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ABDUL LATIF JAMEEL POVERTY ACTION LAB

Building stable livelihoods for the ultra-poor

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A multifaceted livelihood program that provided ultra-poor households in seven low- and middle-income countries with a productive asset, training, regular coaching, access to savings, and consumption support led to large and lasting impacts on their standard of living.

Beneficiaries of the Graduating the Ultra Poor program in Ghana, 2013. Photo: Daniel Janamah | IPA

Summary

More than one-fifth of the world's population lives on less than US$1.25 per day. Many of these families depend on insecure and fragile livelihoods, including casual farm and domestic labor. Their income is often irregular or seasonal, putting laborers and their families at risk of hunger. Self-employment is often the only viable alternative to menial labor for the ultra-poor. Yet many lack the necessary cash or skills to start a business that could earn more than casual labor. To alleviate these constraints, several international and local nongovernmental organizations support programs that foster a transition to more secure livelihoods. Combining complementary approaches—the transfer of a productive asset, training, consumption support, and coaching—into one comprehensive program may help spur a sustainable transition to self-employment.

The Graduation approach, aholistic livelihood program targeted at the ultra-poor, helped beneficiaries shift into more stable self-employment that increased their standard of living both two years after the productive asset transfer, and three years after the asset transfer—a year or more after all program activities ended. Researchers conducted a randomized evaluation of the programin Bangladesh, [1], as well as a multi-country randomized evaluation inEthiopia, , Ghana, , Honduras, , India, , Pakistan,

, and Peru, [2].

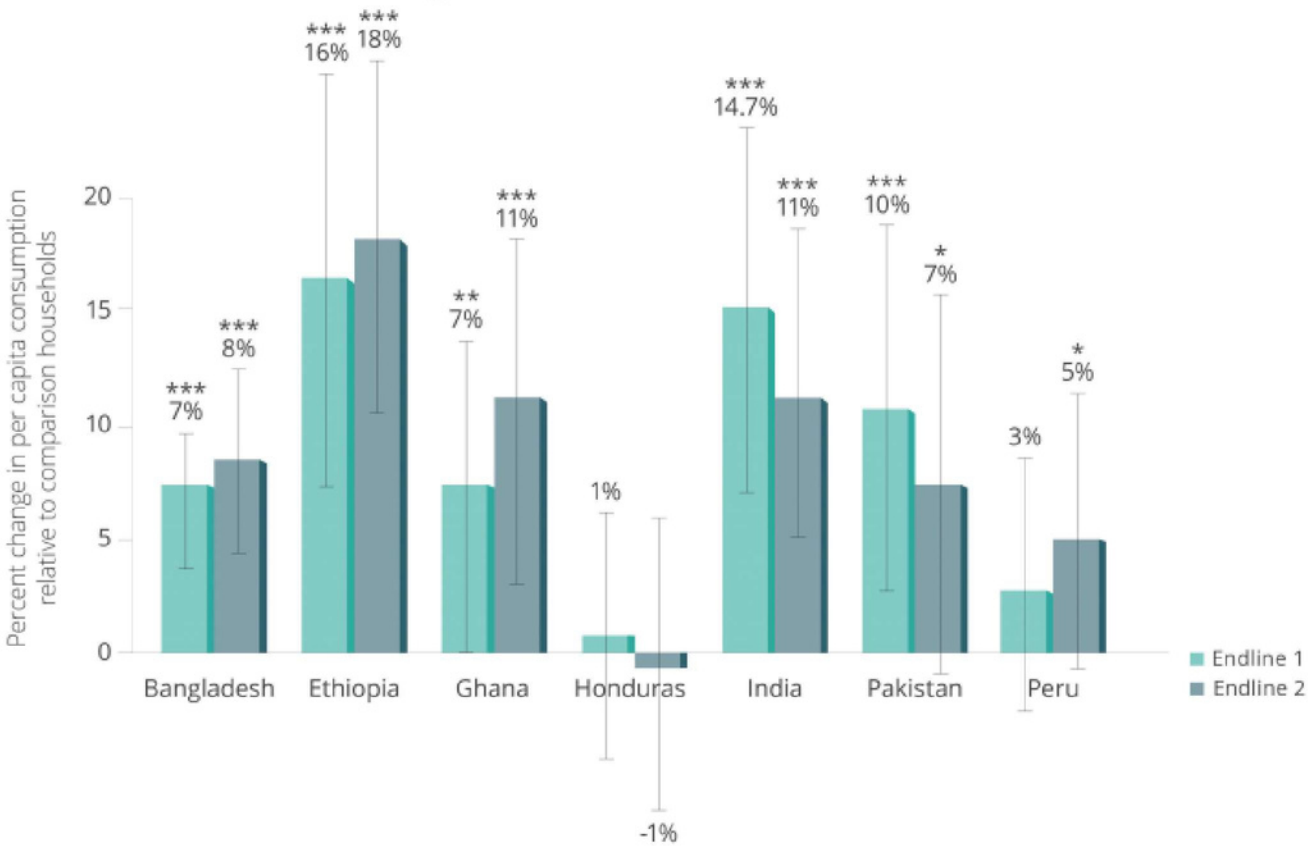
The Graduation approach, designed by BRAC and adapted in eight countries with support from the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation, consists of six complementary components, each designed to address specific constraints facing ultra-poor households.

1. *Productive asset transfer:* One-time transfer of productive assets, such as cows, goats, or supplies for petty trade.
2. *Technical skills training:* Training to manage the productive asset.
3. *Consumption support:* Regular cash or food support for a few months to a year.
4. *Savings:* Access to a savings account, or encouragement to save.
5. *Home visits:* Frequent home visits by implementing partner staff to provide accountability, coaching, and encouragement.
6. *Health:* Health education, health care access, and/or life skills training.

Supporting evidence

The Graduation approach caused broad and lasting economic impacts. Pooled data from six sites show Graduation households' consumption increased 5.8 percent relative to the comparison group two years after the asset transfer. Graduation households' consumption increased 7.3 percent in Bangladesh [1], , 16.4 percent in Ethiopia, 6.9 percent in Ghana, 13.6 percent in India, and 10.2 percent in Pakistan relative to the comparison group, though there was no impact on consumption in Honduras or Peru [2].

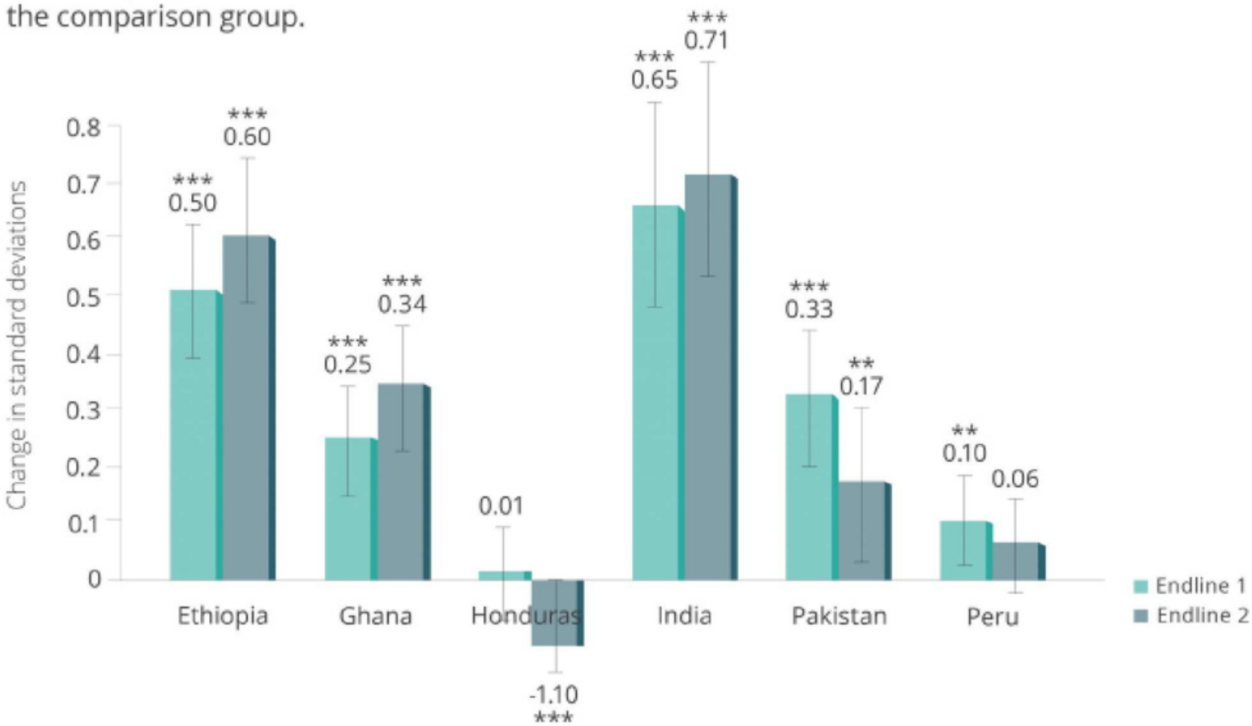
The Graduation approach increased ultra-poor households' consumption, a common measure of well-being.



Note: Error bars represent 95% confidence intervals. Statistical significance relative to comparison households at each endline is noted at the 1% (***), 5% (**), or 10% (*) level.

Households experienced similar improvements in food security, asset holdings, and savings.

Transferring a productive asset increased household assets: despite being free to sell these assets after the program ended, treated households continued to own more livestock than households in the comparison group.



Note: Error bars represent 95% confidence intervals. Statistical significance relative to comparison households at each endline is noted at the 1% (***), 5% (**), or 10% (*) level.

Most positive impacts on participating households were consistent three years after the asset transfer—one year after all program activities ended.

The improvements in well-being were mostly the result of increases in self-employment income. Injecting a combination of productive assets and relevant skills training led to an increase in basic entrepreneurial activities, primarily concentrated on livestock and activities like petty trade.

Graduation led to some improvements in psychosocial well-being. Happiness, stress, women’s empowerment, and some measures of physical health and political engagement improved for participants at some sites. The effects on women’s empowerment and physical health were no longer statistically significant one year after all program activities ended.

	Pooled		Ethiopia		Ghana		Honduras		India		Pakistan		Peru	
	Endline 1	Endline 2	Endline 1	Endline 2	Endline 1	Endline 2	Endline 1	Endline 2	Endline 1	Endline 2	Endline 1	Endline 2	Endline 1	Endline 2
Physical Health	↑	—	—	—	↑	—	↑	—	↑	—	↓	—	↑	↑
Mental Health	↑	↑	—	—	↑	—	↑	↑	—	—	*no data*	—	—	↑
Political Involvement	↑	↑	—	↑	↑	↑	—	—	—	↑	↑	↑	—	—
Women's Empowerment	↑	—	—	—	—	—	—	—	—	*no data*	↑	—	—	—

↑ Statistically significant positive difference in outcomes between the treatment and comparison groups at the 90% confidence level or higher

↓ Statistically significant negative difference in outcomes between the treatment and comparison groups at the 90% confidence level or higher

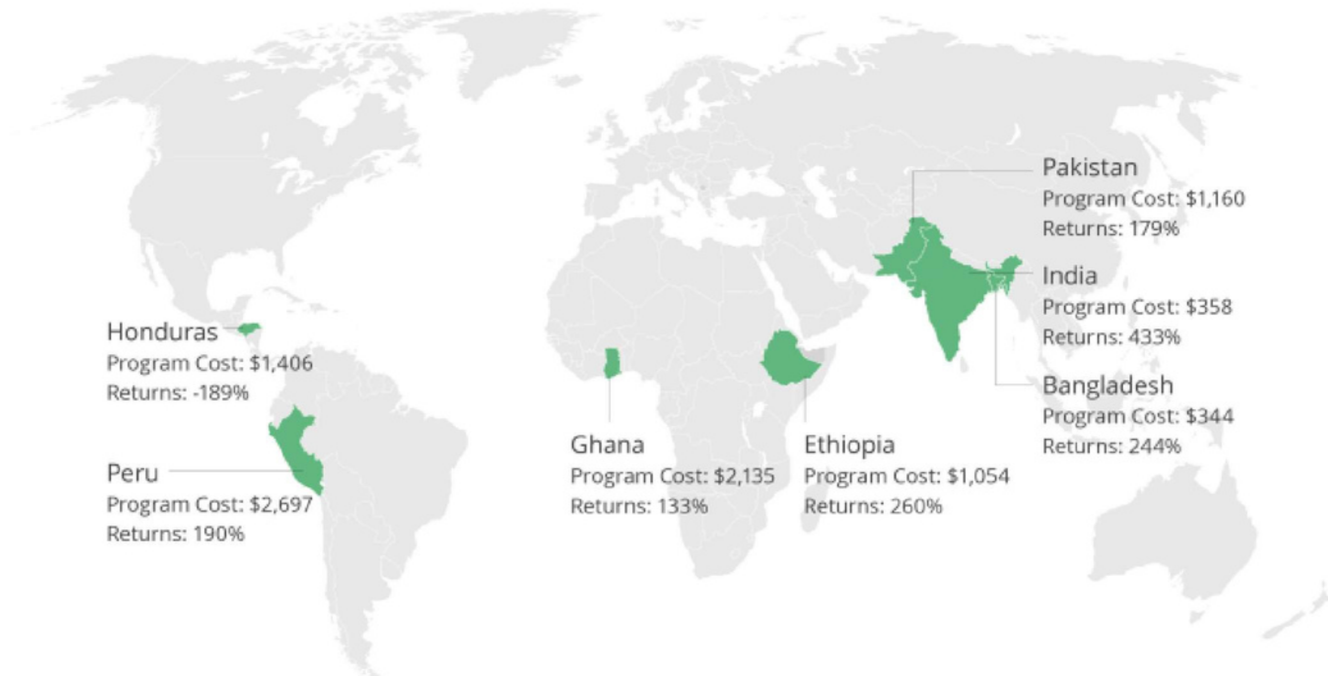
— No statistically significant difference

These effects were consistent across multiple contexts and implementing partners. The program's positive results on economic well-being, which range from very economically significant to moderately so, are not driven by any one country.

Efforts to foster increased income from self-employment among the world's poorest households have generally had disappointing results. A randomized evaluation of seven adaptations of the Graduation program provides important evidence that the multifaceted livelihood program is effective at spurring a transition into self-employment across diverse contexts and implementing agencies.

Policymakers seeking a program to sustainably improve the lives of the ultra-poor should consider investing in the Graduation approach. Together, evaluations of Graduation suggest that a "big push" intervention caused broad improvements in key dimensions of economic and noneconomic well-being in most countries where it was tested. Many of these effects were sustained even after assistance was withdrawn—most outcomes persisted one to two years after the program ended. These findings are consistent with other similar studies. For instance, evaluations of two programs in Uganda that provided cash transfers, skills training, and support for entrepreneurship found similar economic impacts [3], [4], . The Graduation program can also foster social mobility: in Bangladesh, eligible households overtook the near-poor on many key outcomes, and the impact of the program went a long way towards closing the gap between the treated poor and the middle class [1].

Long-run benefits of the Graduation approach outweigh up-front costs. Comparing the program's economic benefits to its total costs, researchers find a positive rate of return three years after the asset transfer in all contexts except Honduras, ranging from 133 to 433 percent. In Honduras, the program had no significant impact on consumption and a negative impact on assets relative to comparison households. There, the death of a large fraction of chickens, the most commonly chosen asset, explains these results.



While more expensive than cash transfers, there is evidence that the Graduation approach creates sustained change in the lives of the ultra-poor. Pooled estimates of the Graduation program find no decrease in impact on consumption per capita at the end of the program—two years after the asset transfer—or one year after all program activities ended. How do these impacts compare to the less costly approach of simply giving beneficiaries cash? A rigorous evaluation of an unconditional cash transfer program in Kenya found that an average transfer of US$720 PPP led to positive impacts on consumption, food security, assets, and psychological well-being [5]. However, there is suggestive evidence that the effects on consumption fell by nearly half seven months after the program ended. The evolution of impacts over a longer time horizon thus needs to be further explored, both for cash transfer programs and for programs like Graduation.

More research can help shed light on which components of the Graduation program drive results. Since these evaluations study a package of interventions, it is not possible to isolate which components of the intervention drive results. Country-by-country variation reveals some preliminary indications. For instance, in Ethiopia treatment and comparison households both had access to consumption support through a food-for-work program. Treatment households in Ethiopia had some of the largest effects of all countries relative to comparison households, suggesting that consumption support alone did not drive these results. Further evaluations that test the effectiveness of individual components of the program, as researchers are currently testing in the Ghana evaluation, will help to disentangle which aspects of the intervention are necessary to realize similar impacts.

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