

## Graduation from ultra-poverty

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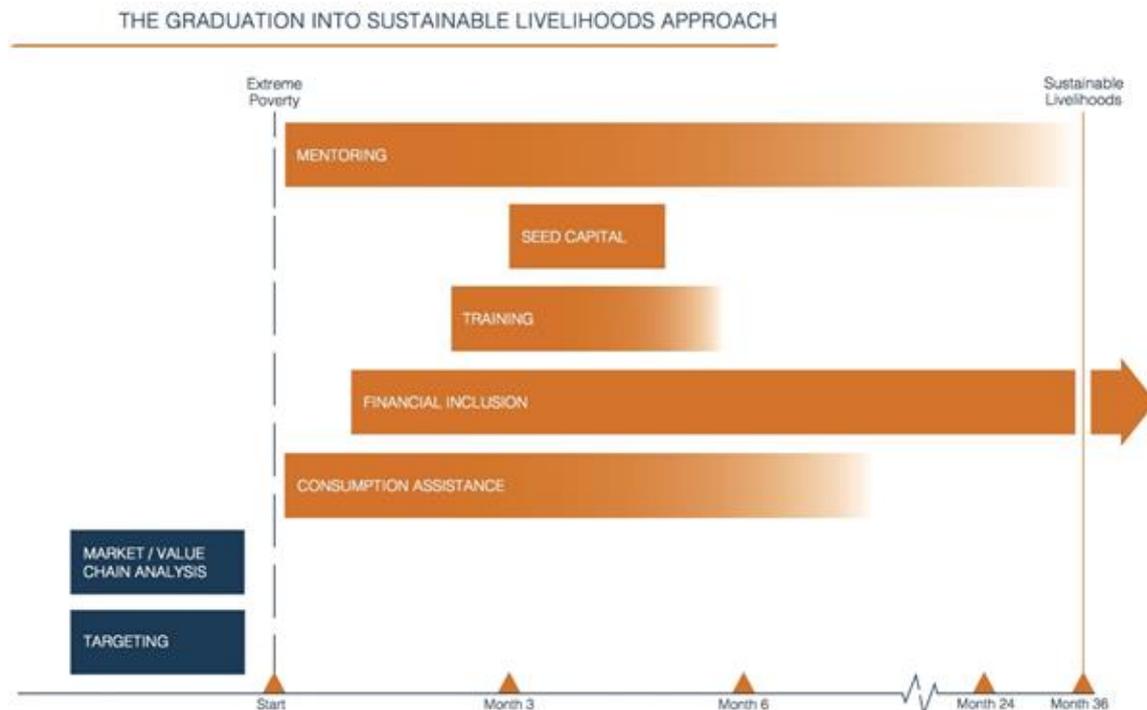
“End poverty in all its forms everywhere”, the first of the United Nation’s Sustainable Development Goals (SDG), has direct and indirect links with many of the other SDG targets. While the world has seen unprecedented decline in extreme poverty in the first decade of this millennium, the recent statistics indicate this goal will be challenging to achieve. According to World Bank (2018) estimates, decline in extreme poverty is slowing down. The proportion of people living below 1.9 dollars a day has declined from 11.2% to 10% between 2013 and 2015. As of 2015, there are about 736 million people living in extreme poverty, of whom more than half (413 million) are living in Sub-Saharan Africa. In their projections, in all but the most optimistic scenarios, the rate will remain in double digit. Economic growth alone is clearly not enough to reach the targets. Increasing the depth and coverage of social protection, which is an SDG target on its own, is going to

play an important role for us to achieve the SDG of ending poverty.

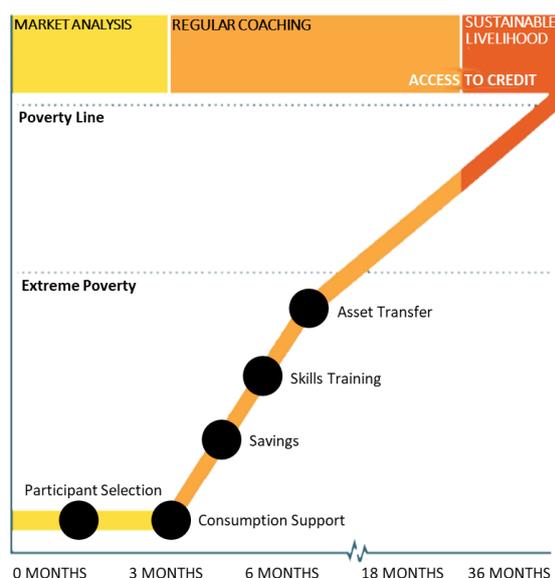
### Graduation model for the ultra-poor: A social protection tool

The Graduation Model, developed by BRAC in Bangladesh in early 2000 and piloted in a number of countries by various agencies, has emerged as one of the potential tools for addressing extreme poverty in a sustainable manner. This model combines a set of targeted interventions to create pathways out of ultra-poverty.

The package of the model includes creating self-employment through seed capital, a transfer of asset (usually livestock). The other key components – consumption support, financial inclusion, training and coaching – are designed to protect their asset and to maximize profitability of their micro-enterprise. The three key features of the model are – careful sequencing of the interventions, rigorous targeting to reach the ultra-poor and a time-bound exit strategy.



Source: Graduation 101, CGAP



The interventions are delivered in sequence over 18–24 months per household, following a local market assessment to identify potential livelihood activities that extremely poor households could engage in. Beneficiaries were selected through a rigorous targeting process to identify the poorest: generally, a participatory wealth ranking in which the community identified the poorest households, along with a set of selection criteria to reduce inclusion error. Although most graduation initiatives predominantly target rural ultra-poor, there have also been urban adaptations of this model. The intervention starts with cash stipends to support subsistence while beneficiaries develop new livelihoods. Through a consultative process with the household members, appropriate enterprises are determined for each household. Following initial training on the selected enterprise, the assets required to start the livelihood activity are transferred. The assets or enterprises supported in various projects so far were primarily livestock and small nonfarm businesses. This asset transfer is followed by regular coaching to provide technical assistance on enterprise management as well as to assist beneficiary households in coping with shocks and various social pressures. Depending on the service availability, the beneficiaries are provided with bank accounts as a secure place to save their income or are mobilized to form savings groups.

## Evidence of effectiveness

Motivated by the initial success of the model in Bangladesh, CGAP and the Ford Foundation launched a major initiative to pilot the model at 10 sites between 2006 and 2014 to learn how well it could be adapted outside Bangladesh. Under these initiatives, impact of the model has been evaluated using randomized control trial (RCT) method in seven countries, including two countries in Africa – Ethiopia and Ghana. The results of these RCTs demonstrate that the model not only reduce poverty (in terms of household income and consumption) during the intervention phase but also the impacts increase in the years after the interventions are completed. Subsequently, there have been two more RCTs (in South Sudan and Uganda) that confirm the impact of this model as well as its higher effectiveness compared to unconditional cash transfers.

## Benefit and cost analysis

The benefits included in calculating benefit-cost ratio (BCRs) are – impact on annual consumption, and impact on asset and net savings one year after the end of intervention. Although there is evidence of graduation model causing changes in other non-economic indicators (such as reduction in children’s stunting in Bangladesh), those are not included in benefit calculation since the evidence does not come from Africa. For the overall BCR estimates, the meta average from the four impact studies to compare benefits with average cost using the same weights. The main determinant of the BCR is the sustainability of the impact on household consumption after the interventions are completed. If impacts vanish after 1 year from the end of interventions, the BCR is lower than one. The investments are worthwhile, in terms of the social benefit, only if the consumption gains persist at least for 5 years. However, the evidence from pilots outside Africa show that the impacts not only sustain after the end of interventions but also keep increasing even after 14 years. The four pilots in Africa also indicate such trend whereby the impacts at

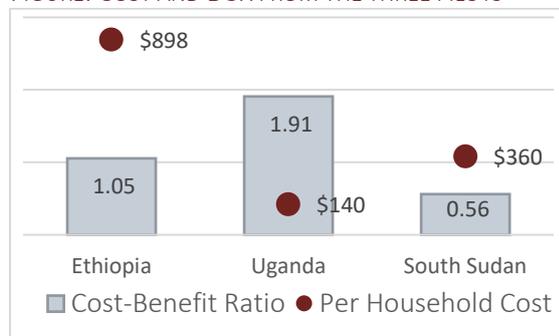
the end of intervention is lower than the impact after 1 year later.

TABLE. OVERALL BENEFIT-COST RATIOS

Duration of consumption gain after the end of interventions	Discount rate		
	3%	5%	8%
Continue for 15 years	2.15	1.89	1.59
Continue for 10 years	1.70	1.55	1.37
Continue for 5 years	1.06	1.02	0.96

The country specific BCR shows that the graduation model in Uganda and Ethiopia are cost effective even if the impact on consumption does not sustain at all after two years from the end of intervention.

FIGURE. COST AND BCR FROM THE THREE PILOTS



Note: The BCR estimates are based on impact sustaining for 2 years after end of intervention at 5% discount rate. Ghana is not shown in the graph since the study did not collect monetary value of assets.

### Considerations for investment in Graduation Model in Africa

*Local market opportunities:* Since the model utilizes existing market opportunities for creating self-employment for the ultra-poor, the stability of local market is a critical factor. Although the study in South Sudan find higher impact of graduation model than unconditional cash transfer, the BCR is lower

than one. Therefore, the model can be prioritized in countries that are not conflict affected. In other contexts, it is conceivable to combine this model with market development initiatives, which would require longer time for implementation.

*Lowering cost of interventions:* There are a few ongoing projects that are reducing per household cost of the model by creating an enterprise for a group of 3 to 5 eligible households – such as Village Enterprise in Uganda or Boma in Kenya. It is possible to achieve higher BCR and reach larger number of ultra-poor households through such cost reduction approaches. A second promising way of improving BCR is by reducing the cost of coaching component by utilizing information technology-based tools.

*Prioritizing countries:* If all the extreme poor household in 20 countries with the highest concentration of ultra-poverty and are not conflict affected, this model can reach 218 million or over half of the extreme poor in the continent. At an average cost of USD 600, this would require an investment of about USD 5 billion. Incidentally, several of these 20 countries are already have projects run by different agencies following the Graduation Model.

*Utilize existing social protection programmes:* Scaling up graduation can be done faster and with lower additional investments by leveraging on existing social protection schemes. For example, the pilot in Ethiopia used the Productive Safety Net Programme (PSNP) to implement graduation by adding a few additional components. It is conceivable that several of the components of Graduation model are already being implemented under difference schemes that can be aligned to create the effectiveness of this model.