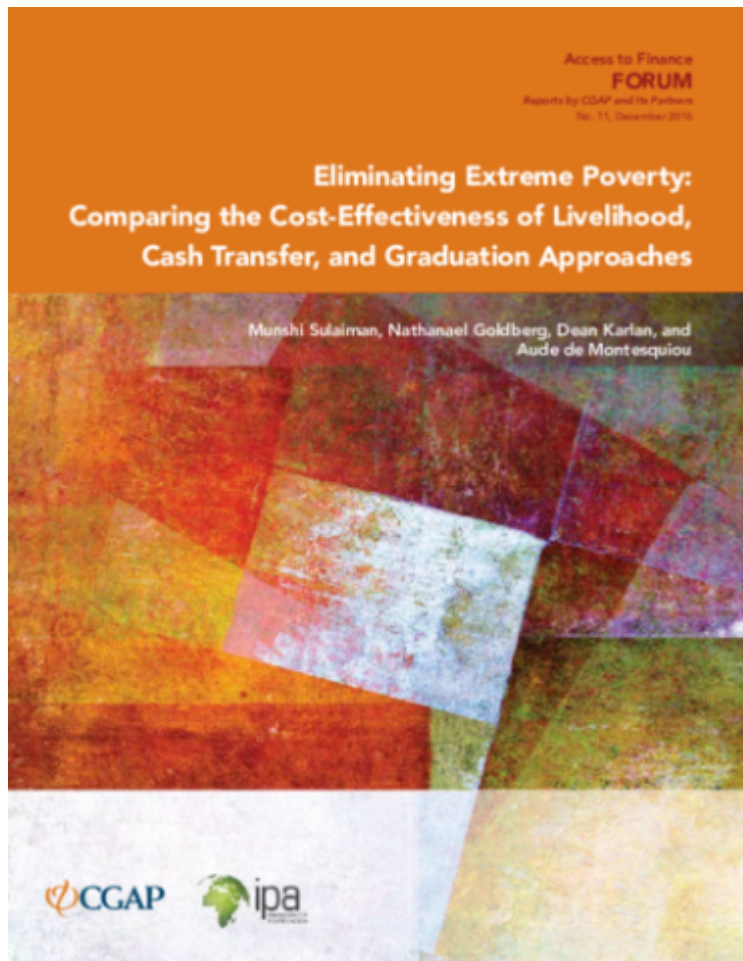


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Eliminating Extreme Poverty: Comparing the Cost-Effectiveness of Livelihood, Cash Transfer, and Graduation Approaches

Targeted interventions that sustainably improve the lives of the poor will be a critical component in eliminating extreme poverty by 2030. The poorest households tend to be physically and socially isolated and face disadvantages across multiple dimensions, which makes moving out of extreme poverty challenging and costly. This paper compares the cost-effectiveness of three strands of anti-poverty social protection interventions by reviewing 30

livelihood development programs, 11 lump-sum unconditional cash transfers, and seven graduation programs. All the selected graduation initiatives focused on the extreme poor, while the livelihood development and cash transfer programs targeted a broader set of beneficiaries. Impacts on annual household consumption (or on income when consumption data were not available) per dollar spent were used to benchmark cost-effectiveness across programs. Among all 48 programs reviewed, lump-sum cash transfers were found to have the highest benefit-cost ratio, though there are very few lump-sum cash transfer programs that serve the extreme poor or measure long-term impacts. Livelihood programs that targeted the extreme poor had much lower benefit-cost ratios. Graduation programs are more cost-effective than the livelihood programs that targeted the extreme poor and measured long-term impacts (i.e., at least one year after end of interventions). More evidence is needed, especially on long-term impacts of lump-sum cash transfers to the extreme poor, to make better comparisons among the three types of programs for sustainable reduction of extreme poverty.

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