

BUILDING STABLE LIVELIHOODS FOR THE ULTRA-POOR

A multifaceted livelihood program that provided ultra-poor households with a productive asset, training, regular coaching, access to savings, and consumption support led to large and lasting impacts on their standard of living across a diverse set of contexts and implementing partners.



DANIEL JANAMAH

Key Results of the Graduation Approach:

A holistic livelihood program targeted at the ultra-poor helped them 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.

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

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.

CONTEXT

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. There is an emerging international consensus to drive the share of the world's population living in ultra-poverty to zero by 2030.¹ Achieving this goal will require the poorest of the poor to shift to more secure and sustainable livelihoods.

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.

This bulletin summarizes the results from seven randomized evaluations of the Graduation approach, a multifaceted livelihood program for the ultra-poor. This particular approach was designed by BRAC and has since been adapted in eight countries with support from the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation. Researchers conducted randomized evaluations of the program in Bangladesh, Ethiopia, Ghana, Honduras, India, Pakistan, and Peru. By evaluating a similar approach across a diverse set of contexts and implementing partners, results shed new light on important policy questions. Can a “big push” intervention targeted at the ultra-poor help them transition to more secure livelihoods and increase their income even after the two-year program ends? Can the intervention also improve psychosocial well-being and empowerment? Is the Graduation approach effective when implemented across diverse geographical, institutional, and cultural contexts?

The Graduation Approach

The Graduation approach 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.

All evaluations in this bulletin include these six components; see Table 1 for country-by-country variation in program design.



BRAC

¹ For instance, eradicating extreme poverty by 2030 is the first goal in the Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda presented to the United Nations Secretary-General in May 2013.

EVALUATION

BRAC began their Targeting the Ultra-Poor program in Bangladesh in 2002 and it has since been replicated in several countries. This bulletin reviews randomized evaluations of the original program and adaptations in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru, which together reached more than seven thousand households. Together, these studies provide rigorous evidence on the impact of a holistic two-year program that provides ultra-poor households with a business asset, training, consumption support, and coaching on their economic and psychosocial well-being.

Implementing organizations attended global learning events hosted by CGAP and the Ford Foundation and visited BRAC in Bangladesh to ensure consistency in core program elements across contexts. Table 1 summarizes the variations in program design by country. Implementers tailored program design to adapt to the local context, including government regulations or preexisting social assistance programs.² Since these studies evaluate a package of interventions, researchers cannot isolate the contribution of the individual components to the program's overall impact. This remains an important area for future study, which researchers are now examining in Ghana.³

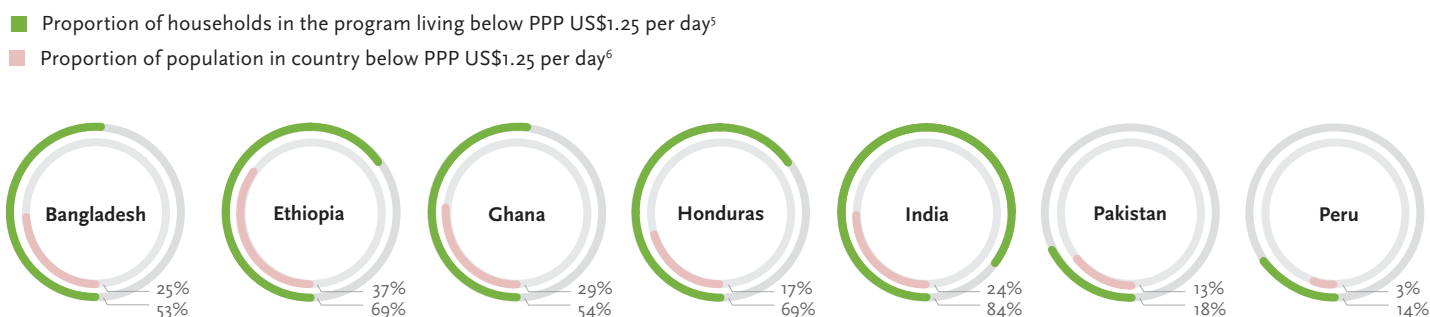
In all settings except Ethiopia, eligible households were identified through a community participatory wealth-ranking process.⁴

Implementing organizations then visited households to verify their poverty status. The program successfully targeted ultra-poor households (see Figure 1).

Access to the Graduation program was randomly assigned at the household, village, or branch level, depending on the site. In Ethiopia, India, and Pakistan, the poorest households identified through the targeting process were randomly assigned to receive the program or serve in the comparison group. In Ghana, Honduras, and Peru, there were two stages of randomization. Villages were first randomly assigned to the program or comparison group. Eligible households within program villages were then randomly assigned to the program or comparison group. This design allowed researchers to measure if and how much the program affected nonparticipating households. In Bangladesh, randomization took place at the BRAC-branch level using a phase-in design with treatment communities receiving the program in 2007 and comparison communities receiving it in 2011.

There were two waves of follow-up data collection. Endline 1 occurred just after the end of the program, approximately two years after the productive asset transfer. In every country except Bangladesh, endline 2 occurred three years after the asset transfer and one year after all program activities ended. In Bangladesh, endline 2 occurred four years after the start of the program.

FIGURE 1 THE GRADUATION PROGRAM SUCCESSFULLY TARGETED ULTRA-POOR HOUSEHOLDS



The program successfully targeted ultra-poor households. The proportion of households living below US\$1.25 per day that were identified as eligible for the program and included in the study sample exceeded—often by a substantial margin—the proportion of the population living below US\$1.25 per day in every country.

² For instance, the Ethiopian government prohibited unconditional transfers, so implementers introduced mandatory savings. Participating households made savings deposits as if paying off a loan in the amount of the productive asset, but then were able to keep their savings at the end of the program. In Ethiopia and Peru, preexisting consumption support programs already reached all (Ethiopia) or most (Peru) of the participants in the study. Thus in Ethiopia, the treatment group received no additional consumption support, and in Peru the program merely filled in the gaps, i.e. only provided consumption support to those in the treatment group not enrolled in the government program.

³ The Ghana site varies treatment to evaluate the impact of some individual Graduation components, including assets. Study ongoing and results forthcoming.

⁴ Two papers examine the accuracy of the participatory wealth rankings implemented in these programs. Banerjee et al. (2007) examines the targeting efficiency of the participatory rural appraisal method used by Bandhan in India, relative to the targeting of various assistance programs operated by the government of India. The method used by Bandhan more successfully targets the poorest of the poor. Karlan and Thuysbaert (2013) examines the accuracy of a two-step process that combines participatory wealth ranking and a household verification survey, relative to two proxy means tests, in Honduras and Peru. The targeting methods perform similarly to one another.

PROGRAM DETAILS

TABLE 1

Location	Implementing partner	Program take-up ⁷	Value of asset transfer ⁸	Assets most commonly chosen
Bangladesh	BRAC	87%	TK 9,500 (US\$158)	Cows (50%) Cow-poultry or cow-goat combination (38%)
Ethiopia	Relief Society of Tigray	100%	ETB 4,724 (US\$360)	Sheep and goats (62%) Oxen (24%)
Ghana	Presbyterian Agricultural Services and Innovations for Poverty Action	100%	GHS 300 (US\$206)	Goats and hens (44%) Goats and maize inputs (27%)
Honduras	Organización de Desarrollo Empresarial Feminino Social and Plan International	100%	HNL 4,750 (US\$283)	Chickens (83%) Pigs (6%)
India	Bandhan	52%	INR 4,500 (US\$124)	Goats (52%) Cows (30%)
Pakistan	Pakistan Poverty Alleviation Fund, Agha Khan Planning and Building Services, Badin Rural Development Society, Indus Earth Trust, Sindh Agricultural and Forestry Workers' Coordinating Organization	100%	PKR 15,000 (US\$235)	Goats (56%) Shops (11%)
Peru	Asociación Arariwa and Plan International	100%	PEN 1,200 (US\$464)	Guinea pigs (64%) Hens (24%)

⁵ For all countries except Bangladesh, this consumption measure excludes medical expenditures and durable good purchases, to be comparable to the World Bank data. All monetary values reported in 2014 USD, measured in Purchasing Power Parity (PPP) terms.

⁶ World Bank national poverty lines. Data for all countries from 2011, except Ghana (2006) and Peru (2012).

Value and frequency of consumption support	Savings	Coaching visits	Health component
Weekly transfer of TK 70–105 (US\$1–2) for forty weeks (amount adjusted to food price)	BRAC formed microfinance groups with beneficiaries after six months, first offering savings services and later credit	Weekly, over 24 months	Health education sessions led by community health volunteers, and financial provision during two-year intervention for specialized care if needed
Treatment and comparison households eligible for support through food-for-work program for duration of the evaluation; five days of work earned food worth ETB 100 (US\$8)	Required to save at least ETB 4,724 (US\$360) over the two-year program, equal to value of asset transfer	Weekly, over 24 months	None
GHS 4–6 (US\$2–4) given weekly depending on household size	Half of treated households randomly selected to receive savings accounts	Weekly, over 24 months	Enrolled in National Health Insurance, received health and nutrition education
Treatment households received one-time food transfer worth HNL 1,920 (US\$114) intended to cover six-month lean season	Required to open savings account, savings incentive HNL 320 (US\$19), assigned to savings matching or direct savings transfer treatments	Weekly, over 24 months	Health, nutrition, hygiene trainings
INR 90 (US\$3) given weekly for 13–40 weeks depending on chosen asset; shorter duration for nonfarm enterprise, longer for livestock	INR 10 (US\$0.28) required per week	Weekly, over 18 months	Discussed health during weekly coaching visits
PKR 1,000 (US\$16) given monthly for first year in the program	Encouraged to save at home or with ROSCAs	Weekly, over 24 months	Female health workers provided basic health services, education, and medicine
All households in 51 communities with Juntos conditional cash transfer receive PEN 200 (US\$78) monthly; treatment households in 35 communities without Juntos receive PEN 100 (US\$39) monthly	Encouraged to join community savings groups, open savings account at a bank, or deposit group savings with microfinance organization	Every six weeks over 24 months	Nutrition, healthy practices, prenatal health trainings

⁷ In India, 52% of those selected in the randomization participated in the program. According to Bandhan, the implementing organization, 35% of households declined the offer, for two unrelated reasons. First, in some villages, a section of villagers held the (erroneous) belief that Bandhan was a Christian organization trying to convert beneficiaries, and acceptance of the livestock constituted agreeing in some way to participating in Christian rituals. Second, some wives were worried that their husband would mishandle the asset and they would lose face in front of their village. A further 13% were deemed ineligible by Bandhan because they were participating in microcredit or self-help group activities. In Bangladesh the difference between women originally classified as eligible and women who were eventually treated is due to both BRAC program officers changing the originally classification when assets were transferred, and some women refusing the transfer.

⁸ All asset, consumption support, and savings values are listed in local currency and converted into USD 2014 exchange rate terms.

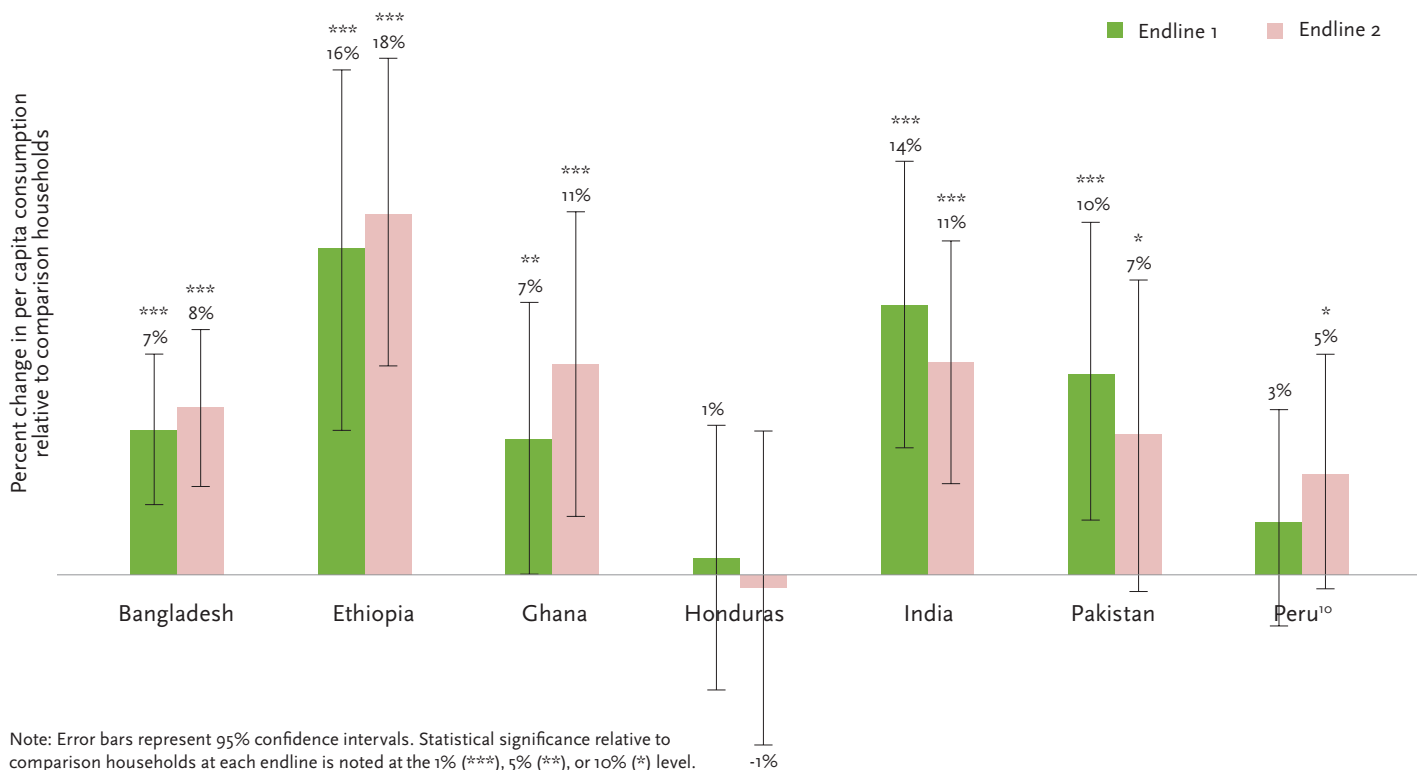
RESULTS

1. The Graduation program caused broad and lasting economic impacts.

Every group of economic outcomes improved significantly relative to the comparison group immediately after the two-year program ended (endline 1), and all economic outcomes saw similar gains a year after program activities ended (endline 2). These results were not driven by any one country or by any one outcome variable within each index. Indeed, most individual variables showed significant impacts after the Graduation program ended.

The Graduation approach increased ultra-poor households' consumption, a common measure of well-being. Pooled estimates of participants' per capita consumption from the six replication studies increased 0.12 standard deviations (5.8 percent) at endline 1 relative to comparison households.⁹ At endline 2, the impact persisted with per capita consumption 0.12 standard deviations (4.9 percent) higher than the comparison group. See Figure 2 for the change in consumption in each country. Direct consumption support alone does not account for these increases, as consumption support lasted for no more than one year in any program, and in Ethiopia the comparison group received the same consumption support as the treatment group. Instead, the authors suggest increased consumption is a result of increasing self-employment activity (see Result 2).

FIGURE 2 IMPACT OF GRADUATION: PERCENT CHANGE IN PER CAPITA CONSUMPTION BY COUNTRY



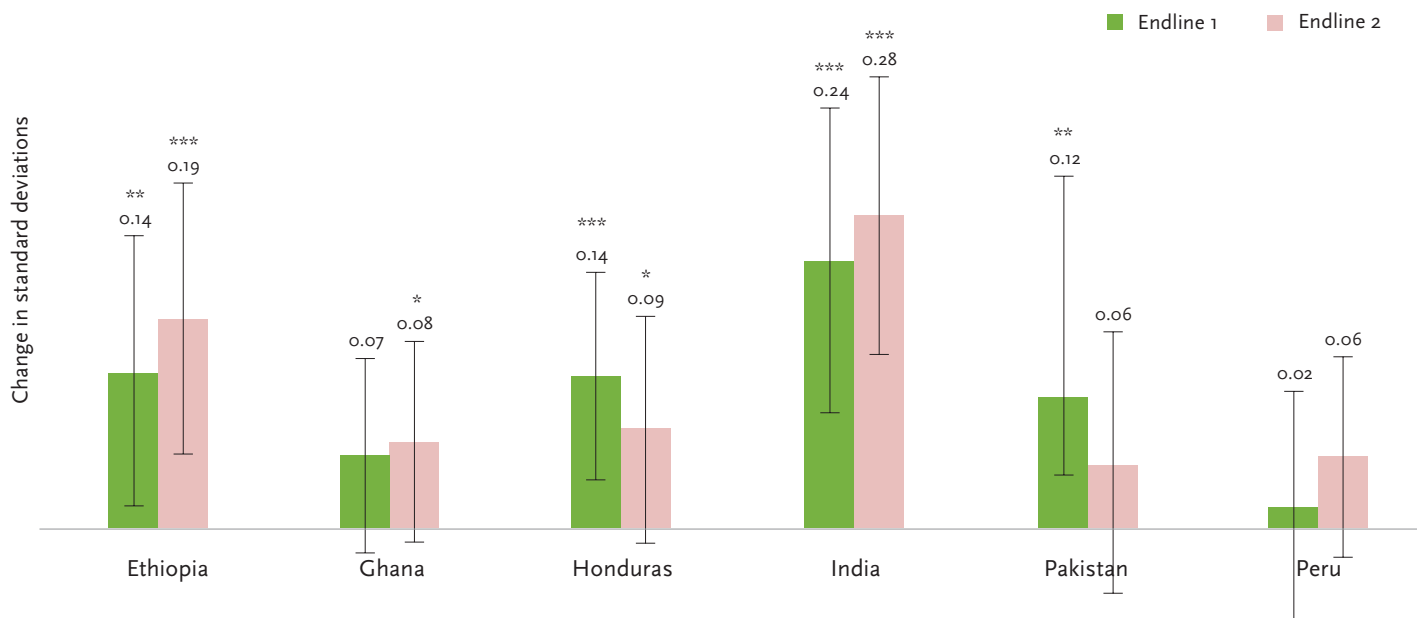
Consistent with increasing food expenditure, household members were able to afford two meals per day more often. Across the six sites, a pooled index of food security increased 0.11 standard deviations at endline 1, and 0.11 standard deviations at endline 2, meaning that families experienced fewer days in which a member of the household skipped meals or went a whole day without food. Pooled indices mask some variation—for instance, there were no significant improvements in food security in Ghana or Peru at endline 1, and no improvements in Pakistan or Honduras at endline 2. Figure 3 shows the country-by-country impact of Graduation on food security.

⁹ Consumption is defined as food plus nonfood expenditures.

¹⁰ Since release of the *Science* publication, Peru data has been revised slightly. Peru results presented in this bulletin are therefore slightly different than those in *Science*.

RESULTS

FIGURE 3 COUNTRY-BY-COUNTRY IMPACT OF GRADUATION ON INDEX OF FOOD SECURITY^{11 12}



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.

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. Total assets increased significantly in all sites at endline 1—two years after the assets were transferred—with the exception of Honduras, and at endline 2, with the exception of Honduras and Peru. In Honduras, 83 percent of beneficiaries chose chickens, many of which died of illness, resulting in a significant decline in asset holdings by endline 2. In India, asset holdings increased 65 percent at endline 1, and by 71 percent at endline 2. That increased asset holdings should persist after program assistance was withdrawn in most countries shows that targeted poor households successfully operated their businesses independently. Further demonstrating the effects of the program, targeted women in Bangladesh increased land ownership by 38 percent, a key security asset in rural communities. See Figure 4 for the country-by-country impact of Graduation on the total value of household assets.

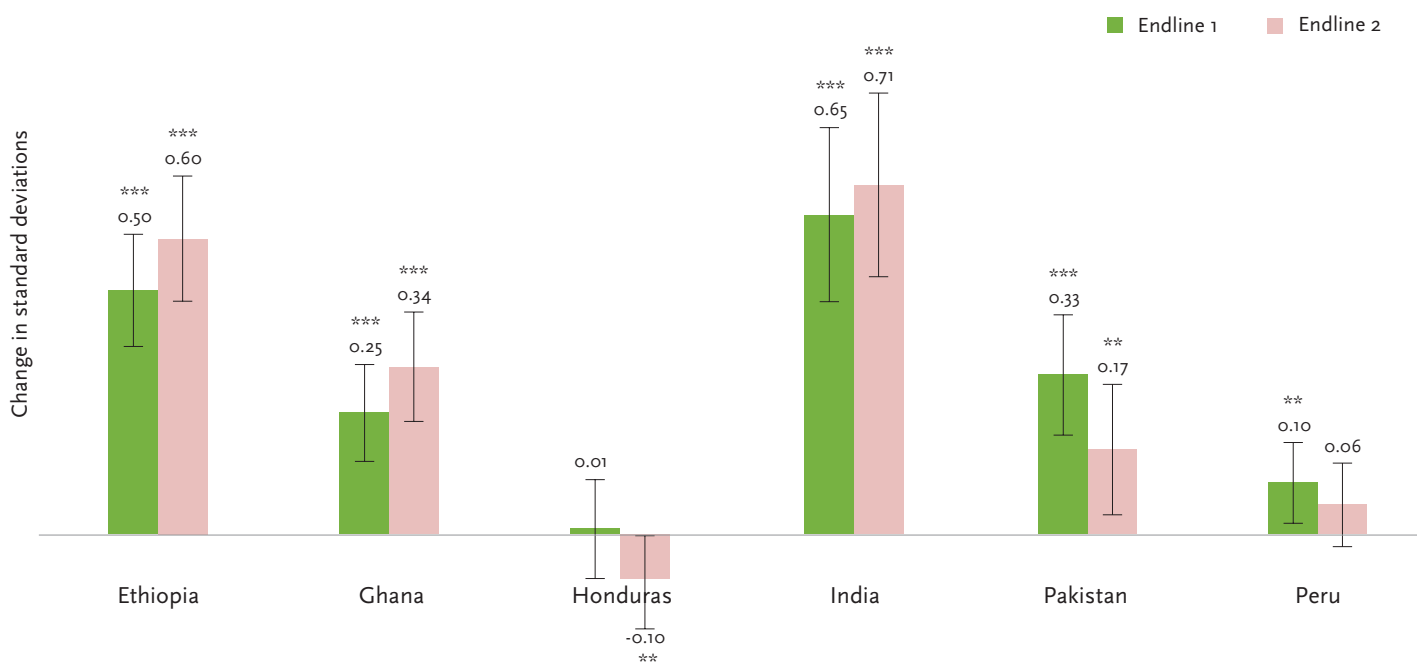
Savings increased significantly and persistently, and gains were largest in countries with mandatory savings. One feature of the program was the encouragement, or in some cases a requirement, to save. In Bangladesh, where savings groups were formed but there was no formal savings requirement, households experienced a tenfold increase in savings relative to comparison households. This gain was sustained at endline 2, two years after program activities ended. In pooled estimates from Ethiopia, Ghana, Honduras, and Peru, Graduation households saved 156 percent more than the comparison group. At endline 2, savings balances were 85 percent greater than comparison households. Ethiopia, where savings were mandatory, saw the greatest gains.

¹¹ Figures 3 and 4 do not include results from Bangladesh, because that study did not use comparable indices for food security or assets.

¹² Figures 3 and 4 show the impact of Graduation expressed as change in standard deviations. For instance, in Figure 3, an impact expressed in standard deviations shows how far the Graduation approach shifted the average food security of households in the treatment group within the distribution of food security in the comparison group. Standard deviations allow comparisons of outcomes across different contexts.

RESULTS

FIGURE 4 COUNTRY-BY-COUNTRY IMPACT OF GRADUATION ON INDEX OF TOTAL VALUE OF HOUSEHOLD ASSETS



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.

2. The Graduation program caused an increase in self-employment income.

The program's economic impacts were driven by an increase in basic entrepreneurial activities, which enabled the poor to spend more time working each day. Adults invited to participate in Graduation spent more time each day working on livestock and agricultural activities. The combination of more assets and more labor translated into 42 percent more revenue from livestock relative to the comparison group at endline 1, and 33 percent more revenue from livestock at endline 2, a year after Graduation activities ended. In India and Ethiopia, revenues from livestock increased nearly fourfold at endline 1. At endline 1 in Bangladesh, all eligible women in treated communities were in the labor force, and almost all engaged in some form of self-employment. At endline 2, these occupational changes persisted and the targeted poor had reduced their reliance on activities with seasonal earnings by 12 percent.¹³



SANA KHAN

¹³ Evaluations of two programs that transferred productive assets and skills in Uganda found a similar shift up the occupational ladder from subsistence agriculture and into skilled trades. See Blattman et al. (2013; 2014).

RESULTS

TABLE 2 IMPACT OF GRADUATION ON NONECONOMIC OUTCOMES

	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

3. Psychosocial well-being improved, but in some cases these noneconomic impacts did not persist after Graduation ended.

Graduation improved psychosocial well-being, suggesting that eligible households perceived a change in their economic lives. In Bangladesh, life satisfaction improved significantly at endline 2, an increase of 15 percent on a scale of reported life satisfaction relative to the comparison group. In Ethiopia, Ghana, Honduras, India, and Peru, self-reported happiness, stress, and one measure of physical health improved at endline 1. At endline 2, the impact on the mental health index remained positive and significant, driven by self-reported happiness and lack of stress. By endline 2, the effects on physical health were not significantly different between participants and the comparison group. These results raise questions about whether the program's impacts on subjective well-being persist as strongly as its economic impacts.

Beneficiaries, who were at the outset often marginalized within their communities, became more likely to be involved in political activity. These results persisted at endline 2. While women reported greater input on some household financial decisions at endline 1, the impact of the Graduation approach on women's empowerment was not significant a year later.

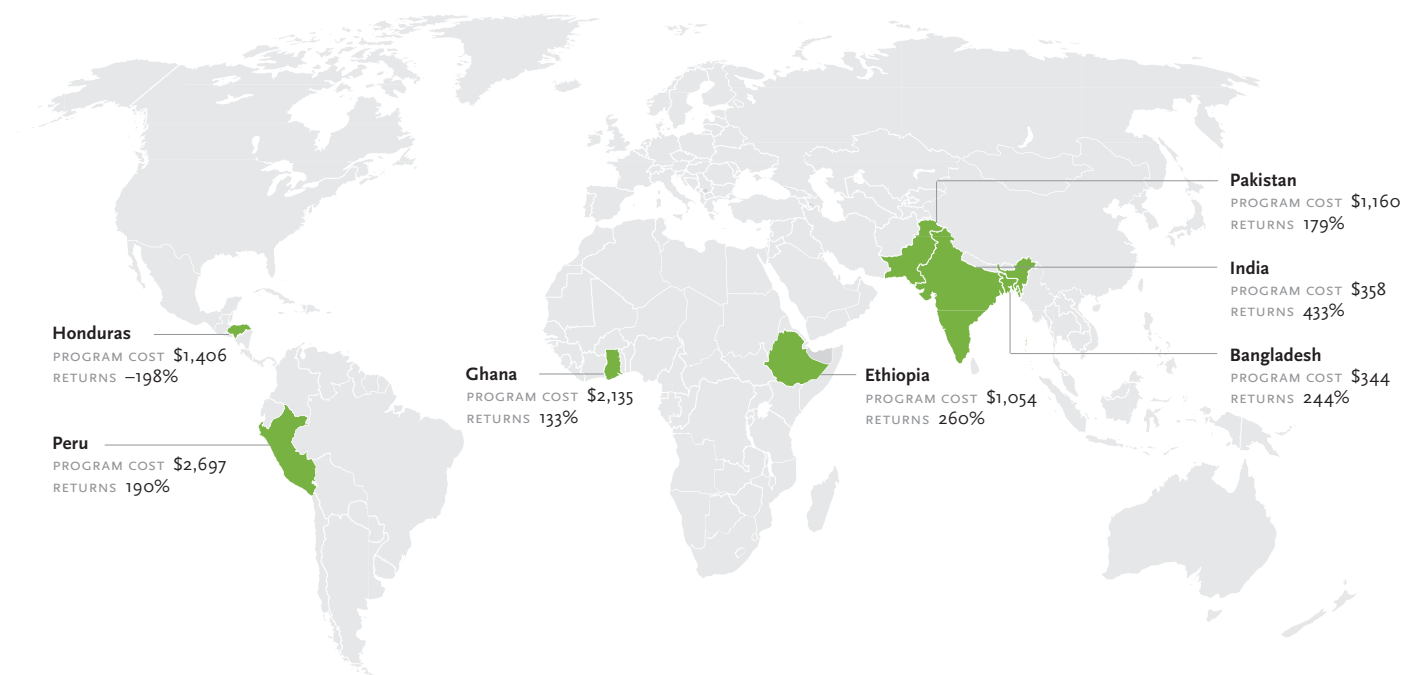
4. Graduation was consistently effective across most contexts and implementing partners.

The Graduation program was effective in diverse contexts, suggesting that ultra-poor households may face similar constraints in different countries. The program's positive results were not driven by any one country. The magnitude of the program's economic impacts ranged from large and positive to moderately positive across the seven countries, despite implementation by many different nonprofit organizations. The program had the largest impact on ultra-poor households in Bangladesh, Ethiopia, and India. Researchers suggest that income diversification may have been a factor that led to the strong and persistent effects on treated households in these three countries. 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. Even in Peru, where results were smallest across all families of outcomes, the program led to positive and significant impacts on food expenditures, assets, livestock revenues, physical and mental health, and microenterprise income, an indication of diversification. See Figures 2–4 and Table 2 for country-by-country impact of graduation on key outcomes.

In the three countries where spillovers were measured—Ghana, Honduras, and Peru—researchers did not find strong evidence that the program affected comparison households in communities where some households received the program. This finding suggests that the program did not measurably harm or benefit other ultra-poor households that did not participate.

RESULTS

FIGURE 5 GRADUATION PROGRAM COST AND RETURNS PER PARTICIPANT BY COUNTRY¹⁴



Cost-benefit analysis: Graduation's long-run benefits outweigh up-front costs

Cost-benefit calculations confirm that long-run benefits for the ultra-poor outweigh the Graduation program's up-front costs (see Figure 5). To calculate total program costs, authors add direct-transfer costs, supervision costs, start-up expenses, and overhead in year-three equivalent Purchasing Power Parity (PPP) dollars.¹⁵ They define benefits as the increase in total consumption.¹⁶ They define returns as total benefits as a percentage of total program cost. Graduation performs well by this standard in all countries except Honduras, with some sites producing gains far greater than the amount invested.

Scaling up the Graduation Approach

The Graduation approach has been adapted to support a transition to sustainable livelihoods for ultra-poor families in about twenty countries. The seven Graduation adaptations in this bulletin together reached more than seven thousand households, and scale-ups of the approach will reach many thousands more in the coming years. By 2016 the Bangladesh program will have reached 650,000 ultra-poor women, and a scale-up of the Graduation program is underway in Pakistan. In Ethiopia, the Graduation approach is being incorporated into the national Productive Safety Net Program, which will reach an estimated 675,000 households across the country with a livelihoods program based on the Graduation program tested as part of this research. Based on rigorous evidence of the impact of the Graduation approach, Development Innovation Ventures has committed funding to expand the program to several states in India through a foundation established by Bandhan, the implementing partner on the evaluation in India.

¹⁴ Figure 5 reports program costs per participant in USD 2014 exchange rate terms, calculated as if all costs were incurred immediately at the beginning of the program.

¹⁵ In India, where take-up was only 52 percent, program costs represent the cost per person who received the program. Take-up was 87 percent in Bangladesh and 100 percent in all other sites (see Table 1 and footnote 7 for more detail on take-up in India).

¹⁶ Benefits are the sum of observed consumption and estimated future consumption. The future consumption estimate assumes that total consumption gains observed at endline 2 exist in perpetuity. Researchers are doing a follow-up survey in India to see if consumption gains persist over the longer-term.

OPEN QUESTIONS

Open Questions for Future Research

The seven studies featured in this bulletin find that the Graduation approach helped ultra-poor beneficiaries shift into more stable self employment that improved their standard of living both two and three years after the program began. There are still several important questions for researchers and policymakers to consider:

- **How does the Graduation approach affect specific populations?**

The Graduation approach likely has substantial positive impacts on some households and less impact on others. Understanding the effects of the Graduation approach on different types of eligible households can help to improve targeting of the program.

- **Which components of the Graduation approach drive results?**

Since these evaluations study a package of interventions, it is not possible to isolate which components of the intervention drive results. Future research can shed light on the most effective and cost-effective mix of program components.

- **How important are mental health, aspirations, and community support?**

More research is needed to understand the interaction between psychosocial well-being, community support, and other components of the Graduation approach. Would strengthening those components of the approach lead to even stronger impacts, or would removing these components lead to a more cost-effective program?

- **How does the Graduation approach affect others in the community and nearby communities?**

Although limited effects were found in the initial studies, several channels of indirect effects may exist and are worthy of further study, including effects on prices, labor supply, and risk sharing.

- **How do the impacts of the Graduation approach evolve over a longer time horizon?**

Evidence on longer-term impacts will help to inform comparative cost-benefit analyses of Graduation and alternative approaches that target the ultra-poor.



MICHAEL RIZZO

Bibliography

Bandiera, Oriana, Robin Burgess, Narayan Das, Selim Gulesci, Imran Rasul, and Munshi Sulaiman. "Can Basic Entrepreneurship Transform the Economic Lives of the Poor?" London School of Economics Economic Organisation and Public Policy Discussion Papers EOPP 043, April 2013.

Banerjee, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, Robert Osei, William Parienté, Jeremy Shapiro, Bram Thuysbaert, and Christopher Udry. 2015. "A Multi-faceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries." *Science* 348 (6236): 1260799-1-1260799-16. doi:10.1126/science.1260799.

Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyay, and Jeremy Shapiro. "Targeting the Hard-Core Poor: An Impact Assessment." Center for Microfinance Working Paper, November 2011.

Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyay, and Jeremy Shapiro. "Targeting Efficiency: How well can we identify the poor?" Center for Microfinance Working Paper Series No. 21, December 2007.

Banerjee, Abhijit V., and Esther Duflo. 2007. "The Economic Lives of the Poor." *Journal of Economic Perspectives* 21 (1): 141-168.

Blattman, Christopher, Eric Green, Julian Jamison, Christian Lehmann, and Jeannie Annan. Forthcoming. "The returns to microenterprise support among the ultra-poor: A field experiment in post-war Uganda." *American Economic Journal: Applied Economics*.

Blattman, Christopher, Nathan Fiala, and Sebastian Martinez. 2014. "Generating Skilled Self-Employment in Developing Countries: Evidence from Uganda." *Quarterly Journal of Economics* 129 (2): 697-752.

Haushofer, Johannes, and Jeremy Shapiro. "Household Response to Income Changes: Evidence from an Unconditional Cash Transfer Program in Kenya." Working Paper, 2013. http://www.princeton.edu/~joha/publications/Haushofer_Shapiro_UCT_2013.pdf.

Karlan, Dean and Bram Thuysbaert. "Targeting Ultra-Poor Households in Honduras and Peru." NBER Working Paper No. 19646, November 2013. doi:10.3386/w19646.

United Nations High Level Panel of Eminent Persons on the Post-2015 Development Agenda. 2013. *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*. New York: United Nations Publications. http://www.un.org/sg/management/pdf/HLP_P2015_Report.pdf.

World Bank. 2013. *The World Bank Annual Report 2013*. Washington, DC: World Bank. doi:10.1596/978-0-8213-9937-8.

POLICY LESSONS

Efforts to foster increased income from self-employment among the world's poorest households have generally had disappointing results. A randomized evaluation of the original Graduation program along with evaluations of six adaptations of the program provide 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. 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.

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.

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 PPP US\$720 led to positive impacts on consumption, food security, assets, and psychological well-being. 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.

Author: Alison Fahey | **Editors:** Nathanael Goldberg, Claire Walsh | **Design:** Elizabeth Bond, Amanda Kohn

Suggested Citation: J-PAL and IPA Policy Bulletin. 2015. “Building Stable Livelihoods for the Ultra-Poor.” Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.

Tell us what you think at publications@povertyactionlab.org.

IPA & J-PAL OFFICES AROUND THE WORLD

Innovations for Poverty Action (IPA) is an international research organization that discovers and promotes effective solutions to global poverty problems.

www.poverty-action.org

The Abdul Latif Jameel Poverty Action Lab (J-PAL) is a network of affiliated professors around the world who are united by their use of randomized evaluations to answer questions critical to poverty alleviation. J-PAL's mission is to reduce poverty by ensuring that policy is informed by scientific evidence.

www.povertyactionlab.org

● IPA Country Programs ● J-PAL Regional Offices

