

Reaching the Poorest: Lessons from the Graduation Model

Microfinance is about extending financial access to poor and excluded people. However, apart from a few notable exceptions, microfinance has not typically reached extremely poor people—those at the lowest level of the economic ladder.¹ The majority of the world’s estimated 150 million microcredit clients are thought to live just below and, more often, just above the poverty line. This achievement is not negligible since, for most of these clients, the only other options are informal sources of finance that are often more costly and less reliable.

Some practitioners, governments, and funders, however, are specifically interested in reaching extremely poor people. Whether seeking to foster social protection or financial inclusion, many wish to understand how best to put them on the path toward sustainable livelihoods—a path that increases incomes, expands assets, and provides food security so that the poorest no longer require support from safety nets and can make good use of credit, if they want to.

Successful efforts to reach extremely poor people often have combined access to financial services with a variety of nonfinancial services, such as livelihoods training. In CGAP’s search for models to fight extreme poverty, we were particularly inspired by the innovative and holistic approach developed by the Bangladesh Rural Advancement Committee (BRAC) over the past three decades.² We have written about the model and have extensively advocated for it as an important pathway for many of the poorest to escape extreme poverty.³

In 2006, CGAP and the Ford Foundation launched an initiative to test and adapt BRAC’s approach in a diversity of countries and contexts. We were intrigued with the idea that, with the right mix of interventions, the poorest could “graduate” out of extreme poverty in a time-bound period. The result of this initiative is the

CGAP–Ford Foundation Graduation Program, a series of 10 pilot projects in eight countries involving a broad range of partners and an extensive research effort, to test the universality of BRAC’s approach (see Box 1).

This paper highlights the lessons learned from the Graduation Program first by describing how the model works and how various partner organizations implement it in the field. A subsequent section distills the early findings and is followed by a section on costs. The final section takes stock of the learning to date, including key constraints and outstanding questions.

Box 1. Reaching the poorest: BRAC’s approach in Bangladesh

One of the world’s largest nongovernmental organizations (NGOs), BRAC works in 70,000 rural villages and 2,000 urban slums in Bangladesh. BRAC has always had a strong focus on poverty—providing microfinance, schooling, healthcare, legal services, and marketing facilities. But in the 1980s, BRAC realized that its microfinance programs were not reaching many of the poorest. In 1985, BRAC partnered with the Government of Bangladesh and the World Food Program to add a graduation ladder to an existing national safety net program that was providing the poorest households with a monthly allocation of food-grain for a two-year period. BRAC worked with these beneficiaries and added skills training, mandatory savings, and small loans to accelerate livelihoods development. In less than 20 years, the program reached 2.2 million households. In 2002, BRAC fine-tuned its approach both through better identification of the ultra-poor (defined as people who spend 80 percent of their total expenditure on food and cannot attain 80 percent of their standard calorie needs) and through a more intensive sequenced set of inputs. By 2010, BRAC had reached around 300,000 ultra-poor households with this new approach termed “Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor (CFPR/TUP). BRAC estimates that over 75 percent of these households are currently food secure and managing sustainable economic activities.

1 Notable exceptions include Jamii Bora in Kenya, Grameen Bank’s Struggling (Beggar) Members Program, and Palli Karma-Sahayak Foundation’s Programmed Initiatives for Monga Eradication in Bangladesh.

2 BRAC’s work in this area has evolved over the years, starting with the Income Generation for Vulnerable Group Development (IGVGD) program and its more recent incarnation, the Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor (CFPR/TUP) program.

3 See Hashemi and Rosenberg (2006).

The Graduation Model: One Approach to Reaching the Extreme Poor

CGAP and the Ford Foundation launched the CGAP–Ford Foundation Graduation Program in 2006 to pilot test whether BRAC’s model could be successfully adapted outside Bangladesh. The objective of the program is to understand how safety nets, livelihoods support, and microfinance can be sequenced to create pathways for the poorest out of extreme poverty.

Ten pilot programs in eight countries have been launched, representing regional, economic, cultural, and ecological diversity. The pilots are as follows:

- Haiti with Fonkoze
- Pakistan with Pakistan Poverty Alleviation Fund (PPAF) through implementing partners: Aga Khan Planning and Building Services, Badin Rural Development Society, Indus Earth Trust, Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO), and Orangi Charitable Trust
- Honduras with Organización de Desarrollo Empresarial Feminino Social and Plan International Honduras
- Peru with Asociación Arariwa and Plan International Peru
- Ethiopia with the Relief Society of Tigray (REST)
- Yemen with the Social Welfare Fund and the Social Fund for Development
- Ghana with Presbyterian Agricultural Services and Innovations for Poverty Action
- Three in India with Bandhan, Swayam Krishi Sangam (SKS), and Trickle Up

Five pilots in Haiti, India and Pakistan are completed while the others are ongoing.⁴ Annex 1 includes a summary description of the 10 pilots.

Five building blocks

The graduation model is built on five core elements: targeting, consumption support, savings, skills training and regular coaching, and an asset transfer (see Figure 1). Pilots adapt the building blocks—prioritizing, sequencing, and shaping the elements to the priority needs of the poorest and the reality of the markets in the various program sites. Understanding the core logic of the model *and* knowing how and when to bring in flexibility is a key role of the implementing partners—especially the program staff charged with the close monitoring and coaching of participants.⁵

Targeting

Deliberately targeting the poorest and excluding better off households is the first step to ensure the pilots truly reach the extreme poor. Once pilot implementers identify the poorer regions and communities in a country through national poverty maps or the implementer’s knowledge of the area, the poorest households are selected, using a combination of methods (see Box 2):

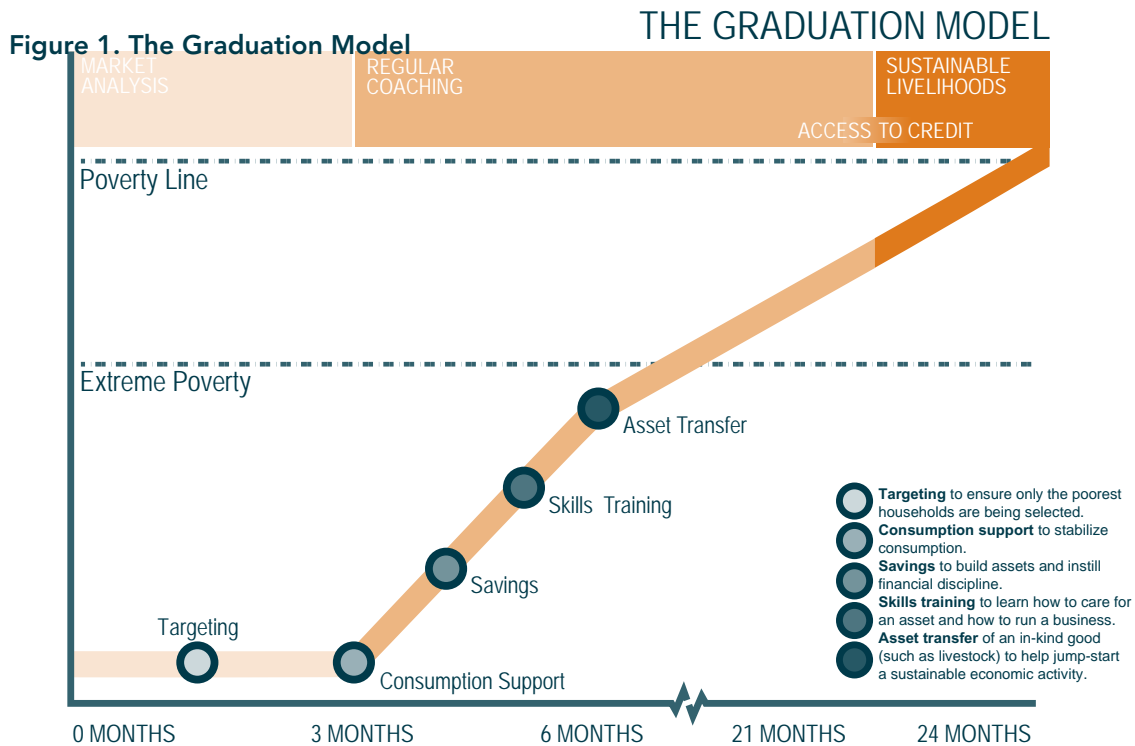
- *Community input.* Communities are directly engaged in determining the criteria for extreme poverty. They first create a local map identifying each household. They then conduct a poverty wealth ranking (PWR) to discuss household characteristics and reach consensus on who the poorest are and who should be included in the program.⁶
- *Surveys.* The results of the PWRs are then typically verified through more traditional household means-tests conducted by program staff using a few easily verifiable indicators, such as family size, number of children attending school, and type of housing. Some pilots use poverty scorecards, such as the Progress Out of Poverty Index.⁷
- *Cross-verification.* In a final step to minimize selection errors, senior program staff visit all selected households to triangulate information from the community and the surveys.

⁴ Pilots in Haiti and India have started to scale up.

⁵ The research built into the pilot in Ghana will shed light on the relative impact of the wholesale implementation of the model, versus implementing some of the building blocks separately. For more information on the research design, see <http://graduation.cgap.org/pilots/ghana-graduation-from-ultra-poverty-program/>

⁶ Research at Bandhan shows that community targeting is quite precise and that PWRs are “reasonably good indicators of economic well-being.” See Banerjee, Duflo, Chattopadhyay, and Shapiro (2007).

⁷ The Progress out of Poverty Index is a simple tool that measures poverty levels of groups and individuals.



The community input helps build acceptance for the pilot in program areas. Combined with the surveys, it enables program staff to better understand the characteristics of extreme poverty in their region. However, this multidimensional targeting methodology requires significant time investment. Typically, a PWR exercise takes at least half a day per community. The household surveys and verifications are also time consuming, especially when homes are dispersed across a large area.

Box 2. Who are the poorest?

The pilots' experience with targeting confirms that poverty indicators depend on local context. For example, food insecurity seems to be a solid indication of poverty in Ethiopia and Haiti, but in Peru the poorest are relatively food secure, so social and geographic isolation count more. Lack of access to productive land is a reasonable indicator of poverty in South Asia, but not in Ghana where villagers can farm communal land. Absence of productive assets is often a key indicator of poverty, but it is not always easy to differentiate between actual ownership of an asset and leasing or borrowing. Strict adoption of national poverty indicators can be misleading. Bringing in local knowledge helps reach a more nuanced and relevant understanding of what constitutes extreme poverty within a community.

Consumption support

A major premise of the graduation model is that food insecurity causes significant stress that reduces poor people's ability to take advantage of opportunities and plan for the future. Consumption support, either as cash or directly as food, is thus meant to create some peace of mind for participants as they are selected into the program. This support helps participants and their families stabilize their food consumption levels until they start earning income from the productive asset they receive as part of the program.

The design of consumption support requires decisions on a range of issues—the form of support (cash or in-kind), the amount, frequency, and duration. In Ethiopia and Yemen, consumption support is offered to all participants through a pre-existing government safety net program. At Bandhan in West Bengal, the duration of consumption support is linked to the participant's livelihood selection. Participants working in agriculture receive support for a longer period than those with small shops because their agricultural activities take more time to generate income. In Honduras and at Trickle Up in West Bengal, consumption support is needed only during the lean season as participants have sufficient caloric intake otherwise.

Beyond improving food security, consumption support also has less tangible but important benefits. Fonkoze in Haiti, for example, considers it to be key to generating trust in the early stages of the program. Fonkoze also found that it is essential to be transparent about the purpose and duration of consumption support to help participants plan ahead for when it is no longer available.

Direct food assistance can be a cushion against inflation—particularly at a time when food prices globally are volatile. Cash, however, is often preferred by participants and also provides a unique opportunity for program staff to start hands-on financial management training and to encourage participants to save. A PPAF partner, SAFWCO in Pakistan, tried cash stipends and in-kind distribution of rice, oil, and lentils. After testing both, it decided to offer only cash stipends of US\$6 every two weeks: this option is easier for SAFWCO to administer and preferred by participants.

There is a natural tension between standardized support, where all participants get the same amount for the same period, and customized stipends, which are more responsive to household needs. Standardization is simpler for program staff to implement and manage and it is often more cost-effective, but it does raise issues of equity: households with fewer members can go much further on their support.

Savings

Savings are at the core of the graduation model. Savings help poor people manage risks, build resilience, and reduce the likelihood of having to sell assets when faced with a shock. Although many poor people save informally, saving regularly in a formal way helps program participants build financial discipline and become familiar with financial service providers. Pilot participants represent a new client segment for most financial service providers, so they also benefit from this introduction.

Ensuring that deposit services are safe, accessible, and flexible is a priority, especially because participants are particularly poor and vulnerable.⁸ This has been a challenge when implementing partners, such as NGOs in India, are not legally permitted to mobilize deposits. Moreover, pilots are predominantly located in remote areas where few regulated financial institutions offer saving services.

Some MFIs are able to mobilize participant's deposits on individual accounts. Other pilots facilitate savings in a variety of ways. SKS opened accounts for participants at post offices, Trickle Up in West Bengal organized self-help groups, and other pilots are exploring communal village savings options.

Most pilot sites establish financial literacy programs. For example, Fonkoze staff in Haiti work with each participant to create an individual savings plan with specific goals. SKS delivers financial education modules during weekly group meetings in the form of a snakes-and-ladders game focused on money management.

Asset transfer

Transferring an asset to help participants jump-start a sustainable economic activity is a critical element of the graduation model. Options for viable livelihoods are developed through market studies that analyze demand constraints, infrastructure availability, value chains, and upstream and downstream linkages.⁹ Program staff then discuss the menu of livelihood options and corresponding assets with participants. The goal is to match the right activity to the interest and skills sets of participants. The most common asset transferred across all pilots is livestock. Pilots have also offered seedlings and other agricultural inputs, sewing machines, and a stock of commodities to start small shops.

A range of considerations must be factored in selecting the appropriate asset. For one, each type of livelihood and associated asset yield different cash-

⁸ See Deshpande (2006).

⁹ See, for example, the market analysis done for the pilot in Ethiopia at <http://graduation.cgap.org/pilots/ethiopia-graduation-pilot/>.

flow patterns. Chickens, for example, can generate income in the very short term through the sale of eggs, though the income is low. Calves, on the other hand, are a longer term, higher return asset.

The time, effort, and skills required for assets vary. Some activities need up-front investment; for example, building boxes for bee hives or shelters for goats. Others require a lot of management. Poultry is complex to care for; it is vulnerable to diseases and weather and needs to be vaccinated. Cows require relatively less care, but need more space and helping hands to gather fodder. The sociocultural values assigned to specific assets also differ. In India, participants in the SKS program favored buffaloes because they bring social prestige. In many countries, goats, though often profitable, are less valued.

To mitigate risks, pilots encourage households to engage in multiple livelihoods using a diversity of assets. In Haiti, Fonkoze’s strategy included providing chickens for short-term income and goats for longer term returns. All the pilots in India encouraged participants to continue daily labor activities when possible. In Honduras, the asset strategy is designed to allow participants to take part in the seasonal coffee harvest—a valuable source of income for families.

Protecting assets and dealing with uncertainty around different livelihood options is a priority for all pilots. Price fluctuations, the absence of reliable support services, and poor infrastructure can undermine participants’ efforts to earn a decent life with their new asset. For example, nearly one-third of the livestock Trickle Up provided to participants in West Bengal died due to exceptionally high rainfall that led to a surge in water-borne diseases. After this experience in the first 10 months of the pilot, Trickle Up hired a part-time veterinarian and trained community “barefoot veterinarians” to provide basic care to livestock. PPAF partners in Pakistan linked program participants to government veterinary services.

Skills training and regular coaching

Consumption support, savings, and the transfer of an asset are all tangible contributions that participants receive from the pilot programs. However, the regular

monitoring and coaching provided by program staff are equally important. In most pilots, staff make weekly visits to participating households. During the visits, they monitor progress and address problems. More importantly, they develop strong bonds with participants and become their mentors, providing informal coaching over the 18 to 24 months of the program. Staff check if participants are on track to reach their goals by the end of the program and offer guidance on how to do so. They also often offer business planning advice, provide social support, promote health and nutrition, and encourage positive attitudinal changes along the way. Program staff need a mix of skills and qualities, ranging from technical expertise in specific livelihoods to listening skills and empathy for participants.

Skills training, centered on managing assets and running a business, is part of all pilots. The most effective trainings are practical, short, and hands on. Pilots also serve as an information clearinghouse, pointing participants to services they can leverage from government health clinics to extension workers. Almost all pilots include some social messaging on personal hygiene, safe drinking water, immunizations, contraception, and the importance of schooling for children.

Box 3. Fostering support through village assistance committees

In Bangladesh and elsewhere, rural leaders tend to control structures of power, monopolize resources, and often exploit the poor. However, in most places, they also see themselves as the traditional custodian of the poor with the responsibility of helping them. BRAC has successfully tapped into this aspect of patriarchy and created Village Poverty Alleviation Committees—groups of village leaders tasked with helping the poorest protect their assets, providing advice, and facilitating access to government and other resources. Although Bandhan started its pilot program without these committees, it soon introduced them to help ensure participants’ security and mediation in cases of domestic violence and alcohol abuse. The pilots in Haiti and Honduras have also organized such committees to support beneficiaries, foster local buy-in for the program, and reinforce its messages within communities.

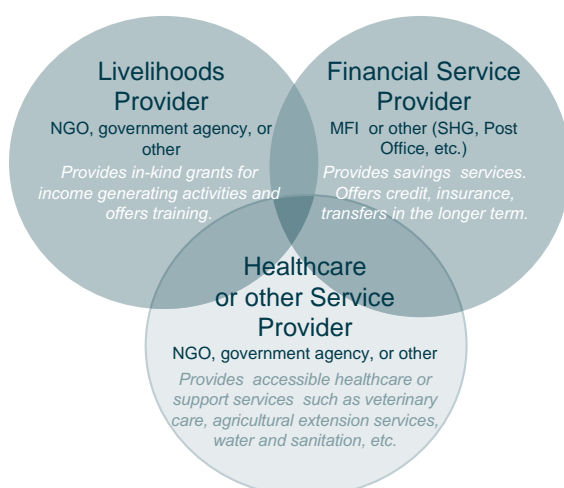
Implementing Organizations, Partnerships, and Linkages

Few organizations have the human or financial capacity to offer all the components of the graduation model effectively.¹⁰ Indeed, finding good implementing partner organizations is a critical success factor of the model—and one of its most challenging aspects.

Ensuring the right set-up and forging the terms of the partnerships is a time-consuming process. Partnerships must be nurtured. They require a shared vision, aligned practices, and trust. Strong management, the ability to identify and train highly motivated program staff willing to work under difficult circumstances, and significant financial resources are also needed.

In most instances, the pilots are implemented through partnerships between livelihoods providers and financial service providers; this is the case in Haiti, SKS in India, Honduras, and Peru.¹¹ In Yemen two government agencies are co-implementing the program. Partners are also opportunistic and try to link up to healthcare or other services providers offered by government or NGOs. Where possible, leveraging existing government infrastructure and services is especially helpful as programs scale up.

Figure 2. Implementing Organizations



What does “graduation” mean?

The graduation model is structured around the careful sequencing of five core building blocks, with “graduation” out of extreme poverty and into sustainable livelihoods as the end goal. Achieving this goal typically takes between 18 and 36 months. While the overarching goal of graduation is common across all pilots—exit from extreme poverty—measurement criteria differ. Each pilot sets its own context-driven indicators for graduation, since the faces of poverty vary in different sites.

The five completed pilots incorporated some of the following elements in their graduation criteria: food security, stabilized and diversified income, increased assets (including savings), improved access to healthcare, increased self-confidence and a plan for the future. Put together, these criteria attempt to assess not only the status of an individual at a specific point in time, but also that person’s potential resilience to shocks and vulnerabilities. After all, the ultimate goal is not a short-term escape from extreme poverty due to the program investments themselves, but rather to provide the tools, livelihoods, and peace of mind for participants to sustain themselves after the program is over.

The Graduation Program recognizes that not all participants want to take on credit. However, financial services do have a role in participants’ trajectories beyond graduation. Continuing to save after the end of the program can help participants protect assets and accumulate money for future investments or emergencies. In some cases, participants choose to borrow to expand their activities or start new enterprises. A shared goal across pilots is that by the end of the program, members are creditworthy and in a position where they can access credit if they want to.

Findings From the Pilot Programs

The pilot programs are new and experimental. All partners in this initiative are eager to learn what works and what does not. We have built a robust learning agenda into the Graduation Program in partnership with program staff, leading academics, and research

¹⁰ BRAC, with its pioneering work in this area, is an exception.

¹¹ The livelihood provider is sometimes a foundation or an NGO linked to an MFI.

Table 1. Graduation Program Learning Methodology¹²

Monitoring	Careful monitoring by program staff allows implementing organizations to track participant progress. It also helps identify areas for course corrections, refinements, and adaptations to increase the chances of success. Pilots have all developed simple monitoring tools to keep track of participants in a systematic and cost-effective manner.
Qualitative research	Qualitative research by independent experts helps implementers understand the realities of participant lives, the process through which change takes place, and the challenges they face.
RCT impact assessments	RCT impact assessments by external academics prove causality between program participation and changes observed in participants' lives through random assignment of potential participants to treatment and control groups and comparing changes between them.

institutes like the Abdul Latif Jameel Poverty Action Lab, BRAC Development Institute, Innovations for Poverty Action, Institute for Development Studies-University of Sussex, Institute for Financial Management and Research, and New York University. The learning component rests on three approaches. Each helps answer different questions about how the pilots are affecting participants' lives: monitoring by program staff, qualitative research by independent experts, and impact assessments through randomized control trials (RCTs) by external academics. (See Table 1.)

All pilots monitor participants. In addition, qualitative research is being conducted with eight pilots.¹³ Given that pilots are in different stages of completion, we expect to have more research results in the next year. For now, we have only early results from the first round of RCT impact assessments from Bandhan in West Bengal; the results there are unquestionably attributable to the program. We present these findings below. The other findings highlighted reflect learning primarily from program monitoring and nonexperimental qualitative research in Haiti and India.

Food security

At Fonkoze in Haiti, the percentage of food insecure households declined by over 50 percent by the end of the program, although consumption support

had stopped 10 months earlier. This is impressive since the food crisis dramatically increased the price of staples (the evaluation was completed shortly before the 2010 earthquake). Anthropometric measurements also indicate that severe child undernutrition decreased from 13 percent at the start of the program to 4 percent six months after the end of the program—both measures were taken in the summer, a lean season in Haiti. Preliminary RCT results from Bandhan in West Bengal show that participants consume on average 25 percent more per month than those in control households—and the largest consumption increase is in nutritious foods (fruit, nuts, dairy, eggs, and meat).

Income, assets, and savings

In Haiti, the total value of assets owned by participants increased from approximately US\$138 right after the assets were transferred to US\$152–US\$380 six months after the program's end. This increase in the value of assets indicates that participants were able to grow their assets during and after the program. With regard to savings, however, the results are less positive. Despite significant savings during the first nine months of the program, most participants stopped saving when the pilot ended. Qualitative interviews suggest that participants are converting savings into assets, such

¹² This table builds on "Measuring Changes in Client Lives: Contributions of Different Approaches", upcoming CGAP Brief.

¹³ RCT impact assessments are being conducted by the Institute for the Financial Access Initiative at SKS and by Institute for Financial Management and Research Centre for Micro Finance and the Poverty Action Lab at Bandhan in India. Innovations for Poverty Action (IPA) is conducting randomized impact assessments in Pakistan, Honduras, Peru, Ethiopia, and Yemen. A mix of quantitative and qualitative research was conducted by Institute of Development Studies, CGAP, and BRAC Development Institute (BDI) at Fonkoze in Haiti. BDI is conducting qualitative research at SKS and Trickle Up in India, OCT in Pakistan, and in Ethiopia and Yemen. IPA is conducting qualitative research in Honduras and Peru.

as donkeys, because of the high transaction costs of going to a Fonkoze branch to deposit money. At Bandhan, treatment households increasingly rely on self-employment rather than irregular agricultural labor. They also own more assets and durable goods, although this does not appear to be statistically significant. Finally, they save more than control households, depositing, on average, US\$0.50 more over the month preceding the data collection. Program households also score higher on an index of financial autonomy and express higher financial confidence than control households.

Empowerment

In Haiti, women report having gained confidence. Qualitative research suggests they feel this way because of the assets they have accumulated, their enhanced business skills, and their ability to care better for their children and provide regular meals. Self-evaluation exercises—during which participants were asked to place themselves on a staircase at the start of the program, and then nine, 18, and 24 months afterwards—indicated that every participant felt her life had significantly improved in the two years following the start of the program. There is also evidence of increased social capital. Monitoring data from Trickle Up in India shows that program participants are more likely to purchase new clothes and attend social events at the end of the program than at its beginning. In-depth qualitative interviews showed that 10 out of 15 participants in the Fonkoze program in Haiti had either taken their old partner back or found a new partner in the course of the program. Economic empowerment seems to be the driver of these relational changes. As one interviewee bluntly said, “If he treats me badly, I will tell him to leave. I do not need him, he needs me. That’s why he is so nice to me now.” At Bandhan, women participating in the program are less likely to report symptoms of mental distress, and they have a more positive outlook on the future (measured by an index of mental health) than the control group.

Health

In Haiti, the use of health clinics and hospitals went up from 14 percent to 46 percent among program participants, while the percentage of people who

delayed or simply did not access medical care in the face of disease decreased from 24 percent at baseline to 6 percent two years after the start of the program. This was because of increased demand and ability to pay for treatment and because Fonkoze partnered with a healthcare provider (Partners in Health). Trickle Up monitoring data shows an increase in the use of free government primary health centers as well as a drop in the amount of money spent on doctors’ fees and borrowing from self-help groups for medical emergencies. In addition, about 30 percent of eligible participants adopted permanent family planning methods over the course of the program. At Bandhan, participating households score higher than the control group on an index of health behavior and knowledge. The study does not, however, find that the program has any effects on actual health outcomes, such as working days lost to illness, although adults residing in treatment households are 6 percent more likely to perceive that their health has improved over the last year.

Education

Although the graduation model does not include specific programmatic interventions linked to children’s schooling, it was hoped that improved economic conditions and awareness would lead to higher school enrollment. In Haiti, children’s school attendance increased dramatically: participants reporting that “all or most children are regularly attending school” increased from 27 percent to 70 percent. Trickle Up monitoring data show an increase from 5 percent to 83 percent in the proportion of school age children enrolled—although there is no school in one of the program areas, which may explain why the rates are not even higher. However, these relatively high school enrollment rates might not translate into better education: the number of drop outs is high, the quality of schooling is not good, and discrimination against very poor children can be intense. At Bandhan, program staff were worried parents might take their children out of school so that the children could help them in their new economic activities. However, preliminary results from the impact assessment show that even though participants’ children under 14 spend, on average, 20 minutes more than before tending to livestock or enterprises than those in control households, this has not impacted school

Box 4. Spotlight on results achieved by BRAC's CFPR/TUP

BRAC's program for the poorest, CFPR/TUP, has been intensively studied since 2002. Three rounds of surveys were conducted with the same group of participants: the baseline in 2002, an endline in 2005, and three years after the program's end in 2008.^a

Results indicate the following:

Graduation rate. 95 percent of program beneficiaries graduated on the basis of participants fulfilling 6 out of 9 indicators, such as food security, diversified income sources, asset ownership, improved housing, and school enrollment.

Poverty. 85 percent of participants started on less than half a dollar a day. Three years after the program's end, 92 percent of participants moved above the half a dollar a day threshold (purchasing power parity adjusted).

Food security. Chronic food insecurity fell by 47 percentage points among participants. Annual food expenditure rose by 93 percent, and caloric intake increased over 22 percent, particularly in the

consumption of vegetables, eggs, meat, and fish. The upward trend continued a year after the program's end, suggesting that beneficiaries were able to sustain higher consumption levels without program support.

Savings and credit. Participants save more than nonparticipants. Approximately 60 percent of beneficiaries also save informally—a practice that increased with program participation. The percentage of participants with outstanding loans increased from 27 percent at baseline to 77 percent in 2005.

Empowerment. By the end of the program, 83 percent of selected households felt more confident about coping with crisis and accessing resources from their communities.

Health. Spending on medical treatment among participants increased. Sanitary conditions also improved, with a majority of participants accessing latrines and wearing sandals when they use them (an important hygienic practice).

Additional results. A larger number of boys were enrolled in primary school a year after the program ended; there was no change in girl's schooling.

^a Survey on over 5,000 treatment and control households using a difference-in-differences methodology. Difference-in-differences is a nonexperimental impact measurement technique that measures the effect of a program comparing a control and treatment group. The methodology does not use randomization and may be subject to certain biases.

attendance. In fact, they actually spend an additional 30 to 40 minutes per day studying.

Costing

We have not conducted a full cost–benefit analysis of the graduation program yet, since five pilots are still ongoing. As the results of the qualitative research and impact assessments come in, it will be possible to do meaningful cost–benefit analysis. We have, however, done cost calculations for four of the five completed pilots.¹⁴

Total program costs per participant for the duration of the program vary widely among the four pilots. It ranges from about US\$330–US\$650 in India to about US\$1,900 in Haiti.¹⁵ The total cost per participant includes consumption support, asset transfer, all staff costs, and head office overhead over the whole program period. The variations

stem from the emphasis pilots place on each of the building blocks. The amount spent on the asset (25–33 percent of the total program cost in the Indian pilots), the size and duration of consumption support (up to 10 months at Bandhan), head office management costs (lower when programs are managed locally), and additional support for other components (e.g., healthcare or housing support in some pilots) all factor into the cost per participant. Another key determinant of costs is the participant to staff ratio, determined largely by population density in program areas. Finally, the cost structures of different economies also matter. All elements of cost (labor, assets, etc.) are far cheaper in India than in Haiti.

The upfront investment required by the graduation model is high, but economies of scale may kick-in when programs scale up, with some likely cost-efficiency gains. In the final analysis, whether the

¹⁴ Unpublished costing analysis conducted by M-Cril. March 2010.

¹⁵ In Haiti, the pilot data was not available at the time of the study due to the earthquake in January 2010. This costing analysis uses data from a small scale up of the pilot conducted in 2009 with 220 families in the Plateau Central area.

model is a worthwhile investment will depend on: (1) impact on the participant, and (2) cost-effectiveness compared to other social protection and economic development programs.

Context Matters

The graduation program is a household-level intervention that focuses primarily on individually targeted participants. But factors beyond the program's reach greatly influence its outcomes.

Constraining household characteristics

Participants enter the program with different family structures. Women tend to be at a disadvantage because they are frequently limited to certain income-earning activities. In Haiti, India, and Pakistan, it appears that households with cooperative men are more likely to succeed in the program. However, female-headed households still tend to be better placed than households with abusive men. In situations where husbands do not work, and in cases of alcohol or quat abuse,¹⁶ households will almost always fail to improve their economic conditions. Households that access more social networks tend to fare better: help from friends and neighbors, especially if they are wealthier, can offer much needed relief in the face of income loss and economic shocks. Extended families can also provide important support, especially in helping run the household's new economic enterprise.

Absence of markets

Most pilots are implemented in economically depressed areas where local markets are extremely limited. Since infrastructure and communications are poor, participants have few opportunities to sell the products from their small businesses. Without any major public or private sector intervention to help create new markets, household-level enterprises can be severely constrained.

Limited health infrastructure

Health emergencies are a primary reason for households to lose their savings, sell assets, and go into debt. The pilots try to mitigate health shocks by providing nutritional support, building health awareness, and encouraging savings, but these services are often insufficient in the face of serious crises. The existence of medical and hospitalization infrastructure is thus crucial, especially when healthcare is low-cost or free as in Zanmi Lasante in Haiti or with the government clinics in West Bengal. While affordable healthcare sadly remains absent for most of the poorest, some implementing organizations are thinking of creative ways to address these challenges without stretching themselves too thin. Bandhan is creating "health entrepreneurs"—women who take on healthcare provision as a livelihood. They will be trained in preventive and basic curative health services, and taught to deliver hygiene and family planning messages. Bandhan is confident that these women will be able to provide treatment for common illnesses while earning income from the sale of health products.

Lack of physical infrastructure

Pockets of poverty tend to form in environmentally challenging regions. For example, some parts of coastal Sindh in Pakistan are barely cultivable because of soil salinity, and Tigray, in Ethiopia, is extremely drought-prone. Without substantial water management investments in these regions, livelihood options will remain limited. (See Box 5.) Poor regions also tend to be threatened with natural calamities—earthquakes in Haiti, hurricanes in West Bengal and Honduras, floods in Pakistan and Peru—all contributing to growing vulnerability. In Haiti, the program is exploring how a catastrophic microinsurance product could help families cope with natural disasters. But ultimately, the responsibility for providing storm shelters, embankments, or early warning systems, lies in the hands of the state.

¹⁶ Quat is a plant that contains an amphetamine-like stimulant that is often used in Yemen and Pakistan.

Box 5. Using public works programs for water management

The Tigray region in northern Ethiopia faces severe droughts. REST, the program implementer in Ethiopia, realizing that economic improvements are contingent on efficient water conservation management, is using government public works undertaken as part of the national Productive Safety Net Program to improve water channels and build small dams and underground water tanks. These measures will both protect existing livelihoods and build new ones.

Macroeconomic shocks

Economic crises have a major effect. The combined food and fuel crises in the late 2000s severely affected the poorest. It also affected the programs themselves, putting pressure on their budgets for consumption support, transport, etc.

Conclusion

The CGAP–Ford Graduation Program, with its 10 pilots implemented and researched by a broad network of local and international partners, offers insights on how to reach the extreme poor. It seeks to contribute new practical know-how and a rigorous evidence base on creating pathways out of extreme poverty.

The pilots are beginning to demonstrate that a well-sequenced, intensively monitored program combining consumption support, access to savings, livelihoods training, and an asset transfer can lead to increased consumption, asset and income diversification, and some level of empowerment. Lessons about each of the building blocks can be useful to a wide range of other programs working with very poor people. But the model may not work for everyone. Some demographics (elderly, severely disabled, or dysfunctional households) may simply be too challenging for a model that rests on the ability of individuals to seize the opportunity to create new economic activities and create their own pathways out of extreme poverty. Most pilots are implemented in economically depressed areas where local markets are extremely limited. The program takes market challenges and opportunities into account in its

design of livelihood options, but does not directly tackle market conditions. The absence of physical infrastructure (access to water or markets), health infrastructure (availability of basic health services), and vulnerability to ecological and other macro-level shocks can prevent sustained progress out of poverty at the household level.

There is still much learning to do. More research is needed: to determine whether the initial changes observed in participants' lives are sustained overtime; to identify success factors and determine better what contributes to and what inhibits success; to understand the role of access to finance and how it can be better mediated for those in extreme poverty. We also need to understand how the pilots can be successfully and cost-effectively scaled up, including showing the relative efficiency of this approach versus other interventions targeted to the poorest.

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Annex 1

Fonkoze Chemin Lavi Miyo Program (Haiti)	<p>Project implementer: Fonkoze Project partners: Concern Worldwide and Partners in Health Location: Rural Boukan Kare, Twoudino, and Lagonav Pilot Start date: 2006 Pilot end date: 2008 Participants: 150 women</p>	<p>Consumption support: US\$5.50/week (based on price of a kilo of rice a day) for 8 months Savings: Individual savings accounts at Fonkoze Livelihoods: Chicken, goats, and small trade</p>
Bandhan Targeting the Hardcore Poor Program (India)	<p>Project implementer: Bandhan Project partners: None Location: West Bengal Start date: 2007 Pilot end date: 2009 Participants: 300 women</p>	<p>Consumption support: US\$2.30 /week for up to 10 months Savings: Weekly savings of US\$0.20 Livelihoods: Goats, cows and small trade</p>
Trickle Up Ultra Poor Program (India)	<p>Project implementer: Trickle Up Project partner: Human Development Centre Location: West Bengal Pilot start date: 2007 Pilot end date: 2010 Participants: 300 women</p>	<p>Consumption support: US\$ 2.25 /week for 6 months Financial service: Savings with self-help groups (each SHG has a savings account with the State Bank of India) Livelihoods: Goats, rice paddy, fish, and small trade</p>
Swayam Krishi Sangam (SKS) Ultra Poor Program (India)	<p>Project implementer: SKS NGO Project partners: Swiss Development Cooperation, NM Budharani Trust, and others Location: Andhra Pradesh Pilot start date: 2007 Pilot end date: 2010 Participants: 426 women</p>	<p>Consumption support: US\$18 for asset support on a "per needs basis" over 18 months Savings: Individual savings accounts at post offices; grain bank scheme in 50 villages Livelihoods: Goats, buffaloes, land cultivation, trade, and tailoring</p>
Pakistan Graduation Pilot	<p>Project implementers: Aga Khan Planning and Building Services Pakistan (AKPBSP), Badin Rural Development Society (BRDS), Indus Earth Trust (IET), Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO), and Orangi Charitable Trust (OCT) Project partner: Pakistan Poverty Alleviation Fund Location: Coastal Sindh Pilot start date: 2007 Pilot end date: 2010 Participants: 1,000 families (5 x 200)</p>	<p>Consumption support: Food or cash transfers of US\$12/month for 12 months Savings: Savings with village groups Livelihoods: Petty trade, crafts, goats, cows, and other livestock</p>
Mejoramiento Integral de la Familia Rural (Honduras)	<p>Project implementers: Organización de Desarrollo Empresarial Feminino (ODEF) and Plan International Honduras Project partner: Plan International Location: Lempira Pilot start date: 2009 Participants: 800 households</p>	<p>Consumption support: US\$17/month for 6 months Savings: Individual accounts at ODEF Livelihoods: Chicken, coffee, cereals, vegetables, pigs, and fishery</p>
Peru Graduation Pilot	<p>Project implementers: Arawiwa and Plan International Peru Project partner: Plan International Location: Cusco Pilot start date: 2010 Participants: 800 households</p>	<p>Consumption support: US\$34 for 9 months, building on government conditional cash transfer program Savings: Village community banks implemented by Arawiwa Livelihoods: Livestock, small trade, and cultivation</p>
Ethiopia Graduation Pilot	<p>Project implementer: Relief Society of Tigray (REST) Project partners: Dedebit Credit and Savings Institute, USAID, the Italian Development Cooperation, and the European Commission Location: Tigray Pilot start date: 2010 Participants: 500 households</p>	<p>Consumption support: 15kg of wheat/month for 3 months and equivalent in cash for 3 other months, building on government's food for work program Savings: Individual savings accounts at DECSI Livelihoods: Sheep, goats, bee-keeping, vegetable cultivation, and other</p>

continued

Annex 1 Continued

Yemen Graduation Pilot	Project implementers: Social Welfare Fund (SWF) and Social Fund for Development (SFD) Project partners: None Location: Aden, Lahij, and Taiz Pilot start date: 2010 Participants: 500 households	Consumption support: US\$24 per month building on government cash transfer program Savings: Individual and group accounts at the post office and VSLAs Livelihoods: Goats, cows, small trade, and other
Ghana Graduation from Ultra Poverty Program	Project implementers: Presbyterian Agricultural Services and Innovations for Poverty Action Project partners: 3ie Location: Tamale, East Mamprusi, and Balsa Pilot start date: 2010 Participants: 650 households	Consumption support: TBD Savings: TBD Livelihoods: TBD

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