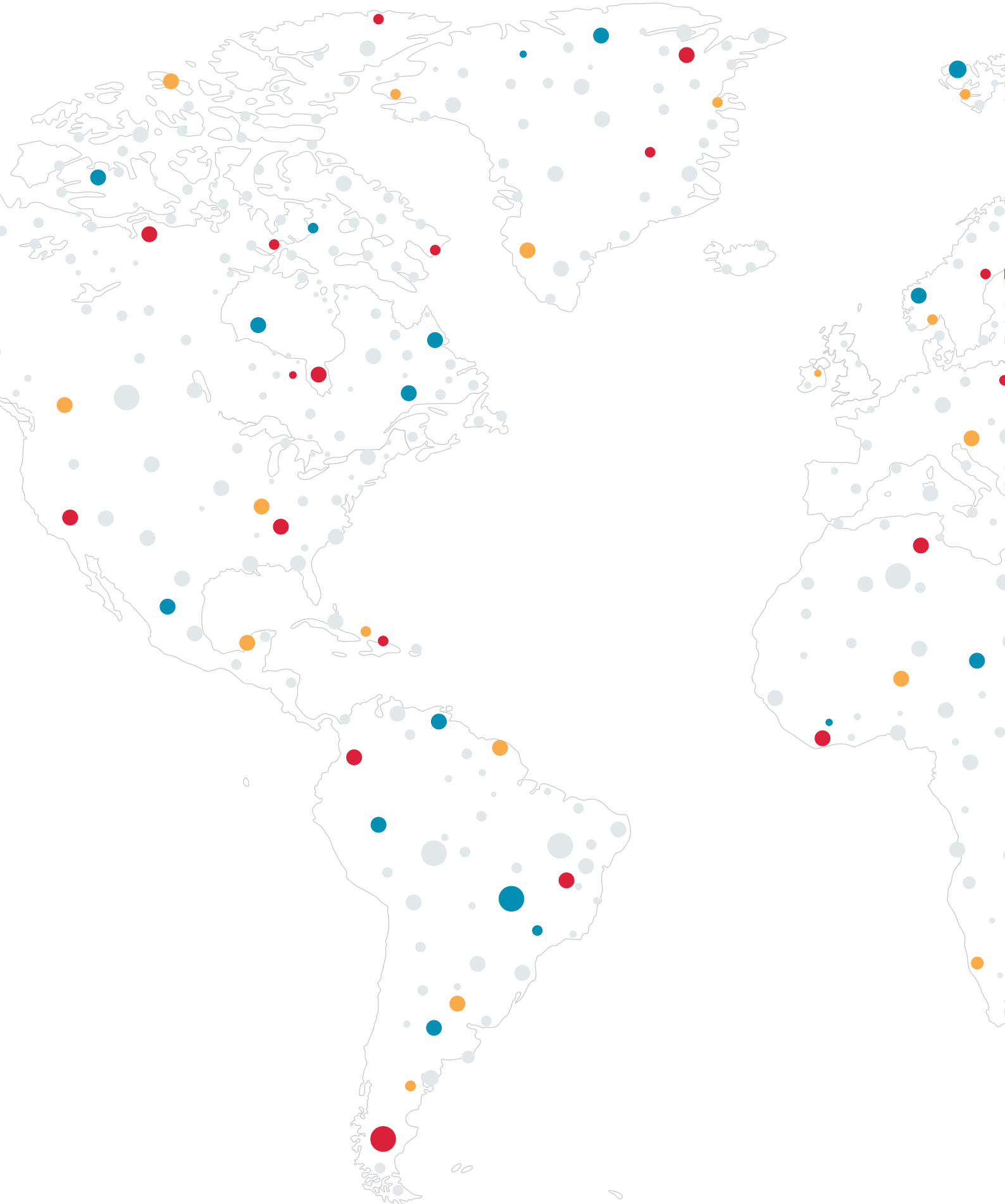
7. We are aware that the concept of 'targeting' ultra-poor people with respect to crafting interventions and policies has been the subject of some debate. See, for example, Freedland (2017). Engaging in that debate is beyond the scope of the purposes of this article. However, based on the earlier discussion of the unique and particularly difficult nature of ultra poverty—and its multidimensional components that encompass both social and financial exclusion factors—we believe it is critical to craft programmes that specifically identify and address the needs of ultra-poor people. Indeed, as discussed, the failure to do so has meant that ultra-poor people have been left behind, despite the progress made in eradicating extreme poverty, and are not reached by existing social protection, livelihood development and market-based mechanisms. Moreover, the promotion of alternative mechanisms to avoid exclusion errors that have been found in targeting, such as universal basic income schemes, is not yet supported by evidence that universal basic income alone would demonstrate effectiveness in addressing the multidimensional nature of ultra poverty or that the benefits would be durable over time for ultra-poor people. Indeed, recent analysis on cash transfer programmes as compared to graduation approaches suggests that there is little or no evidence that cash alone sustains benefits beyond the duration of the intervention. See, Sulaiman, Goldberg, Karlan, and de Montesquiou (2016). This in no way is to diminish the importance of improving the accuracy of targeting or protecting against its shortcomings in programme design and policy that supports linkages to other social safety nets wherever possible. Rather, we believe that the emphasis should not be on dispensing with efforts to identify and target ultra-poor people, but improvement.

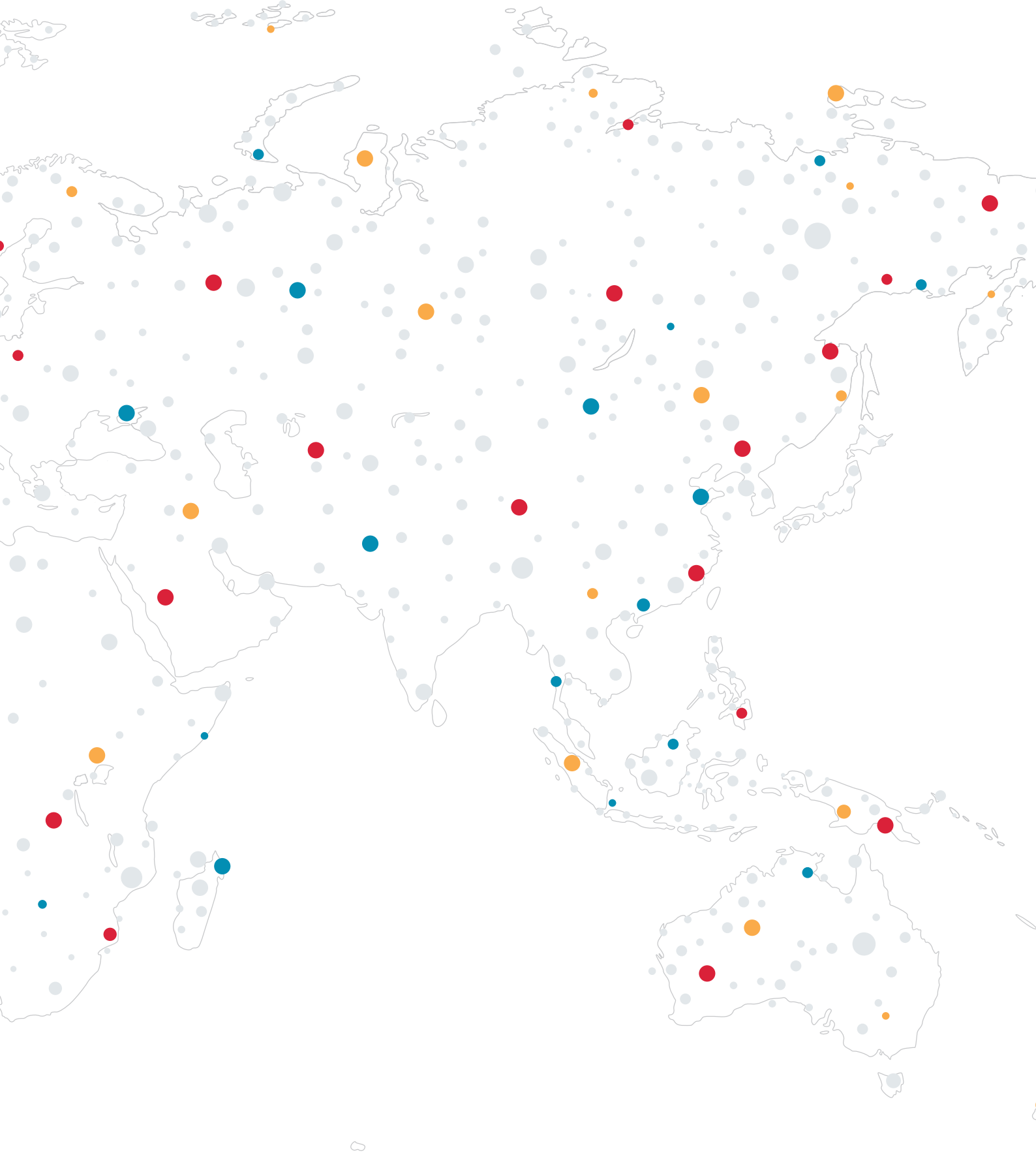
8. See Banerjee et al. (2015).

9. Development impact bonds (DIBs) are an adaptation of the social impact bond (SIB) structure to the global development context. The primary distinctions between the two mechanisms are that SIBs have been deployed in developed countries, and with DIBs, the outcome payer is generally a foundation or donor agency instead of the government. For simplicity, we primarily use the phrase 'impact bond' to describe the instrument.

10. See Instiglio (2015) and Common Fund for Commodities (2017).

11. See, for example, Banerjee et al. (2015) and Kristoff (2015). To the extent that critics of the Graduation Approach have questioned whether or not the claims made on its behalf should be challenged or are potentially not as extensive as claimed, we do not believe the debate would or should hinder the relevance of graduation's strong, independently reviewed evidence base for the purposes of an investor's risk assessment for a SIB. Indeed, even with the debate, the evidence for significant improvement on relevant indicators of ultra poverty is better established than many, if not most, development interventions. Moreover, the credibility and diversity of the independent economists involved in the evaluations, combined with the significant increase in the number of graduation pilots around the world resulting from those evaluations, should persuade an upfront funder that graduation has been sufficiently vetted on outcomes to merit investment.





The claims made about the success of Graduation programmes are both misleading and exaggerated, since they give the impression that impacts are much greater than they actually are.

Stephen Kidd and Diloá Bailey-Athias

The Graduation Approach is expected to continue to grow in scale and influence, with strong demand from donors and governments for nationally scaled programmes.

Aude de Montesquiou and Syed M. Hashemi

As graduation gets further embedded into safety net programmes, governments will need to find ways to identify those who should receive the programme and can benefit from it.

Nathanael Goldberg

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