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Anti-poverty strategy offers sustained benefit for world's ultra-poor, says new study in Science

May 15, 2015 NEW HAVEN CT - A new six-country study shows a comprehensive approach for the ultra-poor, the approximately one billion people who live on less than \$1.25 a day, boosted livelihoods, income, and health. Published in *Science* (available [here](#)), the research tested the effectiveness of an approach known as the "Graduation model" in six countries by following 21,000 of the world's poorest people for three years. The data show this approach led to large and lasting impacts on their standard of living.

Previous efforts by governments and aid groups to reduce poverty among the ultra-poor have not been proven to work. Addressing this gap, the new study reports on a six-country evaluation of a comprehensive approach that addresses the many challenges of poverty simultaneously. According to study co-author Dean Karlan of Yale University and the research and policy non-profit [Innovations for Poverty Action \(IPA\)](#): "Being ultra-poor usually means more than just not having an income - like not enough food to eat, no way to save, no information, and low perception of their opportunities to escape their situation," Karlan said. "We tested an approach that addressed several factors at once, and found significant improvements, even three years after the program did the bulk of the work."

In Ethiopia, Ghana, Honduras, India, Pakistan, and Peru, researchers tracked over 21,000 people to test how much the Graduation approach improved their lives and their families' welfare. The program included six components over a two-year period:

- An asset to use to make a living, such as livestock or goods to start an informal store.
- Training on how to manage the asset.
- Basic food or cash support to reduce the need to sell their new asset in an emergency.
- Frequent (usually weekly) coaching visits to reinforce skills, build confidence, and help participants handle any challenges.
- Health education or access to healthcare to stay healthy and able to work.
- A savings account to help put away money to invest or use in a future emergency.

Borrowing from healthcare research methodology, the researchers used a randomized controlled trial, tracking both people invited to participate in the two-year program and a similar group who was not, to compare how their lives changed up to a year after the program ended. Those in the program group had significantly more assets and savings, spent

more time working, went hungry on fewer days, and experienced lower levels of stress and improved physical health.

“Not only is it effective, but it represents a significant return on investment,” according to Kate McKee of the [Consultative Group to Assist the Poor](#) in Washington, DC, which helped implement the project. “The hope is that we can next learn how NGOs or governments can better integrate this approach into their programs effectively.”

The program is cost effective, with positive returns in five of six countries, ranging from 133 percent in Ghana to 433 percent in India. In other words, for every dollar spent on the program in India, ultra-poor households saw \$4.33 in long-term benefits. “The Graduation approach has led to broad improvements in key dimensions of economic and non-economic well-being in most countries where it was tested. Policymakers seeking a program to sustainably improve the lives of the very poor should consider investing in this approach,” according to study co-author Esther Duflo of MIT's economics department and Director at the [Abdul Latif Jameel Poverty Action Lab \(J-PAL\)](#).

The government of Ethiopia plans to expand the program to benefit three million people through the country's Productive Safety Net Program, and the program is already being scaled up in Pakistan and India. A key factor for decision-makers using the model is how comprehensive the evaluation was: "The positive results across such a range of different settings is highly encouraging, and gives us substantial confidence that this approach works for individuals, can be an effective strategy for governments, and can be a tremendous guide to improve the livelihoods of poor families," said Frank DeGiovanni, a director at the Ford Foundation, which helped build and fund the effort.

According to Innovations for Poverty Action Executive Director Annie Duflo, “Governments, aid organizations, and donors have been looking for something backed by real evidence showing it can help the poorest of the world, and this Graduation approach does exactly that.”

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Photos from Peru (credit: Michael Rizzo/CGAP): [Photo 1](#), [Photo 2](#), [Photo 3](#)

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Implementing Partners by country:

Relief Society of Tigray, Ethiopia; Presbyterian Agricultural Services and IPA, Ghana; Proyecto MIRE, Honduras; Bandhan, India; Pakistan Poverty Alleviation Fund, Agha Khan Planning and Building Services, Badin Rural Development Society, Indus Earth Trust, Sindh Agricultural and Forestry Workers Coordinating Organization, Pakistan; Association Arariwa, PLAN International, Peru.

Innovations for Poverty Action (IPA) discovers and promotes effective solutions to global poverty problems. IPA designs, rigorously evaluates, and refines these solutions and their applications together with decision-makers to ensure that the evidence created is used to improve opportunities for the world's poor. In the ten years since its founding IPA has worked with over 250 leading academics to conduct over 400 evaluations in 51 countries. www.poverty-action.org

The Abdul Latif Jameel Poverty Action Lab (J-PAL) was established in 2003 as a research center at MIT's Department of Economics. Since then, it has built a global network of 120 affiliated professors and regional offices in Africa, Europe, North America, South Asia, Southeast Asia, and Latin America and the Caribbean. J-PAL's mission is to reduce poverty by ensuring that policy is informed by scientific evidence. It does this by working with governments, non-profits, foundations and other development organizations to conduct rigorous impact evaluations in the field, policy outreach to widely disseminate the lessons from research, and building the capacity of practitioners to generate and use evidence. Over 202 million people have been reached by the scale-up of programs evaluated by J-PAL and found to be effective. www.povertyactionlab.org.

The Consultative Group to Assist the Poor (CGAP) is a global partnership of 34 leading organizations that seek to advance financial inclusion. CGAP develops innovative solutions through practical research and active engagement with financial service providers, policy makers and funders to enable approaches at scale. Founded in 1995 and housed at the World Bank, CGAP combines a pragmatic approach to responsible market development with an evidence-based advocacy platform to increase access to the financial services the poor need



to improve their lives. www.cgap.org

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