From Extreme Poverty to Sustainable Livelihoods

A Technical Guide to the Graduation Approach

CGAP   FORD FOUNDATION

Preface

Development interventions often, if unintentionally, overlook the extremely poor, even though they are those most in need. Extremely poor people are often beyond the reach of the "Making Markets Work for the Poor" paradigm that many development actors have adopted. Serving the extreme poor effectively is more expensive and more difficult, both because such populations are often geographically and socially isolated and also because of the complex, multi-dimensional nature of severe poverty.[1]

Interventions that do manage to reach the extreme poor, however, can have lasting impact. The top priority for extremely poor people is nearly always to increase household food consumption. This prioritization holds great promise for future generations since child malnutrition has many long-term negative consequences, including lower IQ and stunting.

Among the approaches aimed at reaching the extremely poor, one of the most successful has been the Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor program pioneered by BRAC in Bangladesh. CGAP has studied and written extensively about this approach. We have advocated for its replication, believing it to be a promising holistic solution to the complex nature of extreme poverty.

To gauge the universality of the BRAC model, CGAP and the Ford Foundation launched a partnership in 2006, testing and adapting the approach through 10 pilot programs in eight different countries. We were intrigued by the idea that with the right mix of interventions, offered in the right sequence, the extreme poor could "graduate" from extreme poverty into a sustainable livelihood within a defined time period. The CGAP-Ford Foundation Graduation Program begins with consumption support, mindful that part of what it means to be extremely poor is that the person is so overwhelmed by survival-level issues such as food security that she cannot meaningfully tackle any longer-

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1   To bridge gaps between social protection and economic development, social protection actors need to design better bridges for the extreme poor into market economy opportunities while remaining faithful to their welfare objectives. Market actors need to remain open to the potential for very low-income people to become their customers and suppliers.

term livelihood strategies. Once those basic needs have been met, participants receive support in saving money (a vital tool in managing risks), technical skills training, asset transfers (generally in-kind assets such as livestock), and intensive life skills coaching.

This Technical Guide serves as a how-to manual for others seeking to implement the model we have piloted. Although intended primarily for those with direct oversight responsibility for running Graduation Programs like ours, we expect and hope that the information in this Guide will also be useful for policy makers, technical assistance providers, researchers, and others interested in approaches to address extreme poverty.

The CGAP-Ford Foundation Graduation Program has included an ambitious research and learning agenda. The full results of the impact research will be published in early 2015, but preliminary findings show strong gains among participant households across a range of well-being indicators. We also plan to update this Guide in mid-2015. The 2015 edition will incorporate new learning from both the CGAP-Ford Foundation Graduation Program itself, and also from the third-party implementers who have already started new pilots, or who will be launching their own programs using this year's edition of the Guide as a tool.

By focusing on the extreme poor, we hope to reduce entrenched, self-perpetuating inequalities that harm families across multiple generations and that hold back the development of entire societies. At a time when there is growing interest in fostering linkages between social protection and economic development, if implemented at scale the Graduation Approach has potential to help move large numbers of the extreme poor into the market economy, by preparing them for self-employment or formal financial services. We understand that this is a long and complex process, and furthermore, that many self-employed poor people might well prefer regular salaried or wage-paying jobs—if those were available—rather than self-employment. We also recognize that neither the Graduation Approach nor any other intervention of its kind is an adequate substitute for responsive, universal social protection programs.

But the fact remains that nearly 1.2 billion people still live below the extreme poverty line, and that most of them live in countries where opportunities for formal employment and safety-net protections are both rare.

We believe that the scale of extreme poverty and its complexity—poverty looks different and has different drivers from one society to another—demand a diverse range of responses. The Graduation Approach is one such response. We believe it holds significant promise, and it is our pleasure now to make this Guide available. We also look forward to collaborating over the course of the next year with as many as possible of those who implement the Approach detailed in these pages. Working together as a community of practice, we hope to expand our understanding of what makes the Approach work best, to continue to refine it, and to share what we learn with all interested parties.

Tilman Ehrbeck
CGAP

Frank DeGiovanni
Ford Foundation

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Executive Summary

T his Technical Guide provides a "how-to" roadmap for practitioners wishing to implement programs based on the Graduation Approach, an integrated, five-step methodology aimed at transitioning extremely poor populations into sustainable livelihoods. The Guide draws on the lessons learned over the eight-year (2006-2014) course of a global pilot program involving 10 programs in eight countries.

The Guide begins with an introductory section describing the rationale for serving the extremely poor and the reasons why economic development interventions often overlook this most vulnerable segment. The Introduction also gives background on the Theory of Change underpinning the CGAP-Ford Foundation Graduation Program, and provides an overview of how the Program worked.

Among the key points covered in the Introduction:

- ***Target population***. The extreme poor are the people in the bottom half of those living below nationally defined poverty lines. At the global level, the extreme poor are generally understood to be the 1.2 billion people (2012 estimate) living on less than $1.25 per day. This population tends to be food-insecure, to have poor health, to lack education, to own few or no assets of even a non-durable nature (e.g., livestock), to have limited livelihood prospects, and to be socially isolated.

- ***Difficulties of reaching the extreme poor.*** Most of the world's extreme poor live in countries where social safety nets are patchy and frayed at best. Safety nets must compete with other public spending needs in developing countries which operate on very limited budgets and face many other major challenges. Even where social safety net coverage is, to some extent, available, the extreme poor are often so socially isolated that they do not know such assistance exists or how to go about getting it. The result is that the extreme poor often have to rely on religious or charitable organizations or else on networks of family and friends who are often no better off than they are. Economic development interventions frequently if unintentionally exclude the extreme poor, whether because the cost of reaching this population is prohibitively high or because such interventions (notably including stand-alone microfinance programs) deliberately target the economically active, less-extreme poor.

- ***Urgency of reaching the extreme poor.*** Evidence shows that more and better food is the top priority for extremely poor families. This prioritization holds promise for breaking the seemingly intractable, multi-generational nature of extreme poverty since child malnutrition in particular causes serious problems such as lower IQ, stunting, and mineral deficiencies which adversely affect the development of both the individual and thus society. The extreme poor are also less likely to obtain adequate schooling for their children, consigning them to a lifetime of lower earnings, which reinforces the self-perpetuating cycle of extreme poverty. Finally, the extreme poor are almost by definition the most likely to benefit from any intervention. As researcher <u>Jo Sanson (2012) put it</u>: "Going from one meal a day to two is arguably more important to a household than going from two meals to three."

Key Figures About the CGAP-Ford Foundation Graduation Program

- 10 pilots
- 8 countries: **Ethiopia** (Relief Society of Tigray [REST]), **Ghana** (Presbyterian Agricultural Services and Innovations for Poverty Action), **Haiti** (Fonkoze), **Honduras** (Organización de Desarollo Empresarial Feminino Social and Plan International Honduras), **India** (3 projects with Bandhan, Swayam Krishi Sangam [SKS], and Trickle Up), **Pakistan** (Pakistan Poverty Alleviation Fund [PPAF] via Aga Khan Planning and Building Services, Badin Rural Development Society, Indus Earth Trust, Sindh Agricultural and Forestry Workers Coordinating Organization [SAFWCO], and Orangi Charitable Trust), **Peru** (Associación Arariwa and Plan International Peru), and **Yemen** (Social Welfare Fund and the Social Fund for Development)
- 5,376 participants in the pilots (1 participant per household)
- 4 out of 10 pilots specifically target women only
- 9 out of 10 pilots are in rural areas
- 6 pilots completed (1 each in Haiti, Honduras, Pakistan; 3 in India)
- 75-98 percent graduation rate at the completed sites
- 5 pilots scaling up in India, Haiti, and Pakistan

- ***The Graduation Approach.*** The Graduation Approach leads with consumption support, either direct food aid or cash. Recent behavioral research confirms that unless immediate consumption needs are addressed, people make suboptimal economic decisions due to stress and a "tunneling" syndrome where their time horizons shorten to just managing the next crisis. As **Eldhar Shafir (2012) put it**: "Scarcity leads you to borrow in ways that are not insightful. The same person would do much better if they had just been a little less poor." Once the consumption needs have been sufficiently addressed, the Graduation Approach provides support for saving money (a vital tool for risk management), an asset transfer (usually in-kind assets such as livestock), skills training, and regular coaching and encouragement. The goal is for participants to "graduate" to a sustainable livelihood within a defined period of time (generally 18 to 36 months). While the overarching goal of graduation—exit from extreme poverty into a sustainable livelihood—is common across all pilots, the measurement criteria differ. Each pilot sets its own localized metrics for graduation, since the features of poverty vary from one context to another.

- ***The Graduation Approach's Rationale.*** Robust, universal social protection coverage may be a desirable goal, but it is far from being the reality. The reality is that most of the world's extreme poor live in countries that offer neither adequate social protection nor opportunities for formal employment. The Graduation Approach is one pragmatic approach (among others) to help the extreme poor move into sustainable livelihoods through the self-employment that is their only viable option given the lack of salary- or wage-paying jobs. Adapting a method originally developed by BRAC in Bangladesh, the Graduation Approach combines elements of social protection, livelihoods development, and access to finance to protect participants in the short run while promoting sustainable livelihoods for the future. Although not a panacea, the Graduation Approach seeks to reduce inequality by moving greater numbers of highly vulnerable households into sustainable livelihoods and toward economic stability.

The Introduction also reviews some internal considerations that implementers will have to address, and some decisions they will likely have to make prior to program launch. Chief among these is the fundamental question of who the lead implementer will be. The experience of the CGAP-Ford Foundation Graduation Program has been with hand-picked implementers, the majority of them nongovernmental organizations (NGOs). That said, the Guide is mindful that future implementers will often be government-run social protection agencies or other public-sector players, especially as the Programs themselves "graduate" from pilot stage to large-scale roll out. How the Approach should best be implemented when it is executed via a government agency is not yet known. But we expect it will vary from context to context depending on the existing structure of agencies and their respective capacities, the landscape of effective NGO talent available for partnerships, and other as-yet unknown factors. The Introduction describes some possible scenarios for government-run or -sponsored implementations, and includes points for such implementers to consider.

Another critical pre-launch consideration is defining the target population of participants. As noted throughout this Guide, the CGAP-Ford Foundation Program targeted a specific profile of "extreme poor" participant. But poverty has different features and different drivers, as the Introduction details, and the Graduation Approach may well be applicable for poverty-affected populations other than the population targeted during the 2006-2014 pilot phase.

The heart of the Technical Guide is the **Launching a Program** section, which details the process that those seeking to implement the Graduation Approach will wish to follow. It charts the major steps (each of which has sub-steps) and discusses each in detail. For each step, the Guide provides a list of tips and cautions. It also provides a set of questions or recommendations aimed specifically at government implementers, in the belief that this audience's context and needs will be different in some cases from those of the original pilot implementers.

Those steps in **Launching a Program** are

- **Planning.** This section goes into detail about the upfront work necessary to ensure the Program's success. Sub-steps include the development of targeting criteria to determine participants' profile; an initial design workshop to assess field conditions and local staff capacity; building local partnerships; recruiting, motivating, and training staff; budgeting and financial planning; determining exit criteria; and planning for eventual scale-up. The Guide includes numerous Annexes that can be useful during the Planning phase, including **budget tools**, **targeting tools**, **sample job descriptions**, and **sample graduation criteria**.

- **Implementation.** The implementation section presents the five building blocks of the Graduation Approach—consumption support, savings, asset transfer, technical skills training, and life skills coaching—and goes into detail about each one.
  - For *Consumption Support*, the Guide considers the questions of the amount of the stipend, how long it should last, and whether it should take the form of cash vs. in-kind support.
  - For *Savings,* the Guide discusses the question of when this phase should start (before or after asset transfer), the link to financial literacy training, and the questions of voluntary vs. compulsory, group vs. individual, and formal vs. informal savings.
  - The discussion around *Market Analysis and Asset Transfer* focuses on ensuring that the chosen income-generating activity is a good match for the participants' skills, that ongoing support is available, and that there is an ultimate market for the goods or services.
  - The *Technical Skills Training* section reviews the optimal features for such training (highly focused, short in duration, and inclusive of referrals to existing resources of which the participants may not have been aware). It also stresses that there should be no lag time between the asset transfer and the skills training, and that periodic refreshers are often needed.
  - Finally, the *Life Skills Coaching* discussion centers around the importance of this step to the Graduation Pilots' success. The pilot-phase implementers consistently stated that the individualized "hand holding" was crucial, yet this time- and labor-intensive step of the Approach will likely also be the most difficult to offer when the pilots are scaled up. The Guide discusses alternative methods (including "e-coaching"), but stresses that the efficacy of the alternatives to in-person, one-to-one coaching is at present unknown.

- *Monitoring*. In the monitoring phase, it is important to gather data not only about the participants' experiences but also to monitor the staff's performance to ensure that they are delivering the Program well. Staff performance is an especially important factor in an intervention like the Graduation Approach which is so unusually dependent on the human element. Among the issues to be tracked will be whether the field workers are visiting households as scheduled, and whether there are any significant variations in participant performance based on the field worker assigned. Then household-level data *(Are livestock healthy? Are income-generating activities yielding projected returns? Are households saving money?)* can be aggregated to give a picture about overall program performance. The Guide provides a **sample client monitoring tool**, includes examples of economic and social indicators, and suggests a schedule of critical path milestones according to which monitoring data should be gathered.

- *Reaching Graduation*. In this final stage of the Graduation Approach, the importance of the upfront planning will become most apparent, especially around the clarity of purpose and the definition of success. The Guide cites the example of Plan International which set specific objectives around child welfare and designed its program, and its metrics, around those objectives. The Guide also stresses that success indicators, while they should include hitting specific milestones by a certain point in time, should also incorporate a measure of potential *resilience to* future shocks and vulnerabilities. It is, as the Guide acknowledges, a difficult and inherently subjective task to determine *actual present* capacity to withstand *hypothetical future* events, especially in contexts of economically fragile states and recurring natural or man-made disasters. However, even reasonable estimates to assess increased resilience (e.g., savings in the bank, increased self-confidence, chronic health conditions improved) are valuable because they reflect the Program's goal. The Graduation Approach is not a short-term escape from extreme poverty but instead seeks to equip participants with the tools, livelihoods, and self-confidence to sustain themselves when the Program is over. The Guide recommends a graduation ceremony and includes discussion of important post-graduation follow up, including referrals to any available government services, access to health care, access to additional financial services, and ways to help those who were not able to graduate "on time."

The CGAP-Ford Foundation Graduation Program includes an ambitious research and learning agenda which has been underway since the Program's launch. Although the official report of impact findings from the Program's randomized control trials is not expected until 2015, the **Conclusions and Next Steps** section of this Guide reviews some of the initial findings, which have been very encouraging. This section also provides information on some of the large-scale roll-outs that have already gotten underway, and discusses certain implementations, also underway, that modify, in one or more respects, the methodology as it was piloted.

On that note, the Guide stresses at numerous junctures that its pages address only the Graduation Approach as it was implemented during its 2006-2014 pilot stage: a deliberately integrated suite of five sequential interventions. CGAP and the Ford Foundation recognize that the Graduation Approach requires significant upfront

investment, and that its implementation is complex and hands-on. It is possible that second-generation implementers will seek to pick and choose from among the Approach's elements, or to modify those elements that seem too expensive or complex to implement in their existing, tested forms. As we build the community of practice around this methodology, CGAP and the Ford Foundation are eager to hear about the results of any and all such modifications. That said, the reader is again asked to bear in mind two things. First, this Technical Guide provides no guidance about any such modifications, focused as the Guide is on the fully integrated methodology as piloted and monitored. Second, all references to impact results achieved are, similarly, based on the full suite of interventions, with none having been omitted or modified.

CGAP and the Ford Foundation will be actively seeking input from all those who take up, or have already taken up, the Graduation Approach. A second edition of the Guide will be published in 2015 and will capture the experiences and lessons learned from these second-generation implementers, especially those rolling out the program on a large scale.

"A Good Fit with Social Protection Programs"

This short (4:17) video describes the Graduation Approach's origins and its methodology. Several members of the growing community of practice coming together around the Graduation Approach discuss its potential to link with government-run social programs.

CGAP and the Ford Foundation welcome questions, comments, and suggestions for improvement about both this Technical Guide and the Graduation Approach. Please send your input to:

graduation@worldbank.org

Along with shaping the second edition of this Guide (expected publication mid-2015), user feedback will be vital as CGAP and the Ford Foundation build a cohesive and effective global community of practice around the Graduation Approach.

How to Use This Guide

CGAP and the Ford Foundation designed this Technical Guide for use by anti-poverty organizations interested in adapting the CGAP-Ford Graduation Program that was piloted during the eight-year period 2006-2014. The Guide primarily targets supervisory-level staff within the implementing organizations who will have direct responsibility for managing the Graduation Program. However, much of the Guide's material should also be of interest to senior policy makers, technical assistance providers, researchers, and other parties interested in methodologies to move extremely poor people into sustainable livelihoods.

Although the nature of the implementing entity (private- or public-sector player, nonprofit or for-profit contractor) may vary, the Guide assumes a degree of technical capacity on the part of the user (e.g., for preparing budgets and designing monitoring systems, for project management, for due diligence and market research). The Guide also assumes a familiarity with the issues surrounding extreme poverty and a commitment to alleviating it.

The nuts-and-bolts of the Guide are the chapters in the *Launching a Program* section. Each chapter outlines a practical, step-by-step process for program design, implementation, monitoring, and follow-up. These concrete tactics are based on the lessons learned at the Program's 10 pilot sites over the past eight years. For the user's convenience, sample planning tools, reference materials, and other resources are embedded within the text, and are also included in the *Annexes* and *Bibliography*.

Each chapter includes a checklist of general tips and cautions. The Guide also includes specific guidance for government implementers given the authors' anticipation that many of the second-generation Graduation Programs will be sponsored or implemented (in whole or in part) by government agencies. In the *Introduction* to this volume, the reader will find a discussion of several of the main scenarios we envision in terms of who is in a position to move this work forward at scale and how they might go about it. Note that some of the material covered in the Introduction or in the *Executive Summary* will be deliberately repeated in various portions of the *Launching a Program* section (and elsewhere). It is the authors' expectation that few users will read this Guide in a linear way but rather will focus on the material most directly relevant to their interests.

As this edition of the Guide was being published, several large-scale, government-sponsored roll-outs of the Program were just getting underway. How the Program will work at scale is precisely the question currently being studied. We do not know how or in what ways it will work differently at scale versus at pilot size, nor how the Program will change when managed by a government agency versus by an NGO (as was the case with most of the pilots). But to the extent we could anticipate some likely areas of divergence, and some public sector-specific considerations, we have included those in the relevant chapters.

In using this Guide, it is important to remember what was the same across all 10 pilots and what was different. Each institution in the pilot phase was different, with its own external operating environment, its own internal culture, and many of its own unique goals. Plan International, for example, had a specific focus on child welfare. While Plan International followed the Program methodology and shared the overarching goal—its participants' exit from extreme poverty and into sustainable livelihoods—Plan also specifically targeted families with children when identifying prospective participants. Plan's exit indicators (for what would constitute "graduation," a locally determined threshold at each pilot location) were likewise heavily weighted toward child well-being metrics.

Other pilot implementers, similarly, had their own objectives. They also had varying staff capacity and other resources, and took all those factors into account during the planning and implementation stages.

All the pilot programs, however, followed all five steps, in sequence, of the Graduation Approach. We anticipate that second-generation implementers may seek to modify some of those steps. In following this Guide, the user is asked to remember that it draws exclusively from the experience of the Graduation Approach in the form in which the CGAP-Ford Foundation Program was piloted and tested. We cannot anticipate overall outcomes if any of the steps is skipped, modified, or taken out of sequence.

The second edition of this Technical Guide (expected in mid-2015) will capture the lessons learned from second-generation implementations. Some of these second-generation implementations are already underway. They include both scale-ups of the Program in its previously pilot-tested form as well as experiments to skip, combine, or otherwise modify some of the components. CGAP and the Ford Foundation actively seek input from all users of this Guide about their experiences, regardless of the form in which they choose to implement the Approach. That input will be valuable both for shaping the 2015 edition of the Guide and for the ongoing benefit of the community of practice coming together around this methodology.

This Guide's interactive digital technology enables the reader to navigate easily through its contents. **Click on any of the sections or subsections in the sidebar graphic or bulleted lists of topics to move to that portion of the Guide.** The Guide also provides embedded links to other materials (e.g., annexes, other reference materials, videos) throughout.

NOTES ON TERMINOLOGY (see also *Glossary*)

Describing poverty levels: "Extreme poor" vs "ultra poor"
This Guide uses the term *"extreme poor"* to describe the sub-segment of the poor population with which the CGAP-Ford Foundation Graduation Program is concerned. The Graduation Approach is based on the experience of BRAC in Bangladesh at serving a population BRAC calls the "ultra poor." That term, coined by researcher Michael Lipton, defines the ultra poor as those who spend 80 percent of their total expenditures on food and cannot attain 80 percent of their standard caloric needs. This Technical Guide retains the term "ultra poor" when it refers specifically to programs (e.g., BRAC's in Bangladesh) that employ that terminology as part of a proper name.

Because the term "ultra poor" has a specific, quantifiable meaning, we chose to use "extreme poor" in this Technical Guide.

This population tends to be under the $1.25 per day (purchasing power parity) that is a commonly accepted metric for severe poverty. But during the pilot phase, our targeting methodology relied significantly on community-based ranking. Local people were asked (and it is worth pointing out that most of these respondents were themselves poor) to identify who in their community were the most extreme poor. While most of those people so identified would almost certainly fall within quantitatively defined boundaries based on income levels or daily caloric consumption, throughout this Guide the "extreme poor," when reference is made to the 2006-2014 pilot participants, are essentially those identified as the poorest within their communities.

The Guide therefore uses "extreme poor" and "extremely poor," occasionally interchanging the term "poorest" where desirable for stylistic reasons at various points in the discussion.

"Graduation Approach" vs "Graduation Program" vs
"CGAP-Ford Foundation Graduation Program"

Clarifications on several terms used throughout this volume are noted here: the *Graduation Approach* is a fully integrated, five-step suite of interventions, delivered in a specific sequence. The Approach, which had been pioneered by BRAC in Bangladesh, was piloted in ten different locations over an eight-year period (2006-2014) by CGAP and the Ford Foundation. CGAP and the Ford Foundation wished to explore the extent to which BRAC's successes with the Graduation Approach in Bangladesh would prove replicable in other geographic and cultural contexts. That specific eight-year, 10-pilot-site initiative is referred to as the *CGAP-Ford Foundation Graduation Program*. CGAP and the Ford Foundation fully expect that next-generation implementations will modify the Graduation Approach or various of its elements. This Guide uses the generic term *Graduation Program* to refer to any implementation of the Approach, whether in its original holistic five-step form or some adaptation thereof.

Summary

- Graduation Approach = the original five-step integrated methodology
- Graduation Program = implementation of the Approach, whether in whole or in part
- CGAP-Ford Foundation Graduation Program = specific implementation of the Approach that took place 2006-2014 at 10 pilot sites in eight countries

CGAP and the Ford Foundation welcome questions, comments, and suggestions for improvement about both this Technical Guide and the Graduation Approach. Please send your input to:

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Glossary

CFPR/TUP *("Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor"):* Holistic, sequenced set of interventions pioneered by BRAC in Bangladesh. CFPR/TUP's experience served as the model for the CGAP-Ford Foundation Graduation Program.

CGAP-Ford Foundation Graduation Program:
A global effort to understand how safety nets, livelihoods and access to finance can be sequenced to create sustainable pathways out of extreme poverty. Between 2006 and 2014, the CGAP-Ford Foundation Graduation Program partnered with local organizations and governments to launch 10 pilot projects in eight countries *(see "Graduation Pilots")*. A unique element of the Graduation Program is that a robust learning and evaluation agenda, including qualitative research and/or randomized controlled evaluations, is embedded in all the pilot sites.

CMS (client monitoring system): The system by which an organization tracks key indicators of its participants' social and economic progress. This Guide uses "CMS" to refer to the processes undertaken by Graduation Program staff as well as the software and other tools used in support of the execution of those processes.

Extreme poor *(see also "ultra poor"):* Population under the $1.25 per day (purchasing power parity) and/or identified as the poorest within their own communities.

Financial inclusion: Financial inclusion means that households and businesses have access to and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably, in a well-regulated environment. (See also "Microfinance".) Refer to **the CGAP website Frequently Asked Questions** for a discussion of the differences between the terms "microfinance" and "financial inclusion."

Graduation: The point at which a participant in a Graduation Program is deemed to have satisfied locally determined criteria intended to ensure that he or she can sustain an economically viable livelihood and has lower risk of reverting back into extreme poverty.

Graduation Approach: **A fully integrated, five-step suite of interventions**, delivered in a specific sequence, for the purpose of helping extremely poor people achieve sustainable livelihoods.

Graduation Pilots *(see also "CGAP-Ford Foundation Graduation Program"):* The testing of the Graduation Approach as carried out by CGAP-Ford Foundation from 2006 to 2014, or any of the ten programs implemented during that phase. (Note that the CGAP-Ford Foundation work from 2006-2014 built on a well-tested model [CFPR/TUP] previously rolled out by BRAC in Bangladesh. The CGAP-Ford Foundation work during 2006 to 2014 was nevertheless a series of "pilots" in that it sought to understand whether the CFPR/TUP model would work when delivered by different lead implementers, in different geographical and cultural contexts.)

Graduation Program *(see also "Graduation Approach"):* An implementation of the Graduation Approach, whether via the Approach's original fully integrated and sequenced five-step model or via some adaptation thereof.

Microfinance: The term "microfinance," once associated almost exclusively with small-value loans to the poor, is now increasingly used to refer to a broad array of products (including payments, savings, and insurance) tailored to meet the particular needs of low-income individuals. *(See also "Financial Inclusion".)* Refer to **the CGAP website Frequently Asked Questions** for a discussion of the differences between the terms "microfinance" and "financial inclusion."

NGO (non-governmental organization): An organization that is neither a part of a government nor a conventional profit-maximizing business. Although some NGOs may accept funding from governments or work in collaboration with government agencies, an NGO by definition is not itself a governmental entity. NGOs' work often focuses on humanitarian or environmental causes.

PPP (purchasing power parity): The number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a US dollar would buy in the United States.

RCT (randomized control trial): A program evaluation in which participants and non-participants are deemed to be statistically comparable and in which participants are randomly allocated to receive

a given intervention. By monitoring outcomes in both groups, the results of an RCT show the differences that can be attributed to the specific program intervention.

ROSCA (Rotating Savings and Credit Association): A group of individuals who meet regularly in order to save and borrow together. At each meeting, all members contribute the same amount and one member takes the whole sum, until all members have received the cumulative amount once. As a result, each member is able to access a larger sum of money during the life of the ROSCA, and use it for whatever purpose he or she wishes. This method of saving is a popular alternative to keeping cash at home where it is vulnerable to theft and to the demands of family members.

Second-generation: All the Graduation Programs implemented post-2014 (beyond the CGAP-Ford Foundation Graduation Pilots). Note that some second-generation programs are scale-ups, by the same implementers, of programs previously piloted during the 2006-2014 phase. Other second-generation programs are being carried out by new implementers such as NGOs or governments who may be adapting various elements of the Approach (whether as a response to their own resource constraints or as a deliberate means of isolating a given element to test its causal role in creating impact).

Ultra poor: A term coined by researcher Michael Lipton to describe those people who must allocate at least 80 percent of their daily expenditures for food and who cannot meet at least 80 percent of their standard caloric intake. This Guide retains the term *"ultra poor"* when it is part of a proper name; otherwise, to describe the sub-segment of poor population targeted during the 2006-2014 pilot phase, the Guide uses the term *"extreme poor"* (*see above*).

VSLA (Village Savings and Loan Association): A group of people who save together and take small loans from those savings. The activities of the group run in cycles (typically of one year), after which the accumulated savings and the loan profits are distributed back to members. The purpose of a VSLA is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services.

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Introduction

WHO

The Extreme Poor: Prevalence of Extreme Poverty and Some of Its Features

Development interventions often, if unintentionally, overlook the extremely poor even though they are the most in need. Close to 2.5 billion people (more than one-third of the world's population) live on less than US$2 a day. Improved living standards in the global South have reduced the proportion of people living in extreme poverty worldwide from 43 percent in 1990 to 22 percent in 2008, but much remains to be done. In 2012, nearly 1.2 billion people were still below the extreme poverty line with an income of US$1.25 or less a day. Most of the bottom billion live in South Asia (close to 507 million living on US$1.25 or less a day), followed by sub-Saharan Africa (close to 414 million living on US$1.25 or less a day) and East Asia and the Pacific (close to 251 million living on US$1.25 or less a day).[2]

In some developing economies the gap is widening between those who can and those who cannot access opportunities (**Ravallion 2013**). According to the March 2013 Human Development Report of the UNDP, "multidimensional" poverty is characterized by low levels of life expectancy, educational attainment, and wealth.[3]

FIGURE 1: Poverty Diamond
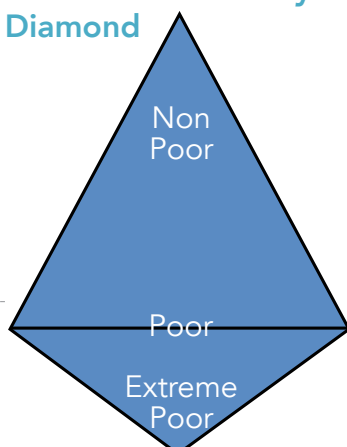
The figures on the bottom 1.2 billion are very important to keep in mind, since the "extreme poor" are a separate segment, with many significant differences, from the "poor." A nuanced way of visually representing the stratification of wealth within the population is to replace the traditional "poverty triangle" (which presents a large proportion of poor people at the base of the pyramid) with a

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2   World Bank 2010 regional aggregation using 2005 PPP and $1.25/day poverty line: **http://iresearch.worldbank.org/PovcalNet/index.htm?1,0**
3   **http://hdr.undp.org/en/**

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"poverty diamond" showing a submerged tip of extreme poor.[4] Research suggests that, although context is crucial to consider, there are some overall characteristics of extreme poverty.[5] Food insecurity, unreliable incomes, and a lack of land ownership or other assets are shared features of extreme poverty. In addition, family dynamics characterized by high dependent-to-earner ratios, poor access to social networks, and lack of self-confidence tend to mark the difference between the extreme poor and those somewhat better off.

WHY

Reasons for Focusing on the Extreme Poor

Interventions targeted at the extreme poor tend to be complex (and thus expensive) given the inherently complex nature of the most severe poverty. Extremely poor people are often geographically or socially isolated, making them harder to reach. The poorest also tend to prioritize immediate needs over longer-term investments, which complicates efforts aimed at sustainable development. But there are several reasons to focus on the needs of the extreme poor despite these significant challenges.

First, there is a moral case to be made for serving the most vulnerable first, simply because by definition their need is the most urgent. Second, the poorest are also likely to benefit the most from any positive change: "Going from one meal a day to two is arguably more important to a household than going from two to three meals" (**Sanson 2012**). Third, evidence shows that when given the opportunity, the poorest tend to increase their household's food consumption first, a decision with major positive implications since child malnutrition in particular has many long-term negative consequences such as lower IQ, stunting, and iodine and iron deficiencies. The combined effect of these adverse consequences in India, Pakistan and Vietnam has been estimated to reduce gross domestic product by 2 to 4 percent per year[6] not to mention the toll in human suffering. The extreme

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4   Original graphic by CGAP based on concept described in "The Poverty Paradox," Jo Sanson, Trickle Up, Monthly Developments, September 2012.
5   The baseline surveys (Ethiopia, Ghana, Honduras, India, Pakistan, Peru, and Yemen) from the CGAP-Ford Foundation randomized control trial research appear to bear this out. For example, the poorest in Peru are wealthier on average than those in Honduras, but live in far more remote locations. Note that the official report of RCT findings is expected mid-2015.
6   FAO 2012 report quoted in "For Protection and Promotion" page 14.

poor are also less likely to obtain adequate schooling for their children, consigning them to a lifetime of lower earnings and reinforcing the intergenerational cycle of extreme poverty.[7] Recent behavioral research also suggests that unless their immediate consumption needs are addressed, poor people make suboptimal economic decisions because of distraction due to stress, and a "tunneling" syndrome which limits their ability to focus on anything beyond the next imminent crisis (Microcredit Summit Campaign 2012). And finally, there is realistic hope now for interventions to combat even the most extreme forms of poverty. The most promising strategies to put extremely poor households on a path toward sustainability are multi-disciplinary, combining the strengths of different poverty-alleviation interventions. The CGAP-Ford Foundation Graduation Program combines elements of three distinct approaches—*social protection, livelihoods development*, and *financial inclusion*—to move such households out of extreme poverty and into sustainable livelihoods. In combination, these interventions have a dynamic and beneficial interplay such that the whole is greater than the sum of the parts.

As noted throughout this Guide, the CGAP-Ford Foundation Graduation Program (2006-2014) deliberately targeted a specific profile of "extreme poor." Although some of the pilot countries (e.g., India) have undergone rapid development in recent years, all eight countries nevertheless have large populations living in extreme poverty. Within those countries, we sought poor, rural communities, and within those communities, we asked the local people to identify who was the extreme poor.

Our objective was to test the Graduation Approach against long-entrenched, multi-generational extreme poverty. Other implementers may have different objectives. We also recognize that poverty comes in different varieties and with different drivers, and that many middle- and even upper-income nations have entrenched "poverty pockets." Among the second-generation implementations are programs aimed at different target groups, including one by the United Nations High Commissioner for Refugees as a possible new approach to address extreme poverty among refugees and internally displaced persons.

WHAT

The Graduation Approach: Its Origins, Theory of Change, and Experience to Date

Origins

In our search for models to fight extreme poverty, CGAP and the Ford Foundation were particularly inspired by "Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor" (CFPR/TUP), the innovative and holistic approach developed by BRAC in Bangladesh. (*See box.*[8]) We have researched CFPR/TUP extensively and advocated for

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7   Hoddinott and Quisumbing (2003) in "For Protection and Promotion" page 15.
8   In 2005-2006, CGAP reviewed four programs targeted to the extreme poor (the Rural Maintenance Program implemented by CARE in Bangladesh, the Central Region Infrastructure Maintenance Program implemented by DFID and CARE in Malawi, the IGVGD Program implemented by BRAC in Bangladesh and the Towards Self-Employment Project implemented by Alexandria Business Association in Egypt). The review presented in Hashemi and Rosenberg (2006) suggests that appropriate sequencing of support such as BRAC's can produce good results for the poorest.

Reaching the Poorest: BRAC's Approach in Bangladesh

One of the world's largest NGOs, BRAC works in 70,000 rural villages and 2,000 urban slums in Bangladesh. BRAC has always had a strong focus on poverty—providing financial services, schooling, healthcare, legal services, and marketing facilities. But in the 1980s, BRAC realized that its financial services programs were not reaching many of the poorest in the villages where BRAC had been active for a decade. In 1985, BRAC partnered with the Government of Bangladesh and the World Food Programme to add a "graduation ladder" to an existing national safety net program that was providing the poorest households with a monthly allocation of food grain for a two-year period. BRAC worked with these participants and added skills training, mandatory savings, and small loans to accelerate livelihoods development. In 2002, BRAC fine-tuned its approach both through better identification of the ultra-poor and through a more intensive sequenced set of inputs. This new approach, termed "Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor" (CFPR/TUP) has been studied intensively since its inception. Three rounds of surveys were conducted with the same group of participants: the baseline in 2002, an endline in 2005, and a follow-up in 2008 (three years after that same group of participants had concluded the program). Among the findings was a significant increase in food security. Chronic food insecurity fell by 47 percentage points, annual food expenditure rose by 93 percent, and caloric intake increased over 22 percent, particularly in the consumption of vegetables, eggs, meat, and fish. The upward trend continued a year after the program's end, suggesting that participants were able to sustain this increased consumption without ongoing program support (**Hashemi and de Montesquiou 2011**). By 2014, CFPR/TUP had reached around 1.4 million ultra-poor.

it as an important pathway for many of the poorest to move beyond extreme poverty (**Hashemi and Rosenberg 2006**).

In 2006, CGAP and the Ford Foundation launched an initiative to test and adapt BRAC's approach in a diversity of countries and contexts. We were intrigued by the idea that, with the right mix of interventions, introduced in the right sequence, the extreme poor could "graduate" out of extreme poverty within a time-bound period.

As noted above, the Graduation Approach combines the disciplines of *social protection, livelihoods development*, and *financial inclusion.*

The Graduation Approach as an Entry Point into the Market Economy

The extreme poor tend to live outside the margins of market economies. Today, there is growing interest in understanding how social protection can build on its traditional role of delivering direct relief to poor people and provide as well a pathway to help the poor move into sustainable employment or self-employment. To foster linkages between social protection and economic development, more efforts are needed from both the social protection actors and the market actors. The former need to design better bridges for the extreme poor into market economy opportunities while remaining faithful to their welfare objectives. The latter need to remain open to the potential for very low-income people to be their customers and their suppliers. For example, providers of formal financial services could explore opportunities to improve their products to attract poorer customers for whom their services might be relevant and useful.

What can social protection actors do?

Social protection, by continuing to improve poor people's welfare, can help lower their barriers to entering the market economy. In the long term, by fostering better health, nutrition, and education among the children of recipient households, social protection can increase the next generation's earning potential. Social protection programs can increase access to labor markets by providing direct employment (e.g., food for work programs), supporting access to wage employment (e.g., advocating for favorable labor policies), or promoting autonomous livelihoods and microentrepreneurship (e.g., the Graduation Approach). The creation of new livelihoods within poor communities may also stimulate the demand for local goods and services, further promoting local economic spillover effects.
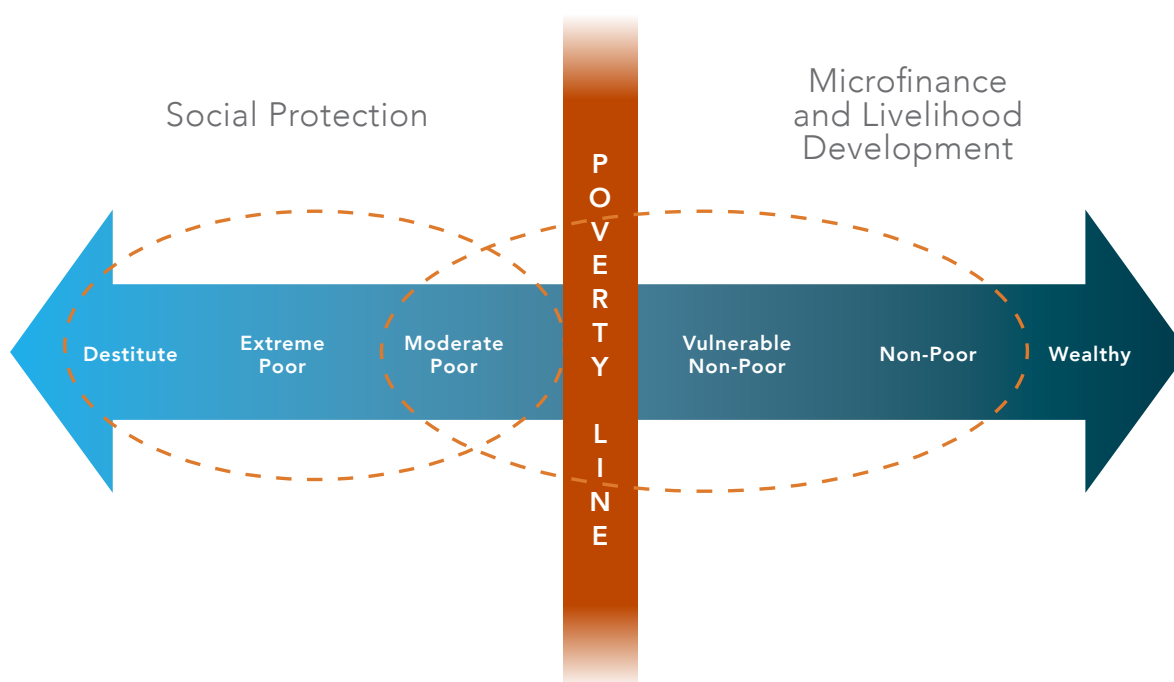
What can financial services providers do?

From the financial services perspective, integrating those who have recently joined the market economy, but remain poorer and more marginalized than most, will require a better understanding of this client segment—their financial knowledge and attitudes, the barriers (real or perceived) preventing them from using formal financial services, and the specific financing needs that could be met viably. Financial services providers will also need to design more appropriate products and delivery channels and pay increased attention to efficiency, incentives, and marketing. Finally, management might need a shift in perspective to see the long-term potential of these new clients, rather than focusing exclusively on their lack of immediate profitability.

Social protection programs (see Figure 2 below) have a better track record of reaching the extreme poor through a range of interventions—from safety nets (e.g., conditional or unconditional cash transfers, food aid, guaranteed employment) for those in immediate need, to social insurance to support those at risk of slipping into destitution. However, safety net programs are typically aimed at immediate relief for basic needs. They include few opportunities for participants to move into economic self-sufficiency.

Livelihoods interventions promote the use of human and material assets to develop income sources and "ways of life" (e.g., becoming a farmer or an artisan). The aim of livelihood promotion strategies is to keep people meaningfully occupied and productive, with dignity, for the long term. But few livelihood development programs have addressed the needs of extremely poor households. This is especially the case in rural areas, where livelihood development programs tend to focus on economically active households, typically those with enough land to generate surplus to sell in the market.

FIGURE 2: Existing Approaches to the Needs of Poor Households

Social Protection

Microfinance and Livelihood Development

POVERTY LINE

Destitute | Extreme Poor | Moderate Poor | Vulnerable Non-Poor | Non-Poor | Wealthy

Nonetheless, these programs have generated valuable lessons that can be adapted to benefit extreme-poor families.

Similarly (albeit with a few notable exceptions), **_financial inclusion_** typically focuses on the economically active and thus does not reach the extreme poor. For example, even in Bangladesh, where microfinance institutions are strongly focused on serving the very poor, their concentration is highest among the second-poorest quintile group but lowest among the poorest quintile (**Hashemi and Rosenberg 2006**). Extremely poor people may prefer not to borrow because they think debt is more likely to hurt rather than help them—and they are often correct. In the kinds of group-guarantee approaches used by some financial services providers, the members of the group may exclude the poorest, out of fear that such people will default. In addition many financial services providers simply find the poorest too costly to serve. The transaction costs associated with the very small loans, and with the low-balance/high-activity savings accounts poor people often need, provide a powerful disincentive to serve that customer segment. Financial services providers seldom lend to potential borrowers who are new to microenterprise and who do not have other income sources to repay the loan if the new business fails.

Though they may be overlooked by financial services providers, extremely poor people do nevertheless borrow and save money, whether informally (hiding cash at home, borrowing small sums from any friends or family who have it to spare) or semi-formally via community-based sorts of clubs (e.g., Rotating Savings and Credit Associations [ROSCAs], Village Savings and Loan Associations [VSLAs]) that are a long-standing universal presence in poor communities throughout the developing world. Even very poor people save money, largely because it is a matter of survival. Savings is the only available tool to protect against shocks for people who have no access to insurance, emergency credit, or anything other than their own resources. In the Graduation Approach, savings plays a key and early role. Some participants, depending on the livelihood they eventually pursue, may also benefit from credit. But given the critical importance of savings as a risk management tactic, everyone in the Graduation Approach methodology receives access to savings services, in most cases as soon as their immediate consumption needs have been met.

In isolation, all three approaches, **social protection, livelihoods development**, and **financial inclusion**, have achieved successes in pursuit of their respective objectives. In combination, however, they can be much more powerful. A model to integrate all three approaches can build on the comparative strengths of each to create programs to help address the multiple facets of extreme poverty. This integrated approach is what the CGAP-Ford Foundation Graduation Program set about to pilot and test.

Theory of Change

The Graduation Approach is built on five core elements: consumption support, savings, an asset transfer, technical skills training, and regular life skills coaching:
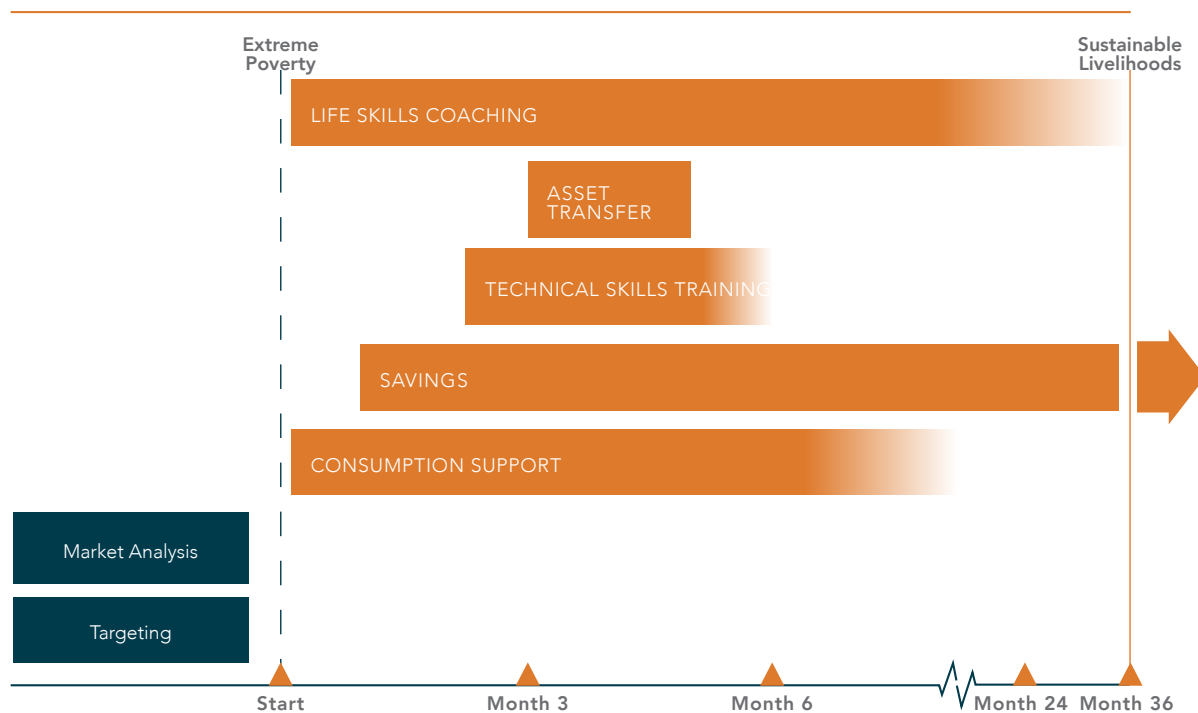
The Graduation Approach draws on the most relevant aspects of social protection, livelihoods development, and financial inclusion to deliver results by combining support

FIGURE 3: Graduation Approach Theory of Change Model

Intervention	Intervention	Outcome
Safety Nets	Consumption Support	Food Security
Livelihoods	Asset Transfer Technical Skills Training	Sustainable Livelihoods Income Diversification Asset Accumulation
Financial Services	Savings Account Financial Literacy training	Improved Income Management Savings for Shocks
Coaching	Life Skills Coaching Village Assistance Committees &Peer Groups Referrals to Healthcare Additional Services	Increased Self-Confidence Improved Hygiene and Sanitation Visibility in Community

FIGURE 4: The Graduation Into Sustainable Livelihoods Approach

for immediate needs with longer-term human capital and asset investments. The objective is to protect participants in the short run while promoting sustainable livelihoods for the future. The approach has a three-fold vision.

First, that a high up-front investment in program participants will help extremely poor families develop sustainable livelihoods.

Second, that as these households develop their capacity to generate increased income and build assets, their resilience will increase and their vulnerability to shocks will diminish correspondingly over time. This should reduce the risk of them falling back into extreme poverty. But we recognize that the progress along the pathway is not linear and households will not progress evenly. Very poor families are subject to many shocks; any one of these shocks may cause them to fall backwards. Not all households will progress at the same rate, and some households may not succeed. But we hope that the overall effect of the program is that the majority of families, over time, will develop livelihoods that will help move them out of extreme poverty and toward sustainability and resistance to future shocks.

Third, that the long-term benefits will accrue both to those individuals and families directly affected, and also to the broader social goals of breaking entrenched, multi-generational poverty and of reducing inequality.

- **Consumption support:** Soon after participants are selected into the program, they start receiving consumption support in the form of a small cash stipend or foodstuffs. This support gives them "breathing space" by easing the stress of daily survival. It can be offered through a pre-existing government or other safety net program, in contexts where this is available. This component reflects the important lessons derived from the field of *social protection*.

- **Savings:** Once people's food consumption stabilizes, they are encouraged to start saving, either semi-formally through self-help groups (SHGs) or more formally through an account with a formal financial services provider. In addition to building assets, regular savings instills financial discipline and familiarizes participants with formal financial services. Most Graduation Programs have seen the need to offer financial literacy training, teaching participants about cash and financial management, and familiarizing them with savings and credit. This feature draws on emerging lessons about the importance of savings from the field of *financial inclusion*.

- **Market analysis and asset transfer:** A few months after the program starts, each participant receives an asset (e.g., livestock if the livelihood involves animal husbandry; inventory if the livelihood is retailing) to help jump-start one or more economic activities. Prior to that transfer, the program staff will have thoroughly analyzed the local market's infrastructure and support services to identify sustainable livelihood options in value chains that can absorb new entrants. Once the staff has identified several viable options, the participant chooses from a menu of assets, based on livelihood preferences and past experience.

- **Technical skills training:** Participants receive skills training on caring for an asset and running a business. While rudimentary, such training is essential in managing successful small businesses. The training also provides information on where to go for assistance and services (e.g., a veterinarian, for the many program participants whose livelihood selection involves animal husbandry). The asset transfer and skills training incorporate lessons derived from the *livelihood development* field.

- **Life skills coaching:** Extreme-poor people generally lack self-confidence and social capital. Weekly household visits by staff allow for monitoring but even more so for "coaching" over the 18 to 36 months of the program. During these meetings, staff help participants with business planning and money management, along with social support and health and disease prevention services. In several instances, it has proven valuable to organize social support groups (such as "village assistance committees") or link up with a health care service provider, whether government clinics or nongovernmental options.

Graduation programs adapt the building blocks to the local context—prioritizing, sequencing, and shaping the elements to the priority needs of the poorest and to the reality of the markets in the various program sites. The key is for the implementing partners, especially the participant-facing staff, to understand the core logic of the Approach and to know how and when to bring in flexibility. The overarching goal across all the pilot programs was to help people onto a pathway out of extreme poverty. Key

steps toward reaching that goal include achieving food security, developing and stabilizing income, building assets, accessing healthcare, and having a plan for the future. These criteria are used not only to assess the status of an individual at a specific point in time, but also aim to incorporate a predictive measure of resilience to future shocks. For Graduation Programs with financial services providers as lead implementer (e.g., Bandhan in India), a core objective was to have participants become viable clients, using savings services and (when appropriate) borrowing and repaying loans.

Experience to Date

CGAP and the Ford Foundation pilot tested the Graduation Approach (originally designed by BRAC in Bangladesh) at 10 sites in eight countries (Ethiopia, Ghana, Haiti, Honduras, India, Pakistan, Peru, and Yemen) between 2006 and 2014. At each site, a team of partners, including a mix of livelihood NGOs, financial services providers, and government and NGO social protection programs, has implemented the Approach. Taken together, the 10 pilot sites represent significant geographical, economic, political, cultural, and ecological diversity.

TABLE 1: CGAP-Ford Foundation Graduation Pilots (2006 to 2014)		
Fonkoze Chemin Lavi Miyo Program (Haiti)	**Project implementer:** Fonkoze **Project partners:** Concern Worldwide and Partners in Health **Location:** Rural Boukan Kare, Twoudino, and Lagonav **Pilot start date:** 2006 **Pilot end date:** 2008 **No. Participants:** 150	**Consumption support:** US$5.50/week (based on price of a kilo of rice a day) for 8 months **Savings:** Individual savings accounts at Fonkoze **Livelihoods:** Chicken, goats, and small trade **Other components:** Construction materials for a 9x9 meter home, a latrine and water filter; confidence-building, enterprise management and life skills training, plus support from Village Assistance Committees; free healthcare at Partners in Health **Estimated cost:** US$1,933/participant
Bandhan Targeting the Hardcore Poor Program (India)	**Project implementer:** Bandhan **Project partners:** None **Location:** West Bengal **Start date:** 2007 **Pilot end date:** 2009 **No. Participants:** 300	**Consumption support:** US$2.30/week for up to 10 months **Savings:** Weekly savings of US$0.20 **Livelihoods:** Goats, cows, and small trade **Other components:** Veterinary and other livestock services; health services (links to UNICEF for sanitary latrines, hospital visits); help to members to access government services **Estimated cost:** US$331/participant
Trickle Up Ultra Poor Program **(India)**	**Project implementer:** Trickle Up **Project partner:** Human Development Centre **Location:** West Bengal **Pilot start date:** 2007 **Pilot end date:** 2010 **No. Participants:** 300	**Consumption support:** US$2.25 /week for 6 months **Financial service:** Savings with SHGs (each SHG has a savings account with the State Bank of India) **Livelihoods:** Goats, rice paddy, fish, and small trade **Other components:** Preventive health care education, neo/post-natal care, sanitary latrines and community veterinarians, support from Village Assistance Committees. **Estimated cost:** US$674/participant

Swayam Krishi Sangam (SKS) Ultra Poor Program (India)	**Project implementer:** SKS NGO **Project partners:** Swiss Development Cooperation, NM Budharani Trust, and others **Location:** Andhra Pradesh **Pilot start date:** 2007 **Pilot end date:** 2010 **No. Participants:** 426	**Consumption support:** US$18 on a "per need basis" over 18 months **Savings:** Individual savings accounts at post offices; grain bank scheme in 50 villages **Livelihoods:** Goats, buffaloes, land cultivation, trade, and tailoring **Other components:** Free health consultations; eye and hemoglobin camps; access to government veterinary and health support **Estimated cost:** US$571/participant
Pakistan Graduation Pilot	**Project implementers:** Aga Khan Planning and Building Services Pakistan (AKPBSP), Badin Rural Development Society (BRDS), Indus Earth Trust (IET), Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO), and Orangi Charitable Trust (OCT) **Project partner:** Pakistan Poverty Alleviation Fund **Location:** Coastal Sindh **Pilot start date:** 2007 **Pilot end date:** 2010 **No. Participants:** 1,000 (5 people x 200 hh)	**Consumption support:** Food or cash transfers of US$12/month for 12 months **Savings:** Savings with village groups **Livelihoods:** Petty trade, crafts, goats, cows, and other livestock **Other components:** Health care, water, sanitation **Estimated cost:** US$800/participant
Mejoramiento Integral de la Familia Rural (Honduras)	**Project implementers:** Organización de Desarollo Empresarial Feminino (ODEF) and Plan Honduras **Project partner:** Plan Canada **Location:** Lempira **Pilot start date:** 2009 **No. Participants:** 800 households	**Consumption support:** US$17/month for 6 months **Savings:** Individual accounts at ODEF **Livelihoods:** Coffee, cereals, vegetables, pigs, and fishery **Other components:** Two income-generating activities; assets; three meals per day; access to safe water, latrines, improved stoves; Alcoholics Anonymous meetings; access to financial services; children attending school; increased rights awareness **Estimated cost:** US$1,300/hh
Peru Graduation Pilot	**Project implementers:** Arawiwa and Plan Peru **Project partner:** Plan Canada **Location:** Cusco **Pilot start date:** 2010 **No. Participants:** 800 households	**Consumption support:** US$34 for 9 months, building on government conditional cash transfer program **Savings:** Village community banks implemented by Arawiwa **Livelihoods:** Livestock, small trade, and cultivation **Other components:** Enterprise training; social work (including domestic violence, child protection and rights); health prevention **Estimated cost:** US$2,480/hh
Ethiopia Graduation Pilot	**Project implementer:** Relief Society of Tigray (REST) **Project partners:** Dedebit Credit and Savings Institute (DECSI), USAID, the Italian Development Cooperation, and the European Commission **Location:** Tigray **Pilot start date:** 2010 **No. Participants:** 500 households	**Consumption support:** 15kg of wheat/month for 3 months and equivalent in cash for 3 other months, building on government's food for work program **Savings:** Individual savings accounts at DECSI **Livelihoods:** Sheep, goats, beekeeping, vegetable cultivation, and other **Other components:** Access to REST's water security, health and education programs **Estimated cost:** US$800/hh

Yemen Graduation Pilot	**Project implementers:** Social Welfare Fund (SWF) and Social Fund for Development (SFD) **Project partners:** None **Location:** Aden, Lahij, and Taiz **Pilot start date:** 2010 **No. Participants:** 500 households	**Consumption support:** US$24 per month building on government cash transfer program **Savings:** Individual and group accounts at the post office and VSLAs **Livelihoods:** Goats, cows, small trade, and other **Other components:** Access to mosquito nets, school bags, and school uniforms **Estimated cost:** US$450/hh
Ghana Graduation from Ultra Poverty Program	**Project implementers:** Presbyterian Agricultural Services and Innovations for Poverty Action **Project partners:** 3ie **Location:** Tamale, East Mamprusi, and Bulsa **Pilot start date:** 2010 **No. Participants:** 650 households	**Consumption support:** US$2.50-3.75 per week for six months **Savings:** Individual accounts at rural banks **Livelihoods:** Goats and poultry; guinea corn and goats; maize and poultry; maize and pigs; poultry and goats; goats and maize; rice and poultry; shea butter and poultry; shea butter and maize **Other components:** Access to the National Health Insurance Scheme **Estimated cost:** US$1,800/hh

A total of 5,376 participants were reached during the pilot phase. Six pilots (one each in Haiti, Honduras, Pakistan, and three in India) have been completed to date. By 2012, between 75 and 98 percent of participants at six of the 10 CGAP-Ford Foundation Graduation Pilots had met locally determined criteria for graduation into sustainable livelihoods, including indicators of improved nutrition, increased assets, and enhanced social capital.

Research and learning. The pilot programs were designed to test the Graduation Approach in a systematic fashion. As such, substantial investments have been made in impact research, program monitoring, and cross-pilot learning. The robust learning agenda combines the work of program staff with that of leading researchers and research institutes including the Abdul Latif Jameel Poverty Action Lab at MIT, BRAC Development Institute, Innovations for Poverty Action, Institute of Development Studies-University of Sussex, Institute for Financial Management and Research, and New York University.

The learning component rests on three approaches: monitoring by program staff, qualitative research by independent experts, and impact assessments through randomized control trials (RCTs) by academic researchers. Each helps answer different questions about how the Program affects participants' lives. RCTs also test different versions of the Graduation Approach to see which components may have the greatest effect in achieving different outcomes (e.g., whether financial literacy training helps participants build savings).

TABLE 2: Features of CGAP-Ford Foundation Graduation Program Research and Learning Agenda

Monitoring	Careful monitoring by program staff allows implementing organizations to track participant progress. It also helps identify areas for mid-course correction, refinements, and adaptation to increase the likelihood of success. Pilots have all developed simple monitoring tools to keep track of participants in a systematic and cost-effective manner.
Qualitative research	Qualitative research by independent experts helps implementers understand the nuanced realities of participants' lives, the challenges they face, and the processes through which change takes place.
RCT impact assessments	RCT impact assessments by academic researchers demonstrate whether there is a causal link between program participation and changes observed in participants' lives through random assignment of potential participants into treatment and control groups and comparing changes between them.

Early results from RCT impact assessments show very promising results. Beneficiaries served by BRAC (Bangladesh), Bandhan (India), REST (Ethiopia), and four sites in Pakistan increased total annual household consumption by 11 to 36 percent compared to control groups. Assets, including savings and livestock, increased as well. Another pilot in Honduras increased happiness and food security, despite having no impact on other measures of consumption. More research results will be available in early 2015. [9]

Understanding costs. The total cost of running pilots has varied from about $330 to 650 per participant in India to about $1,900 in Peru. Costs include consumption support, asset transfer, staffing, monitoring, and head-office overhead. This wide range in costs reflects the differences in underlying cost structures from country to country (e.g., local salary scale, population density, and status of infrastructure), and from the emphasis placed on each of the building blocks (e.g., size and duration of consumption support). The upfront investment required by the Graduation Approach is high, but some economies of scale take effect when programs start scaling up.

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9   The RCT impact assessments are being conducted by the Financial Access Initiative at New York University, by the India School of Business (for the SKS pilot in India), and by the Institute for Financial Management and Research Centre for Micro Finance and the Abdul Lateef Jamal Poverty Action Lab (for the Bandhan pilot in India). Innovations for Poverty Action (IPA) is conducting randomized impact assessments for the pilots in Pakistan, Ghana, Honduras, Peru, and Ethiopia. A mix of quantitative and qualitative research was conducted by the Institute of Development Studies, CGAP, and BRAC Development Institute (BDI) at Fonkoze in Haiti. BDI is conducting qualitative research at SKS, Bandhan, and Trickle Up in India, OCT in Pakistan, and in Ethiopia. IPA is conducting qualitative research in Honduras and Peru.

Scaling up. Several pilot projects are scaling up: four pilots (one in Haiti, and three in India) had already reached over 34,000 new participants by late 2013. PPAF in Pakistan is reaching 50,000 households with a streamlined version of the Approach, and wants to reach 80,000 by the end of 2014, with a vision for reaching millions in the next few years. Development partners like the Ford Foundation, the MasterCard Foundation, Trickle Up, and others have stepped in to help organizations scale up the programs in Haiti and India. In India, Axis Bank, a private-sector player, has partnered with Bandhan with the goal of reaching 55,000 new extreme-poor households by 2015. Several governments, such as Colombia and Peru, are pursuing strategies to integrate components of the Graduation Approach into their social protection programs. Donors such as UNHCR and AusAid, as well as international NGOs (Concern, Plan, and others) are also interested in rolling out the Graduation Approach as a new way of working with the extreme poor.

READINESS ASSESSMENT

Some Pre-Launch Considerations for Government Implementers

Lead implementers of Graduation Programs have historically been NGOs (BRAC, Fonkoze, Trickle Up, Plan International, etc.). However, to reach large numbers of the poorest, governments will likely play a lead role moving forward. Governments are already implementing two "second generation" pilots: the Government of Colombia (*Produciendo por mi Futuro*, implemented by the Department for Social Prosperity) and the Government of Peru (*Haku Wiñay*, implemented by the General Directorate for Decentralization and Coordination of Social Programs).

There are several possible models to explore for a government-led or -sponsored Graduation Program. Following are some major options to consider, as well a set of Readiness Assessment questions. These questions can serve as guidelines to evaluate whether a particular government agency is prepared to implement a program based on the Graduation Approach.

In situations where it is not feasible to implement all Graduation components (e.g., due to a limited mandate or to resource constraints [financial or human] of the lead implementing agency), a scaled-back version of the Approach may be necessary. Further research is needed (and is planned) on the effects of each element of the Graduation Approach, and especially of the extensive coaching component, to learn how the Approach can best be adapted to the constraints faced by government implementers. *(See also the discussion on adaptations in the* Conclusions and Next Steps *section.)*

Another route is to establish a government-NGO partnership, in which a government agency provides the consumption support, generally in the form of a cash transfer, and the NGO takes on the livelihood support, financial literacy, and savings services. Regardless of the division of responsibility for the various functions, one party must have overall project management responsibility (e.g., setting the project schedule and its critical path milestones along the way, preparing the project budget and monitoring variances, etc.). The government agency itself may act as project manager, or it may delegate that responsibility to the NGO partner, depending on respective staff capacities.

Where a government agency is the lead implementer, a very useful first step would be to carry out a landscaping survey to determine which programs focused on the extreme poor are already in operation. Once this universe of pre-existing resources comes into clearer focus, it will be easier to assess the desirability of combining these different resources (perhaps adding in components) so as to offer a "package" similar to the Graduation Approach. Such an effort could be greatly facilitated if there is a national database that keeps track, at the household level, of who is already receiving which kinds of government benefits.

If a government agency wishes to expand an existing social protection program (e.g., an ongoing cash transfer program) into a Graduation Program, that existing program must itself be well functioning. Senior staff should consider the following questions in assessing the agency's readiness to launch a Graduation Program:

- *Is the current program efficient* in terms of being able to channel funds and/or services with relatively low operating costs?
- *Is it reaching the intended target populations*?
- *Is it effective in achieving its intended goals* (e.g., increasing family nutrition, boosting school attendance, providing an economic cushion for beneficiaries)?
- *Is the current program's timeframe appropriate for integration into a Graduation Approach* (e.g., of sufficient duration to allow participants to launch and reap the financial benefits of new livelihood activities)?
- *Is there appropriate staff capacity* (or can it be developed) both in terms of number and skill levels of staff, acknowledging (as noted above) that adaptations to some aspects of the Graduation Approach may be needed?
- *Can strong potential partners be identified* to co-lead or assist in delivering the various key elements of the Graduation program (e.g., expertise in providing livelihood development services, financial services, relevant training, etc.)?
- *Are systems in place (or can such systems be developed) to monitor client and program indicators* (e.g., changes in assets and income, number of children attending school, frequency of accessing healthcare, etc.)?
- *Is sufficient funding available* not only to launch/pilot the program, but to scale it up if it proves successful?

Many of these issues are explored in depth in the sections that follow.

LAUNCHING A PROGRAM

In the *Introduction*, this Guide identified some of the possible players who might be best positioned to carry forward a Graduation Program and to implement it at scale. CGAP and the Ford Foundation fully expect that the second-generation implementers will be heavily drawn from the ranks of government ministries charged with social protection. It is worth remembering that the Graduation Approach was originally a collaboration among BRAC (an NGO), the United Nations World Food Programme, and the Government of Bangladesh.

In *Conclusions and Next Steps*, the Guide will discuss some of the work that was getting started, as this Guide was being prepared, to roll out the Approach through government actors. *Conclusions and Next Steps* section will also discuss some of the other adaptations to the Approach that are either already underway or are being contemplated, most of them involving modifications to life skills coaching or other components.

The *Launching a Program* section that follows is based on lessons learned from BRAC and from the ten pilot experiences between 2006 and 2014, with additional thoughts on key issues to consider for government-implemented programs.

Planning
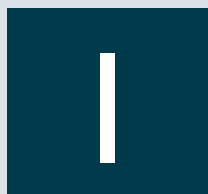
Implementation

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LAUNCHING A PROGRAM

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G Reaching Graduation

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As noted in the **How to Use This Guide** section, the Guide assumes a baseline level of technical capacity (program design and management, budget development and monitoring, field research, managerial/supervisory/leadership skills) on the part of the lead implementer. We also assume that everyone on the team shares a familiarity with the issues around extreme poverty and a commitment to the mission of alleviating it. It would be very useful for all team members to become familiar as well with the lessons learned from implementation and research on the Graduation Approach in other countries. In addition to readings and online research, interviews with key experts and face-to-face engagement with other Graduation program sites can help enormously. Field visits to other Graduation Programs are also helpful. CGAP and the Ford Foundation have created a community of practice dedicated to the Graduation Approach. That community's **website** and other resources provide valuable information. (*See also* **Bibliography and Other Resources**.)

During the Planning phase, the lead implementing organization drives the program visioning and design process. The local context must be assessed, and strong relationships with strategic partners (such as health clinics) established. At this stage, it is also crucial to carefully map out the financial requirements of each program phase and of management overhead, including costs for direct program components, staff, and supporting activities. Establishing upfront a solid strategy for hiring, training, and retaining quality staff will be at the heart of the program's success.

Chief among the priority tasks during the Planning stage is to develop targeting criteria for program participants. This section details some of the targeting approaches such as participatory wealth ranking that were most often used during the pilot phase. The pilot phase projects relied heavily on local input to determine the best ways to identify the extreme poor in each community. We advocate consulting with local sources, since the features of extreme poverty vary depending on context. Government-based implementers, however, may already be working from officially adopted definitions of extreme poverty and perhaps even from database registries segmenting the population by socio-economic class. If so, the targeting discussion may be less relevant for them.

For the program to maintain strategic clarity throughout its implementation, it is important, at the outset of the program, to identify criteria for program success and to establish interim and end goals for program participants. These typically would include criteria for participants' exit from the program. It also is important to determine if continued linkages with other interventions, such as financial services or healthcare, can be established, and to map out a strategy for scaling up the program if it proves successful.

Any Graduation Program, whether integrated within an existing government program or not, must define goals for its participants and must develop meaningful indicators of Program success. But for government-sponsored Programs, the criteria for graduation (or exit from the Program) will likely be shaped by the broader goals of that government's policy makers. Whatever specific form the metrics for success may take, those metrics should always provide households with sufficient time to build robust livelihoods. Participants need time to develop the resilience necessary to reduce the likelihood of regression back into extreme poverty.

We examine these aspects of Planning in turn below:

1. Targeting
2. Initial field visit/design workshop
3. Building partnerships
4. Recruiting, training and motivating staff
5. Financial planning
6. Planning for participants' program exit
7. Planning for scaling up

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❶ Targeting

Deliberately targeting the poorest—which meant excluding better-off poor households—was a crucial step to ensure that the Graduation Program during its 2006-2014 pilot stage reached its target population of the extreme poor. As elaborated elsewhere in this Guide, the Approach may also be a powerful tool for other sub-segments of poor populations. But regardless of the specific population identified for intervention, for the targeting to be successful, the implementer must choose project sites carefully, via good first-hand knowledge of the area and reliable secondary data.

If a reliable and relatively recent public household database is available, that will likely provide a sufficient basis for the targeting. This is an important consideration because the targeting step can easily become time-, labor-, and cost-intensive if it must all be based solely on field research. Most governments have pre-existing databases, although in cases where there is not one central registry but rather multiple databases held within different ministries, synchronizing them may prove challenging.

In cases where household databases are not available (or not accurate), the targeting process should combine up to four steps:
- geographic targeting
- community input on wealth ranking
- household means tests
- cross-verification to confirm accuracy and comprehensiveness

*(See also the **documentation on the four-step targeting process** in the Annexes).*

❷ Initial Field Visit/Design Workshop

Before deciding to launch a Graduation Program, the lead implementer and key partners should carry out a design workshop. This workshop should explore several crucial issues. The most important of these issues, the one which will shape all the others, is the fundamental question of the target population the implementers seek to reach. As noted throughout the Guide, the Graduation Approach as implemented during the 2006-2014 pilot phase systematically targeted the extreme poor, for the reasons elaborated in the Introduction (the fact that such people are the most in need while at the same time being the most overlooked; the fact that reaching them, while difficult, can have major impact). What we know about the Approach's effectiveness is based on its implementation with that extreme-poor population segment. That said, the Approach may well be a powerful tool with other vulnerable groups, for example refugees and internally displaced persons.

Once the fundamental issue of the desired target population has been clarified, other issues to explore in the design workshop include

- An on-the-ground assessment of potential lead implementers' capacity and the capacity of other partners (e.g., financial service provider, safety net provider).
- An assessment of the living conditions of the target participants to explore their economic potential and the barriers they face.
- A review of the contextual conditions *(see list below)* that will define how the basic Graduation Approach may need to be adapted.
- A review of the market opportunities and linkages that will be key to identifying the types of livelihoods to be supported.
- A determination of the amounts, types, and duration of assistance to be provided to participants.
- A detailed discussion on staffing, budgets and timelines.

The design workshop team typically should comprise key staff of the lead implementer and key partners, as well as Graduation Approach experts. This workshop should ideally take place for one week, and should include a couple of days in the field as well as a two- to three-day planning workshop (with the partners' executives and field staff) to map out the program design.

Workshop participants need to make sure they understand all the relevant economic, social, and political issues in their region. Literature review can be helpful, but the deepest insights will come during the field interviews with potential program participants themselves.

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It is important that the design workshop be grounded in an understanding of the lives of those in extreme poverty so that the building blocks are designed appropriately. Topics to explore include

- Population density and demographic profiles.
- Local poverty indicators and prevalence of different poverty levels, including food security levels and seasonal deprivations.
- Geographic terrain (e.g., highlands, marshes, drought-prone areas) and exposure to natural and human disasters (e.g., earthquakes, drought, pollution, migrations).
- Initial scan of local livelihood opportunities, including an overview of market access in various value chains (e.g., vitality of local markets, distance, time and cost of travel to closest town, road conditions, availability of public transport) and the suitability of those opportunities based on the skills of the program participants and the environmental context—weather conditions, availability of water and fodder, etc.—of the geographic area.
- Overview of local financial access (e.g., levels of access to formal or semi-formal financial services) and healthcare providers (e.g., assessment of healthcare quality and accessibility in terms of physical distance and costs).
- Which services (beyond the graduation building blocks themselves) must be included given the specific characteristics of the extreme-poor families in the area, lest participants' ability to succeed in the program be compromised. Examples of frequently crucial services include healthcare or veterinary services.
- Capacity of lead implementer (whether with its own resources or via a partnership) to deliver any such additional services identified as critical.
- Identification of potentially complementary government social protection interventions and NGO activities.
- Scan of local private sector income-generating and employment opportunities.
- Local power structures and conflicts.
- Political instability and macro-economic factors/shocks (e.g., food crisis, inflation, etc.).

A combination of the preliminary research outlined above, including an exploration of the various alternatives and options, will result in a better understanding of the extreme-poor families to be included in the project. This process will likely reveal many areas where potential program participants face an array of resource deficits. An important part of the planning process is to determine which of these deficits could prevent participants from completing the program successfully. For instance, extreme-poor families often lack sources of clean drinking water and they also often face considerable vulnerability from health shocks. A lack of potable water, while certainly a health risk, is unlikely to derail economic progress for the household (and can be mitigated by training participants about safe drinking water management). However, health care expenses could easily cause the family to sell off assets or prevent them from building savings. The health component, in this case, may be deemed essential.

The next decision is whether the deficits to be addressed can be managed through a partnership or whether, because partnerships are not feasible, the work will have to be integrated into the project by the lead implementer. For example, in the Haiti Graduation pilot, improving participants' housing conditions was deemed critical to ensuring program success, yet no partner was available to offer this service. Therefore the lead implementers, Fonkoze, determined that they would need to provide support to participants for establishing a nine square meters house with a corrugated iron roof as a core component of the project. Partnerships are examined in detail in the following section.

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❸ Building Partnerships and Alliances

The Graduation Approach combines many interventions in an intensive manner. Because few organizations have the expertise or financial capacity to offer all the components of the Graduation Approach effectively, building appropriate partnerships is a crucial step in the planning process.

When establishing partnerships, the leadership of each organization needs to ask itself:

- What is needed by the Graduation Program participants?
- What can we do well, and what else is needed?
- Who is working in the same geographic area that does these other activities well?

Due diligence by all concerned is essential, so that everyone involved recognizes what each party can—and cannot—bring to the collaboration.

Figure 5 illustrates the respective roles played by the key implementing partners:

- An agency with expertise and resources for offering social protection services, such as cash transfers, food support, and/or healthcare services.
- A livelihoods provider able to assess appropriate self-employment opportunities, deliver the required assets, and offer technical skills training and life skills coaching.
- A financial services provider, able to provide savings services, financial literacy training, and (over time) other financial services such as credit and insurance.

Finding good partner organizations is a critical success factor—and one of the most challenging aspects of implementing a Graduation Program. Forging the terms of the partnership, optimizing the operational and reporting structures, and nurturing the relationship is a time-consuming process. But it is worth investing time upfront to make sure there is clarity on the partners' respective roles and responsibilities. Financial commitments, staff relationships, deliverables, and timelines should all be clear. Beyond this, successful partnerships require a shared vision, aligned ethics, ongoing communication, and trust.

FIGURE 5: Typical Partnership Model for a Graduation Program

SOCIAL PROTECTION PROVIDER

Government, operating donor (e.g., UNHCR, WFP), NGO, or other

Provides cash and/or in-kind grants for consumption support

LIVELIHOODS PROVIDER

Government, NGO, or other

Provides cash and/or in-kind grants for income-generating activities; delivers technical skills training and life skills coaching

FINANCIAL SERVICES PROVIDER

Bank, microfinance institution, or other (e.g., SHGs, postal bank)

Provides savings and financial literacy training (may also provide credit, insurance or other financial services)

Partnerships for Vital Services

Two examples of partnerships from the CGAP-Ford Foundation Graduation Program illustrate the importance that linkages to health services played during the pilot phase. In Haiti, Fonkoze forged a partnership with Partners in Health to provide basic health care and disease prevention services, given this crucial need among program participants. In India, Trickle Up formed alliances with local government health clinics.

Livelihood provider

During the 2006-2014 pilot phase of the Graduation Program, the lead implementer was usually the livelihood provider. Going forward, in many instances it may be a government social protection agency, with the resources and skills to also provide other key program components. In other cases the lead implementer may be an NGO or donor agency. Regardless of institutional identity, the lead organization is responsible for delivering most of the components of the Program, in particular the livelihoods development elements and the regular coaching of the participants (which was weekly during the pilot phase). Governments may establish Graduation Programs building on an existing cash transfer program (which *de facto* provides the consumption support). In those cases the livelihood development components may be implemented either by the government agency directly or in partnership with an NGO. The lead implementer should have a strong commitment to serving the target group, strong organizational capacity, systems in place to manage a complex program, the ability to hire and retain qualified staff, strong local knowledge, and "grounding" and credibility in the community.

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Financial services provider

Savings are at the heart of the Graduation Approach. Loans may also be crucial to some Program participants once they launch their income-generating livelihood activity, but savings are in general one of the most important risk-management tools for poor people. In the Graduation Approach, access to savings is one of the earliest steps in the process, coming second only to immediate consumption support in most cases.

To the extent possible, savings should be managed by a professional financial services provider. In the case of the Graduation pilots, this was most often a microfinance institution, but it can also be a postal bank, for example. To assess a potential financial partner, the lead implementer must check the partner's ability to offer and service small deposits, its financial strength, its staff capacity, and its social mission. The economics of providing access to finance (and especially to savings services) to the poorest will differ depending on whether the Graduation Program is designed as a pilot or is integrated into a national social protection program.

When designed as a pilot, these services will not be profitable in the short run. The financial services provider must be driven by its social imperatives in the short term, and by an aspiration to potentially expand its client base in the medium to long term. In some cases, the savings component can also be delivered by creating or partnering with sound self-managed savings groups.[10] The economics should look very different when the Graduation Program is designed within a government social protection program, though financial service providers may still be concerned about low-balance accounts.

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10 See http://www.cgap.org/blog/savings-groups

Social protection provider

In programs where the lead implementer is a livelihood NGO or a microfinance institution, a common alliance is with government safety net and social protection agencies, when these exist in the targeted area. These potential collaborators may be in a position to fund or even deliver the consumption support elements of the Graduation Approach, though they may choose not to be full-fledged partners but instead focus only on the social protection component. The Graduation pilots in Ethiopia and Peru rely on the government Food for Work Program and the Conditional Cash Transfer Program (the Productive Safety Program in Ethiopia and JUNTOS in Peru) to provide the consumption support component of the Graduation Approach. In these instances, by linking with existing social protection programs, the Graduation Approach leveraged available resources (the all-important food security/consumption support) and significantly reduced costs.

Given that health emergencies are a primary reason for extremely poor households to lose their savings, sell assets, and go into debt, it is crucial for Graduation Programs to build alliances wherever possible with the existing healthcare infrastructure. The task of building such alliances becomes especially urgent when low-cost or even free healthcare is available but poor households have been failing to access it. (Such scenarios are not uncommon; the poorest families often live in such extreme isolation that they are unaware that resources are available or how to use them.) Leveraging the existing healthcare infrastructure by linking Graduation participants to it improves health outcomes among program participants, of course. But it also provides the necessary precondition for their ability to develop livelihoods and engage fully in the Graduation Program. Finally, regular access to healthcare is one critical element in building participants' long-term resilience to withstand (or avoid) future shocks. When possible, the potential for linking participants with microinsurance services should also be explored.

Note for Government Implementers

Most countries have programs aimed at the extreme poor scattered throughout various departments and ministries. If possible, it may be a good upfront investment to request a government-wide inventory of all anti-poverty interventions to get the big picture of what programs are already in place. Then a feasibility study can be undertaken to see which ones might conceivably be combined or coordinated to achieve the goals established for a Graduation Program. Be sure to see whether there is a single registry, sortable by individual or household, that could quickly let you see who is in which socioeconomic class and is receiving which government services already.

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FIGURE 6: Fonkoze and Zanmi Lasante

Illustration of the partnership between Fonkoze and Zanmi Lasante (Partners in Health), working together to "crush the cycle of poverty."

Partnerships must be nurtured by strong management and good communication. Hard-to-establish relationships break down because parties are not aligned on delineation of responsibilities, branding, attribution of results, or other operational and communications issues. The senior members of each partner organization must clearly communicate the rationale for the partnership and its terms of reference to all levels of staff. Although each party will of course need to pursue its own interests in any partnership, it is important to be sensitive to the challenges of power imbalances and of varying appetites for risk among two or more organizations. Ongoing, honest communication between the organizations makes a decisive difference.

⚠ Tips and Cautions

Successful Graduation Program Partnerships

Ensuring successful partnerships is as hard as it is crucial. Common success factors include
- Sharing a common vision and commitment to the participants.
- Clarity on respective roles and responsibilities
- Ensuring the objectives and ethos of the collaboration are transmitted to all levels of staff.
- Articulation of the underlying expectations and points of possible contention.
- Upfront establishment of a structure for ongoing, regular communication at both the senior and field-staff level (e.g., a detailed Memorandum of Understanding, status reports shared among all staff followed by weekly meetings, quarterly steering committee meetings, conflict resolution procedures).

Even though the most important factors for partnership success may well be subjective (i.e., how well the lead implementer's staff get along with other organizations' staff), clear assessment of the following factors can help build viable partnerships:

- What populations do the potential partner typically reach?
- How "grounded" are they in the local communities where the Graduation Program will be launched?

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❹ Recruiting, Training, and Motivating Staff

The Graduation Approach is staff-intensive, in terms of requiring both a high ratio of staff-to-participants and a deeply dedicated and qualified staff. The importance of having the right staff, who can communicate the right messages and motivate participants, cannot be over-emphasized. Program staff need a special mix of professional skills and personal qualities, ranging from technical expertise in specific livelihoods to listening skills and empathy for participants.

To start with, staff should have a strong knowledge of the area where they will be working. Hiring staff from the region where the program is to be implemented is often the best way to ensure the right cultural and geographic knowledge. Staff having appropriate livelihoods expertise is crucial to help participants select, and thrive with, their new livelihoods. Staff should also be able to help participants develop knowledge and confidence in financial planning and management. Beyond technical skills, staff need to have strong personal skills, to motivate and "coach" participants. Typically, staff need to be careful "mentors" to empower participants and help boost their self-confidence and encourage them to change their habits.

"Part of the Family"

According to one Graduation Program manager, staff should feel "like the participant's own family," showing strong commitment and empathy in the participant's fight against extreme poverty. Steven Werlin of Fonkoze noted: "The heart of our case managers' work unfolds in the visits they make every week to our members. Each case manager is responsible for fifty families, and these visits are our best chance to track and to facilitate their progress. Our job is not simply to give them the assets they need to change their lives, but to ensure those lives change. The assets we give them are important, but would not be enough because most of our members lack the knowledge and the mindset to make something out of their assets. They need close accompaniment, and that's what our case managers offer."

Staff orientation and training

Graduation Program staff need an unusual mix of qualifications. They must of course have the necessary technical capacity to build participants' livelihoods skills but they also need strong interpersonal qualities to boost participants' self-confidence. Staff training is needed at both orientation sessions and throughout the implementation of the Program. From the outset, staff should be sensitized to the essence of the Graduation Approach: a respect for the participants. Staff must in no way look down on the participants because the participants are the extreme-poor. To the contrary, staff must have—and be able to show—respect at all times. Field staff in particular, because they are the Program's "face and voice," must be sensitized to the community's issues, and must understand why the Program is needed and how best to communicate with very poor households. Staff training should be field-based as well as classroom-style, so trainees get a deep sense of the realties and challenges faced by program participants. Refresher trainings are also important.

Staff may also need training on the relevant livelihoods and the skills needed to operate them successfully. Some Graduation Programs have hired staff with existing technical expertise, while others have focused more on hiring staff with the appropriate attitude and commitment, and then provided them with the needed technical skills (e.g., through trainings with veterinarians, entrepreneurs, etc.). Ultimately their task is to transfer their knowledge to program participants, often through stories, pictures and other creative ways of imparting knowledge to people who are illiterate and socially excluded.

To better prepare field workers for the challenging task of coaching, Trickle Up created training tools on livelihood planning. The tools increase staff's technical capacity to assess market conditions (so that the staff can better advise participants in the choice of livelihood activity), sensitize staff to poverty issues, and enhance facilitation skills.

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Recognizing that it is not easy to find staff with a skill set spanning all areas of the Graduation Approach, some programs have chosen to pair those staff who have technical skills (e.g., livelihoods experts) with those staff who have social development skills. Each member of the pair alternates weekly visits to the participants, each focusing on his or her specific area of expertise. Organizations with limited capacity can assess their strengths and hire accordingly. Initially, Trickle Up in India recruited junior field staff, but found that too much time was required building staff capacity to address the many needs of the project. Subsequently, Trickle Up hired staff with two to three years of experience in development work. This increased the salary expenses, but reduced the oversight required.

BRAC's Experience

The Challenging the Frontier of Poverty Reduction (CFPR) approach demands a more compassionate work force compared to microfinance. The real challenge is creating such a compassionate work force and managing it with a focus on achieving results. This involves significant change and innovation in management. CFPR management chose to recruit fresh graduates arguing that the program approach required fresh perspective and a new work culture. Meticulous planning, attention to detail, close supervision from senior management to build the capacity of the fresh cadre, structured problem solving, focused regular meetings with staff at various levels including frequent meetings with the senior management, were some of the critical management factors that led to the success of CFPR. All this is combined with infusing a strong sense of purpose and pride in the CFPR workforce, a sense of accomplishment in working on a challenging and innovative program, understanding grants not as give-aways, but as a tool to achieve sustainable improvements in the lives and livelihoods of the ultra-poor, and a strong feeling of everyone, irrespective of hierarchy, of being able to contribute through new ideas. In addition to extremely structured and well-maintained field level documentation of every program activity, field staff had regular assignments on different types of localized and general problems and puzzles faced by the program. This allowed them to exercise their analytical capacities and feel that they had a role in the bigger picture and strategies of the program. Source: http://graduation.cgap.org/library/a-graduation-pathway-for-the-ultra-poor-lessons-and-evidence-from-a-brac-programme/

❺ Financial Planning

The upfront and ongoing investments required by a Graduation Program are high. Although some economies of scale may be possible when Programs scale up, the Graduation Approach is not likely ever to be a low-cost proposition. Total program costs per participant for the program have varied widely, based on location (e.g., cost of inputs, local wage rates, etc.), duration, and number of participants. Costs include consumption support, assets transferred, program staff, and head office overhead. Variations can stem from the emphasis programs place on each of the building blocks (e.g., size and duration of consumption support, amount spent on the asset, head office management costs, and cost-sharing in partnerships or alliances for other components such as healthcare).

The Budget Tool included in the Annexes lists the main budget line items for each element of the Graduation Approach. It shows the range of level of effort for staff and the range of approximate costs (quoted in USD) for other program components.

❻ Planning for Participants' Program Exit

A Graduation Program is structured and intensively managed with an end goal in mind: participants' graduation out of extreme poverty and into food security and sustainable livelihoods after a time-bound period of between 18 and 36 months. Criteria that indicate people are ready to graduate are context-specific. But they usually include measures of nutrition, stable and diversified incomes, increased assets, better access to healthcare and education, and improved self-confidence. These criteria are used to assess not only the status of an individual at a specific point in time, but also aim to incorporate a predictive measure of resilience to future shocks. Typically, 18 months is too short to build participants' resilience unless a follow-up support program is in place.

In most sites participants have needed between 24 and 36 months to move into sustainable autonomous income. It is unlikely that most program participants will have moved out of poverty altogether after 36 months since their incomes were so low at the start of the program. This is an important point to remember, particularly as the Graduation Approach becomes increasingly adopted by government agencies. The hope is that Graduation participants will be on a trajectory to cross the poverty line entirely into "non-poor" at some point in the future. But if at the end of 36 months, a Graduation Program participant's poverty level is still such that he or she qualifies for social protection coverage, that coverage should remain available.

Regardless of how the program is structured, the expectations need to be clearly and consistently communicated to the participants. All participants need to know from the start that the Graduation program is time-bound, and that some of the components (e.g., the consumption support) will only last for a set period of time. Participants in countries where social protection programs are available need to know whether participation in a Graduation Program will affect their eligibility for social protection coverage and if so, how.

The lead implementer and its partners need to make sure that there is some continuity for participants beyond the end of the program. This continuity can take various forms. Graduation Program participants may become clients of a microfinance institution. They may become NGO members, or join savings and credit groups (or other peer groups) or take part in ongoing mentoring

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relationships with elders in their community. It is important that the discipline that the Graduation Program emphasizes—in managing livelihoods, in saving and managing funds, in taking care of themselves and their families—and the related economic gains not be lost in a sudden exit from the Program.

A Graduation Program should establish clear performance indicators for its participants in every area the Program is designed to impact—from savings to livelihood performance to empowerment. That said, only a small subset of the indicators should be considered the "graduation criteria" which define whether participants have successfully completed the Program. As discussed at length in *Reaching Graduation*, all indicators should be coherent, meaningful, and measurable (and regularly measured). But not all indicators need to have the same weight, and staff should decide which ones are absolute conditions for graduation.

Some Sample Graduation Indicators (from the 2006-2014 Pilot)

All 10 Graduation Pilots shared a common overarching objective: participants' achievement of sustainable livelihoods, and their increased resilience against the possibility of any reversion back into extreme poverty. Specific criteria for "graduation" were determined at the local level. **Sample graduation criteria** are included in the Annexes. These criteria included

- All children aged 5 to 10 must be attending school if a school is accessible in a radius of 1.5km. (Pakistan)
- The family home has a viable roof, and no one is experiencing malnutrition—children are enrolled in feeding programs if needed. (Haiti)
- Increased awareness of children's rights. (Peru and Honduras)
- No female member of the household married before age 18. (Yemen)
- Participant maintains basic hygiene and has access to healthcare and safe drinking water. (India)
- Participants are aware of accessible government programs. (India)

❼ Planning for Scale Up

If the program proves successful, the partners or others (e.g., governments or NGOs) may want to scale it up by further honing the approach, making it more cost-effective, and offering it to additional households in the same or other areas. It is important to think through what scaling up would entail—especially in terms of human and financial resources—even during the planning phase of the initial implementation. The partners must stay ever-mindful of opportunities to make the program more efficient and effective, and begin to identify the resources that will be needed for successful scaling up.

⚠️ Tips and Cautions

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- Ensure that the lead implementer has the vision, capacity, and commitment to follow through on what promises to be a very complex program.
- Conduct a thorough initial field visit/design workshop to assess whether a Graduation Program is appropriate, and for whom (e.g., who should be included and who should be excluded).
- Build the partnerships needed to deliver all components of the program and forge alliances with other services providers for additional needed services, such as healthcare.
- Commit to recruiting, training, and motivating field staff who have the right blend of professional skills and personal traits.
- Carry out detailed financial planning to ensure that sufficient funding is lined up for the programmatic and administrative needs of implementation.
- Think through the criteria that would constitute program success and "graduation out of extreme poverty."
- Plan for how participants can best exit the program while still having access to essential services, such as healthcare, savings and credit, and mentoring.
- Plan how the program could be scaled up to new areas or populations if it proves successful.

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❶ Consumption Support

A major premise of the Graduation Approach is that extremely poor households regularly experience food insecurity. Food insecurity causes significant stress that reduces people's ability to work, to take advantage of opportunities, to engage with their community, and to plan for the future. Consumption support—either cash or in-kind—is intended to create "breathing space" for participants once they join the Graduation Program. This subsidized support helps participants and their families stabilize their food consumption levels until they start earning income from the productive assets and enterprise development training they will receive later as part of the Program.

Psychology of scarcity

Recent behavioral research suggests that poor people make suboptimal economic decisions unless their immediate consumption needs are met. "Living with too little imposes huge psychic costs, reducing our mental bandwidth and distorting our decision making in ways that dig us deeper into a bad situation" (Mullainathan and Shafir 2013). Mullainathan and Shafir have developed a concept they call the "Psychology of Scarcity" through which they compare living with scarcity to packing a suitcase. If you have a small suitcase, you have to think a lot about what you put in and how much space it will take up.

The three effects of living with scarcity are
- **Distraction**: Scarcity creates stress, which causes people to perform less well in decision-making tasks.
- **Tunneling**: Time horizons shorten as people focus on managing the next imminent crisis or need, which also causes them to neglect other needs or crises.
- **Borrowing**: People will borrow from the future to take care of immediate needs, sometimes at very high rates, even if this makes them less well off in the long term. For extremely poor households, consumption support can provide a respite from the relentless focus on daily survival, thus freeing them from the "psychology of scarcity" and providing a basis for developing the longer-term livelihood strategies that are at the core of the Graduation Approach.

Source: Mullainathan and Shafir (2013).

For NGO-led implementations, any available government-sponsored food support or other safety net programs should be integrated into the Program design. For example, both the Ethiopia and Yemen pilots offered consumption support via a pre-existing government safety net program. In some cases, even when government consumption support is available, it may not be sufficient and may therefore need to be supplemented or adapted (e.g., with smaller but more frequent disbursements).

When government consumption support programs are not available, the consumption support should be designed based on careful projections of what is needed to bridge participants' food gaps. The design of the consumption stipend is based on the projected lifecycle of income generation from the new assets. What is the likely amount and timeframe for the income to be generated from the new livelihood activities?

The organizational budget and workplan should then be developed to reflect these needs. The design of consumption support requires decisions on a range of key issues, including the form of support (cash or in-kind), the amount, and the duration. In practice, of course, decisions about consumption support will also be determined by the resources that the program implementers have available (e.g., funding, level of staff, operational capacity, etc.).

Decisions on each of these features vary based on what is most appropriate and effective in each context. It is also crucial to avoid creating a "dependency syndrome," in which gains in sustainable livelihoods slip after the Program is completed. Clarity from program staff with participants, upfront and frequently reiterated, about the purpose and duration of the support is key, as is preparing for cut-off of the consumption support (if that is part of the program design). The core message should be that the extensive consumption support is intended to last for a specific, limited period of time, only until the asset(s) acquired through the Graduation Program can generate enough income to cover essential nutritional needs for the household. However, if the Graduation Approach is implemented within a government social protection program, continuation of the consumption support is likely to be determined by that governmental program's own eligibility criteria. As noted earlier, although the hope is that participants will be on the trajectory out of poverty by the end of the Program, few will have moved out of poverty entirely in 36 months given how low their incomes were at the start. Whatever the specific eligibility criteria for ongoing social protection coverage, the key point is that expectations must be clearly and consistently communicated to participants.

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Government implementers of a Graduation Program generally would build on existing social protection programs, integrating livelihood development and financial services (especially savings) into current cash transfer programs. In this situation, the cash transfer payment probably would continue until the participants' lives have improved sufficiently to leave the program (or until they exit the program for other administrative reasons).

Cash vs. In-kind

The choice of providing cash vs. in-kind support is based on several factors, including the logistical feasibility of the implementers' purchasing and delivering staple foods such as rice or grains and the relative cost of bulk vs. household food purchases. If the program implementer is able to purchase food staples at a significantly lower cost than individual households can, and if the implementer has the capacity to store, transport, and deliver the food to its target households, then it may make sense to undertake such an approach. In some countries, direct food assistance can provide participating households a cushion against inflation—particularly at a time when food prices are volatile.

However, a cash approach to consumption support is generally better. It significantly eases the logistical demands on the implementers, a factor likely to increase in importance as second-generation programs grow beyond pilot size to achieve significant scale. In addition, cash-based consumption support presents the opportunity to work with households on financial literacy as they consider how best to manage that cash. The households themselves often prefer cash to in-kind support because it allows them to choose how and when to spend the funds, such as which food items to purchase at a particular time of year. This very flexibility, however, carries a downside. While some conditions on the use of funds (such as food, medical care, etc.) are generally part of cash-based consumption support (and, as noted, can be accompanied by financial literacy training), cash does increase the risk that consumption support will be used for purposes other than those intended.

Staff capacity to implement and monitor the consumption support is therefore crucial. This is true whether the support takes the form of cash or in-kind (and whether, if cash, the funds are given to the participant directly or deposited electronically into his or her account, as some programs do). That being said, there will likely always be instances

of non-compliance. Families may decide, for example, to go back to one meal a day, if they can keep one more child enrolled in school by spending some of the consumption support money (or by selling the in-kind aid, and then using those proceeds). No matter how strong the staff capacity, there will always be limits to the degree of control any program can and perhaps should exert over participants.

Finally, it is critically important that the Graduation Program design include robust internal controls to guard against staff misappropriation of consumption support. This, too, will become increasingly important as programs scale up and the amount of money, especially taxpayer money, moving through the system grows larger.

Amount

Setting the appropriate amount for the consumption support can be very tricky. In general, it should be set fairly low to avoid creating dependency—often just enough for the household to have or buy a level of food essential for nutritional needs. For example, BRAC sets consumption support at the monetary equivalent of a kilo of rice per day for eight to 12 months. This is meant as a short-term income support before the livelihoods assets start generating income. (The precise duration depends on the type of assets.)

Some programs give the same level of consumption support to all participating households; others vary the amount based on the number of dependents living in each household or to achieve other program goals. There is a natural tension between standardized support, where all participants get the same amount for the same period, and customized stipends, which are more responsive to household needs. Standardization is simpler for program staff to implement and is often more cost-effective, but it does raise issues of equity, as households with fewer members derive much greater benefit from the same level of support.

For those programs giving different amounts to participating households, criteria affecting the amount of stipend include the number of children and elders, whether the mother is pregnant, and whether the program seeks to stem seasonal migration. For those programs offering direct food support, participants are often encouraged to engage in practices drawn from traditional "grain bank" systems (e.g., saving a fistful of rice at a central location every day when possible, and withdrawing it in times of need).

Duration

The duration of consumption support is very context-specific, and can range from two months to two years with seasonal breaks. The key factor to consider for duration is how long families are likely to need the food support subsidy before they are able to generate sufficient income from the livelihoods and training provided through the Graduation Program (discussed below). Another key consideration is any potential seasonality of need: some communities need consumption support only in the lean seasons between harvests.

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At Bandhan in West Bengal, India, the duration of consumption support is linked to each participating household's selection of livelihoods. For example, participants working in agriculture receive support for a longer period than those establishing small shops because agricultural activities take more time before they generate income. In Honduras, Ghana, and at Trickle Up in India, consumption support is needed only during the lean season, as participants have sufficient caloric intake other times of the year. The Ethiopia pilot provided consumption support only during the lean season and as payment for labor in public works programs because those were the terms of the government's public works-based social protection program to which the pilot was linked.

Beyond improving food security, consumption support has other less tangible but important benefits. Fonkoze in Haiti, for example, considers the regular payment of the consumption support to be crucial to generating trust among participants during the early stages of the program. The predictability of this support is also a key element in encouraging participants to start planning ahead.

Can provision of consumption support undermine local support networks?
Every Graduation Program runs the risk that households that receive consumption support will face resentment from neighbors who do not. Such resentment could potentially threaten Program outcomes.or damage the broader social fabric.[11] Another risk is that families who receive food stipends could feel pressured to share with those who do not. Upfront disclosure to the entire community that not all families will receive this support can help mitigate these risks. Communities can then decide whether participating in the Graduation Program is acceptable in spite of the unequal provision of resources to participating vs. non-participating households.

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11 Several of the RCT evaluations in the program are designed specifically to look into spillover effects of the consumption support and asset transfers on the rest of the community. In addition, qualitative research suggests that families receiving support do share to some extent, and that this helps them build up their social network and strengthens their position in the community. This is not the primary objective of the program, but building up social capital is nevertheless valuable. For an example, see the BDI Trickle Up research: http://graduation.cgap.org/wp-content/uploads/2012/01/IDS-Research-Report.pdf.

❷ Savings

Savings help poor people manage risks, build resilience, and reduce the likelihood of having to sell assets or resort to local money lenders when faced with a crisis or other economic shock. In general, Graduation Program participants have had no prior formal access to financial services, but have dealt (sometimes extensively) with money lenders and other informal financial services providers. Saving regularly in a formal way helps program participants build financial discipline and creates a financial cushion. Savings have generally led to a sense of empowerment for Graduation participants.

Because participants are particularly poor and vulnerable, providing a safe means for savings is crucial. This factor of safety and soundness is a top priority for such populations, of higher importance than earning interest on deposits (**Deshpande 2006**). The accessibility and flexibility of deposit services are also priorities. But those features are often more difficult to achieve because many implementing partners are microfinance NGOs and thus not legally permitted to mobilize deposits. Moreover, Graduation Programs may be located in remote areas with limited or no access to regulated financial institutions that offer saving services. Some ways to address these challenges are described below. For government implementers, linking electronic cash transfer programs with formal savings services offers participants the opportunity to safely set aside a portion of their cash support for subsequent productive use.

Timing

The launch of actual savings mobilization varies among programs. Some programs encourage, or require, clients to start saving from the beginning by setting aside a small portion of the consumption support amount (assuming that consumption support took the form of cash rather than food aid). Others wait until after the asset transfer, or until new sources of household income are being generated, to introduce savings. Some programs establish a fixed amount to be set aside each week; others are more flexible in how much clients are required or encouraged to save.

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Financial literacy training

Most Graduation Programs launch financial literacy training very early on because the savings and financial management messages are so integral to the Graduation Approach. Most participants have never had a chance to save formally. Inculcating even the idea of formal savings, and building trust in a financial institution, can be a long process. The first step in helping very poor households to save is to illustrate how formal savings can help them to become more resilient and to take on expanded economic activity. Saving is in itself a part of financial education—the practice of saving is a way of developing and practicing financial literacy.

By developing the habit of setting aside even very modest amounts of money on a regular basis, households can begin to create a buffer against personal or economic shocks. Furthermore, as savings grow, they can be used to invest in income-generating activities.

Financial literacy training starts with the very basics. Especially for illiterate clients, or members not used to handling money, close coaching (discussed below) is often required. Later on the training presents more general money management techniques, and describes ways in which they can be implemented. SKS delivered financial education modules during weekly group meetings in the form of a "snakes-and-ladders" game focused on money management. Fonkoze staff in Haiti work with each participant to create an individual savings plan with specific goals, such as purchase of a new asset.

When savings are mobilized in groups (see below), the savings group gives program participants the opportunity to handle money, sometimes for the first time, which can be alien and intimidating. Savings groups can also provide a platform for formal financial literacy training and simply for participants to provide mutual encouragement to save.

Frequent topics explored during financial literacy training include budgeting household expenditures, how to calculate repayment schedules and manage debt, and how to plan income-generating enterprises. By exploring household expenses systematically, participants often see where they might be able to save. Another money management

principle introduced is that money not be kept idle, that savings beyond a certain threshold should be invested in income-producing assets.[12] In many sites, participants are encouraged to convert their savings and a small asset transferred by the program into a larger asset, such as a cow or donkey.

Voluntary and compulsory savings

Across Graduation Programs, the emphasis is more on inculcating the habit of savings, and less on the amount saved. In the Bandhan Graduation pilot in India, participants initially were saving the majority of their consumption stipend, rather than spending it on essential nutrition. So Bandhan established a set amount of ten rupees (about US$0.20) to be saved each week, so that participants would spend the majority of the stipend on consumption as intended. After the stipend period ended, they were encouraged to save as much as they wanted to, which averaged 20-30 rupees per week. Participants knew that if they saved under the guidance and monitoring of Bandhan, the savings were secure and could be used for emergency purposes or business investment, but could not be easily diverted to household uses. In its scale up of the program, Bandhan staff now ensure that clients start saving at the outset of the program with formal financial institutions, such as banks and post offices. In Fonkoze's program, participants and program staff work together to set the target savings amounts based on a long-term vision of how to use the money. Following the asset transfer, savings becomes voluntary. Trickle Up's program in West Bengal establishes a goal for savings of 1,600 rupees (about US$35) by the end of the program. Participants start by saving 10 rupees per week, then move to 20 rupees, and then to 30 rupees; they are free to skip a week, so long as they reach the targeted amount by the end of the program. Typically the savings component can start as compulsory (to help participants become familiar with formal savings) and then becomes voluntary. However, it is important that participants maintain access to their savings in case of a pre-determined set of emergencies (e.g., health shocks) even during a compulsory savings period.

Group and individual savings accounts

As is common in microfinance, savings can be mobilized through individual or group savings accounts or a combination of both. Some Graduation Programs have mobilized participants' deposits in individual accounts. This has occurred mainly when one of the key program implementers is itself a microfinance institution but has also taken place with other types of lead implementers, provided that there is a financial institution in reasonable proximity. Other programs facilitate savings in a variety of ways; for example, SKS opened savings accounts for participants at post offices. Bandhan also links its Graduation clients to rural banks, cooperative banks, and post office savings. Group savings can take many forms, ranging from establishing formal SHGs or village banks, to less formal ways of organizing clients into savings groups, such as VSLAs.

Group savings mobilization can also help Graduation implementers address some of the legal constraints many of them face, since, as noted, NGOs are generally not legally allowed to receive savings deposits. At Trickle Up in West Bengal, the program created SHGs to mobilize participants' savings and opened bank accounts for each group—these groups were run by the members, who chose their own leaders, and established compulsory savings amounts, interest rates, lending norms, and distribution of surpluses. Accounts for each group were opened at a bank and were maintained by literate group members.[13] Savings groups can also serve as a support network even after the project is over. They can serve as an effective platform for delivering messages around health care or other critical subjects, and for generally building the social and economic capacity of the participants.

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12 For more information see https://www.microfinanceopportunities.org/what/page/4/
13 For more information on SHG implementation and performance, see **"Sustainability of Self Help Groups in India: Two Analyses," CGAP Occasional Paper 12. August 2007**.

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The Honduras Graduation pilot also launched community-based savings mobilization during the consumption stipend phase, with members selecting a committee to oversee the accounts. Committee members were responsible for making the deposits into each group member's individual account and for overseeing the accounts after the deposits were made. Withdrawals from these group-managed accounts were limited to emergencies. When deposits are mobilized in groups, it is important to open secure accounts for the groups with formal financial institutions whenever possible. Trickle Up in West Bengal found it important for bank linkages to be established early on so that program participants and the bank can build trust and establish a long-term relationship. Groups can also leverage larger loans from banks based on the amount they save.

When possible, Program design should include strong monitoring measures to ensure that savings continue beyond the end of the program and individual accounts do not go dormant. After graduation, participants could be encouraged to expand or diversify their savings "basket" and include other financial products, especially insurance.

Formal versus informal savings

Although saving preferences vary from place to place, low-income savers tend to care most about accessibility (physical proximity and affordability) and security. Formal financial institutions are more secure than informal approaches (either saving at home or with a group). However, informal mechanisms often out-compete formal financial institutions in terms of proximity and affordability. Cash kept at home is always accessible and carries no extra costs to the saver in terms of time or travel, whereas formal deposit-taking institutions can be very far away.[14] At Fonkoze, for example, Graduation Program pilot participants were saving regularly as long as the program staff were collecting their savings at their doorstep. Once the Program ended, however, and the doorstep collections ceased, people stopped saving formally in their individual deposit accounts and invested in large assets instead. [15]

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14 Deshpande, R. 2006. "Safe and Accessible: Bringing Poor Savers into the Formal Financial System," Focus Note 37. Washington, D.C.: CGAP, February.
15 Huda, K., and A. Simanowitz. 2010. "Chemin Lavi Miyo: Final Evaluation." Dublin: Concern Worldwide.

A good approach at the outset is often to promote both formal and informal savings for different purposes. The Ethiopia Graduation pilot, for example, encouraged small informal savings at home and with savings groups to meet regular, modest needs for cash. But participants in that pilot also saved larger amounts in individual accounts at a formal financial institution. At Fonkoze, program staff often facilitate the formation of traditional informal, rotating savings groups (in which members set aside a certain amount every week and take turns getting the whole pot), even while mobilizing formal savings deposits.

Informal saving services might be important in the short run. But Graduation Programs should try to ensure that participants shift to formal (and generally safer) sources in the long run. Financial education should include discussion of the potential risks involved with saving primarily in informal channels.

Saving in-kind

Some special savings products can provide added value to extremely poor people. In response to the food crisis, SKS in India started an in-kind savings "rice bank" in 50 villages. Participants were encouraged to follow the traditional practice of saving a handful of rice in a communal pot each day, creating a grain reserve that could be accessed when participants were sick or otherwise in need. Participants replace the rice they borrow plus an additional handful as "interest" when they can.

The role of credit

Most Graduation Programs also facilitate access to credit. Frequently these loans are offered at or near the end of the program, especially to those households seeking to expand their enterprises. Other Graduation Programs do not introduce enterprise credit, but they do make small loans available for emergencies and for short-term consumption, so that clients need not resort to borrowing from moneylenders.

Fonkoze created a special loan product, *Ti Kredi*, to help build familiarity and confidence with credit for its poorest clients; it is made available to those Graduation clients seeking credit after the Program's end. *Ti Kredi* is a six-month program, starting with a US$25 loan to be repaid in one month, followed by US$35 repayable in two months, and then US$65 repayable in three months. Participants are organized into groups that meet weekly to explore more advanced topics in financial literacy, such as cash flow analysis. Fonkoze thus offers interested clients a "ladder" from the Graduation program, to *Ti Kredi*, and then into its main credit products. When savings are mobilized in groups, such as through SHGs at Trickle Up or through community banks in Peru, linkages with banks are facilitated so that the banks can lend directly to the savings group after evaluating the group's operations, maturity, and capacity to absorb credit. The groups in turn lend the capital to their members.

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🏛 Note for Government Implementers

Linking Social Protection and Financial Inclusion

In a number of countries, two policy agendas have emerged in the past five years: governments are seeking to provide better safety nets to their poorest citizens (sometimes making cash transfer payments electronically) while they are also actively seeking innovations to promote greater financial inclusion.

The two agendas have not fully converged yet, but in many countries policy makers and donors are exploring the case for drawing people into the formal banking system using social protection payments as the "on-ramp."

The **Better than Cash Alliance** promotes linkages between social protection and financial inclusion by advocating that government-to-people payments shift from cash to electronic payments. Electronic payment can provide a pathway to a broader range of financial services, is generally safer (especially for women and girls), and is more efficient for low-income people.

For more information see
- **Social Cash Transfers and Financial Inclusion: Evidence from Four Countries** (CGAP)
- Promoting Financial Inclusion Through Social Transfer Schemes (Bankable Frontier Associates)
- **Designing and Implementing Financially Inclusive Payment Arrangements for Social Transfer Programmes** (DFID)
- **Savings-Linked Conditional Cash Transfers: A New Policy Approach to Global Poverty Reduction** (New America Foundation)
- **Savings-Linked Conditional Cash Transfers: Lessons, Challenges & Directions** (New America Foundation)
- **Scoping Report on the Payment of Social Transfers Through the Financial System** (Bankable Frontier Associates)

When introducing credit services, Graduation Program staff should work with the credit providers not only to ensure appropriate design of the loan products themselves but to sensitize credit staff on the background of the Program participants as well. Program staff should also remember that access to formal sources of credit will likely be a new experience for almost all the participants. Staff should thus be prepared to provide the participants with extra support and encouragement as they enter this new phase of household economic development.

Market analysis and asset transfer

Transferring an asset to help participants launch a sustainable economic activity is a critical element of the Graduation Approach. In the pilots, the implementing partners transferred the physical assets themselves. However, the guidelines discussed below also would apply to situations in which programs provide cash to participants to purchase the assets. Such is the case, for example, in the pilot sponsored by the government of Colombia. In that case, the program still helps the participant choose an appropriate livelihood, and supports the participant through the enterprise development process, so much of the guidance below still applies.

Program staff will develop options for viable livelihoods based in part on market studies that analyze market studies that analyze demand constraints, infrastructure availability, value chains, and upstream and downstream linkages. Close assessment with participants is also required to help identify their experience, capacity, and interests. Program staff should discuss the menu of livelihood options and corresponding assets with participants to help match each person to the right activity—program staff provide guidance, but the participants ultimately make their own choices. Most programs in rural areas transfer livestock, but may also offer seedlings and other agricultural inputs, sewing machines, and a stock of commodities to start small shops.

⚠️ Tips and Cautions

Financial Services

- By saving regularly, participants can start to create a buffer against personal or economic shocks. As the savings grow, they can be used to invest in income-generating activities.
- At first, emphasis should be placed more on inculcating the habit of savings and less on the amount saved.
- Extremely poor people may be unfamiliar with cash and may need training to acquire basic numeracy skills, ease with handling cash, and solid financial literacy.
- Savings should be introduced early: either at the start of the program by setting aside a portion of the consumption support or else as soon as the assets transferred start generating income.
- Low-income savers tend to care most about accessibility and security of their money: informal savings and formal savings can complement one another. But over time, clients should generally be encouraged toward the increased security and reliability of saving with formal financial institutions.
- Small amounts of credit can be introduced toward the end of the program for those households that want to expand enterprises and are creditworthy.

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Grants or loans?

The Graduation Approach relies on the idea that transferring an asset (or providing the cash to purchase an asset) can help the poorest jump-start an economic activity. A loan, even without interest, is debt: most of the poorest are not in a position to make productive use of credit. They usually have many immediate priorities to meet before they can start repaying a loan. Some are wary about taking on debt and may self-select out of loan programs. Learning about "how poor is too poor" for taking out a loan is important. BRAC's Other Targeted Ultra Poor Program and the Livelihood Pathways for the Poorest Pilot (implemented by the BASIX Livelihood School and the Grameen Foundation) are both testing a similar model to the Graduation Approach but replacing the subsidized asset with a loan. The lessons from these programs should help establish some typology of who might succeed with loans versus who needs grants.[16]

Finding market opportunities

To identify the right assets to transfer, it is important to have a good understanding of the market opportunities in a program area. "Unless the overall context within which the extreme-poor live and operate is brought into full view, the match could be wrong" (**Matin, Sulaiman, and Rabbani 2008**).

Identifying priority sectors. Typically, the extreme poor are looking to work in sectors with which they are familiar and which are not too risky. While the Program will lead them to pursue entrepreneurial activities, some participants may lack typical "entrepreneurial spirit" or the required expertise (the Program actively addresses both of those constraints). It thus makes sense to start by prioritizing livelihoods that can build on markets with which that the poorest feel most comfortable, typically businesses that they have tried in the past or have seen operating in their communities. Extremely poor people are often less mobile than others. They might have some financial or cultural restrictions on travel, or just lack the self-confidence it takes to sell their goods in a big or distant marketplace. Many will prefer to engage in activities they can market locally.

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16 On BRAC's other targeted ultra poor program in Bangladesh, see **http://tup.brac.net/ programme-approaches.** On the BASIX Livelihood School and the Grameen Foundation pilot in the Gaya district, Bihar, India, see **http://graduation.cgap.org/2011/10/21/learning-from-different-approaches-grameen-foundation%e2%80%99s-livelihood-pathways-for-the-poorest-pilot/**

Value chain analysis. A first step in the livelihood strategy design is conducting a value chain analysis to identify priority sectors for interventions. A team of experts (either in-house or external consultants) can conduct this type of exercise. Identifying the relative attractiveness of different sectors typically involves some desk research followed by interviews and focus group discussions with local producers, government officials, sector specialists, local NGOs, and key market actors. It is important to make sure that the experts specifically explore value chain opportunities for the extreme poor (and not a higher income group) since this client segment often has very different constraints than the slightly better off.

Ranking priority sectors. Sectors are ranked as more or less attractive depending on criteria such as their potential for outreach and growth. Attractive sectors offer the potential for reliable markets with good growth potential, while incorporating program participants as core actors in the value chain. For example, in Ethiopia a study by Emerging Markets Group recommended that the Graduation pilot look into the honey production sector since that market was expanding and offered the potential for significant value addition by program participants.

Sector specialization. At first, there is a strong rationale for programs to choose a limited number of sectors of intervention. Specializing in a few value chains means a program can build up its staff's expertise or bring a few specialists on board. Participants can be trained together and can help each other with their livelihoods. For example, IET in Pakistan transferred goats to all participants in some villages: the extended family structure in these communities facilitated exchanges among participants who helped each other in managing their small herds. In the Haiti and Ethiopia pilots, the programs organize peer-to-peer training workshops among participants engaged in the same livelihoods.

Scale and saturation. Well-chosen sector specialization works as long as the program reaches a limited number of participants who engage in the chosen sectors. However, in scale up, it is particularly important to avoid market saturation by "flooding" the market with the goods produced by a growing number of program participants. To help avoid market saturation, programs should carefully analyze the value chain, often by working with market development organizations. For example, in the Peru Graduation pilot, where over two-thirds of pilot participants raise guinea pigs, the program is working with the Economic Development Association of Peru (ASODECO) to provide support to participants in business networking in the guinea pig value chain. Cooperatives can also offer small producers a range of services aimed at improving access to (and management of) natural and productive resources, technology and infrastructure to increase their income generation; access to markets for distribution; and access to information, knowledge and skills to improve productivity. Finally, new initiatives such as Purchase for Progress (**see box on page 69**) are also working on connecting small producers to buyers.

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TABLE 3: Ranking Matrix to Identify Viable Market Opportunities (Developed by Emerging Markets Group for the Ethiopia Graduation Pilot)

Value Chain Selection Criteria	Weighting (%)	Rationale
Competitive-ness potential of sector	30	• Potential exists to significantly increase revenues or sales within range of areas along the value chain • Sector offers possibilities for value-addition, product innovation, differentiation • Sector is not overly constrained by legal or regulatory barriers • Unmet demand in domestic, regional, and/or international markets
Potential to max-imize impact and outreach	35	• A critical mass of target beneficiaries exists, with potential for program leverage • Sector has potential to increase employment for both men and women, as well as youth and landless • Significant potential exists to maximize incomes and improve livelihoods
Lead firm presence	25	• Presence of existing lead firm(s) willing to source or collaborate with target beneficiaries • Potential for forward / backward linkages between lead firms and target beneficiaries
Potential for "multiplier" effect with other economic sectors	10	• Expanded growth of sector has potential for stimulating the development and increased economic opportunity within other industries • Environmental impact within sector is minimal

❸ Livelihood Selection and Asset Transfer

Designing the asset package

Once the Program staff have identified attractive sectors, it is important to determine specific livelihood options for each participant (i.e., what enterprise the participant will develop) together with the associated asset packages (i.e., what inputs the Program will transfer). Program staff should have a close conversation with the participant and any other earners in the family to understand the livelihood patterns, skill sets, aspirations, and interests of the household. This conversation is also a crucial step to get buy-in for the program from other family members, and it will not only help the program staff to match activities to participants, but also to plan the training and coaching requirements. Although time-intensive, this step will shape many critical components of the Program.

Purchase for Progress Initiative

Purchase for Progress is an initiative led by the World Food Programme (WFP) that connects smallholder producers to markets in 20 countries. WFP's partners, including the Food and Agricultural Organization of the United Nations, the International Fund for Agricultural Development, and national governments, help smallholder farmers increase their production, with WFP buying the surpluses and connecting the farmers to other buyers.

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Selecting a livelihood: A staff-intensive process

After the asset strategy has been designed, program staff discuss the menu of options with participants. The goal is to match the right activity to the interests and skills sets of participants, and to ensure that each participant feels that the asset selection is right for her or him. In a series of conversations, staff should inform participants and their families about the goals of the project, in particular the livelihood objectives, and should ask what the participant seeks to achieve. Staff should explore participants' past livelihood activities to identify skills and experience. They should also analyze potential assets to determine whether and how those can be utilized either for the primary activity or for diversification of activities later. Staff should make a point to understand any constraints on the family to determine how livelihood activities can alleviate (or may exacerbate) them. For example, if food security is a concern, a kitchen garden or fish pond could be a good initial activity. If the family practices distress migration, livelihood patterns should be timed to generate income that allows all members of the family to stay in the village. According to BRAC, a key to getting the right mix of enterprises for the ultra-poor is intensive and repeated consultation between field staff and the participants: "The moderate poor, who have greater exposure to markets and access to social networks to access information, can make choices without the need for such intensive consultation. This is not the case for the ultra-poor women. More often than not, they do not have the full knowledge and realization of the different issues that need to be taken into account to make an informed choice. […] It is through repeated consultation and involved engagement with the particular circumstances of ultra-poor women, that a suitable enterprise mix can be found" (Matin, Sulaiman, and Rabbani 2008). This delicate process requires staff to have a set of qualities combining technical expertise with the listening skills and empathy needed to deal with the most vulnerable.

Starting with the end goal in sight. Programs should first determine the income level they want to see for participants by the program's end and "work backwards" to determine the appropriate asset package. For example, Trickle Up in West Bengal has found it takes 11 adult goats (ten female and one male) for a herding business to generate a regular monthly income of approximately 1,000 rupees (the target income level after the program's end). When using Black Bengali goats for herding, you can

reach 11 animals within 36 months starting with a minimum of five female goats and one buck for every 20 goats in the community.[17] Trickle Up has thus composed an asset package with five to six goats, plus 1,500 rupees for making a goat shed, buying some feed, and paying for veterinary care. Over the course of 36 months, field staff work with participants to ensure their herds grow well over the target 11 goats—usually reaching around 18 animals by the end of the program.[18]

Incremental packages. The extreme poor often have limited enterprise know-how or have suffered traumatic past experiences with failed businesses. They can easily feel overwhelmed if they receive too many assets at once. Some assets can be transferred in batches, allowing the recipients to build up skills and confidence over a given period of time (the same may apply to transferring cash). In Ethiopia, for example, participants who choose to engage in "shoats" (sheep and goats) get 12 animals over a period of six months. They receive six at first, and only after they have built up their confidence in handling the small herd, do they get a second batch of six. Trickle Up in West Bengal also believes that transferring livestock in two batches decreases the risk of diseases compared to when all animals are purchased at the same time. However, the timing gap between two such batches of transfers should be designed carefully so as not to negatively impact overall business productivity.

Asset value. The value of the asset package varies significantly by livelihood and country context. However, a guiding principle is to avoid too modest a level of assets in the hope of reducing program costs. As Bill Abrams, Trickle Up's President, puts it: "If you know it takes approximately US$230 worth of animals to kick-start a sustainable livestock business, you're doing nobody a favor by transferring less." Although the asset value should be flexible to mirror each livelihood's specific business needs, there is a case for making the packages as similar as possible across participants, since being "equitable" generally increases the program's acceptance in communities.

Risk profile. To mitigate business risks, many pilots encourage households to engage in several livelihoods using a diversity of assets (generally a main activity and a side business for supplementary income, as discussed below). In addition, pilots like SKS and Bandhan in India encourage participants to continue daily labor activities when possible. The income from the daily labor can supplement consumption in the short term, and help households invest in their business in the long term. In the Honduras pilot, the asset strategy is designed specifically to allow participants to take part in the seasonal coffee harvest—a valuable source of income for families during part of the year.

Income patterns. Each type of livelihood and associated asset yields different cash-flow patterns. Chickens, for example, can generate small but regular income in the short term through the daily sale of eggs. Calves, on the other hand, are a longer-term and higher-return asset. It makes good sense to design a package that couples both types of assets. In Haiti, Fonkoze's strategy includes providing chickens for short-term income and goats for longer-term returns. Providing two different types of assets also helps mitigate risks such as livestock disease. Ideally, asset transfers involving larger livestock would include pregnant cows or goats to minimize the elapsed time before offspring (and thus hastening return on investment). Bandhan in West Bengal also found that it increased participants' confidence to see the benefits on their short-term investments while waiting for their longer-term investments to start generating income.

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17 Not everyone receives a buck since the cost of one buck is 2-3 times that of a female goat.
18 For livestock, it is important to transfer breeds that are able to reproduce within local herds.

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Investment needs. Some activities, such as poultry, require upfront cash investments (e.g., to build a coop) and operating costs (e.g., nutritious chicken feed). However, other activities, such as goat rearing, do not require much upfront investment or ongoing costs but are more time-intensive, since someone has to watch the animals most of the day.

Technical difficulty. Some activities such as cattle are relatively easy to manage and minimal management is not likely to severely affect the business's profitability. However, others, such as poultry, are extremely complex: chickens need to be vaccinated, and they are highly vulnerable to diseases and weather. Goats can also require some specific care such as being protected from humidity. It is important that the required level of technical expertise be factored into both the selection of assets and the participant and staff training.

Gender. The livelihood selection has a number of gender implications. Different livelihoods have specific time and physical labor implications. Some activities are home-based and, if well managed, can be part-time. Raising poultry or producing honey, for example, both allow for time to do other things such as taking care of household chores and looking after children, activities frequently taken on by a female family member.[19] However other livelihoods, especially non-farm, are full-time jobs and usually require working outside the home to sell the products. In places like Coastal Sindh in Pakistan, the strict enforcement of purdah (female seclusion) restricts women's mobility in the public domain, thus limiting their ability to engage in certain livelihoods and making them extremely dependent on intermediaries both to provide inputs and sell outputs. Activities such as horticulture that require hard physical work generally require the household to have access to some male labor. Cattle-rearing can be managed by a woman alone, but typically requires extra hands to collect fodder. Participants with no family support or weak social networks will find it hard to deal with such an activity on their own. Finally, programs that focus on women should communicate clearly to families, especially to the men of the household, that the women own the assets and lead the activities, even if other family members participate in the activity. Gender-awareness training for staff and participants may be required to ensure women's decision-making ability with regards to the asset and the livelihood activity is maintained.

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19 Some children's rights organizations such as Plan International particularly value livelihood options that are compatible with childcare.

Good and bad unintended consequences

Some activities can have negative unintended consequences. For example, in Haiti participants' goats frequently went loose and damaged neighbors' gardens, creating animosity toward the Program in several communities. In West Bengal, Trickle Up found that as some participants in the community were encouraged to grow paddy rice on previously uncultivated land, the amount of grazing fields available for others' livestock was reduced, creating a fodder shortage.[20] Conversely, some livelihoods generate positive secondary outcomes. In Andhra Pradesh households rearing cows burn dung to reduce energy cost, while in Honduras, the cultivation of small vegetable gardens helps to improve families' immediate food security. In Haiti, owning a donkey substantially facilitates access to markets. In India, holding large livestock significantly increases a person's social prestige, helping to boost self-confidence. Groups that identify strongly as farmers will gain more than just income from agricultural activities, which may help meet advance other social project goals. In Guatemala, Trickle Up found that many women strongly identified with their weaving activities, so although weaving is not very profitable, Trickle Up built that activity into the families' livelihood strategies for cultural and social benefits.

Procuring the asset

For the programs that transfer physical assets (and not just cash), purchasing the assets themselves can prove a challenging task. Most programs prefer to source assets nearby in order to energize the local market. However, there is a risk of prices hiking when sellers hear of development programs seeking to bulk-buy certain goods.

Formalizing the transfer. In order to avoid corruption and minimize the risks of buying damaged or low-quality assets, organizations like SKS establish a Purchase Committee to procure assets. The Committee consists of program staff, an accountant, the participants, and a local expert (typically a veterinary doctor in the case of livestock assets). Committee members work with local market vendors, negotiating and signing contracts for each asset purchase. (A health certificate is required for all livestock.) The Purchase Committee also signs off on a written Memorandum of Understanding between the program and the participant when the asset is transferred. During an Asset Transfer Ceremony, two instant-photographs of the participant and the asset are taken and stamped to serve as a form of receipt for both the participant and the program implementers.[21]

Timing. It is important to take seasonality into account, and best not to transfer livestock in the rainy season. Program partners in Yemen avoided making livestock transfer over the Eid period as there was a risk of participants selling their animals prematurely for holiday celebrations. On the other hand, the Eid period was perfect for getting the petty-trade participants up and running.

Transparency. It is good practice to be transparent from the outset about the conditions under which the Program will replace an asset. Most Programs will fully or partly replace an asset if it is lost or damaged due to circumstances beyond a participant's control (e.g., flood, fire, earthquake, untimely death of livestock) but not if the loss results from negligence or premature sales. In some cases, ad hoc decisions may be required. But the Program should always clearly communicate the rationale for any such decisions in order not to be perceived as unduly favoring some participants over others.

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20 Trickle Up is now carefully considering the compatibility of various livelihoods within communities.
21 Trickle Up India transferred in-kind assets to participants during the pilot phase of the project, but in scale-up it transfers funds directly to participant bank accounts, always documenting the transfer. Trickle Up's Purchase Committees continue to play the role of guiding and overseeing participants when purchasing assets.

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Ownership. Participants are expected to take care of the assets the Program transfers to them, so a sense of ownership is vital. Trickle Up found during the pilot project that participants were not devoting their full attention to the goats they had received and also referred to them as "the HDC goats" (HDC was Trickle Up's partner agency). Trickle Up adjusted accordingly. Now, during the livelihood planning stage, each participant contributes not just labor but some small payment towards the upkeep of the asset (such as a portion of the cost of the goat shed). Each participant's contribution is carefully noted. Contributing something tangible (and ideally visible) promotes participants' buy-in—literally and figuratively—to the assets and livelihood activities.

Support Services

Protecting assets is crucial. The absence of reliable support services can severely undermine participants' efforts to earn a decent livelihood. In Pakistan, Pakistan Poverty Alleviation Fund (PPAF) partners acted as an information clearinghouse and actively linked participants to government veterinary services, since the extreme poor frequently fail to use services to which they are entitled. In India, Trickle Up hired a part-time veterinarian and trained community "barefoot veterinarians" to provide basic care to livestock after nearly one-third of goats died due to a surge in water-borne diseases. This strategy proved too costly in scale-up: instead, the Trickle Up program now negotiates microinsurance coverage for the livestock. Ideally, participants should receive basic veterinary training by government veterinarians on how to take care of livestock. Graduation Programs can also explore the feasibility of setting up a helpline for participants to call in case they need veterinary advice.

Fostering Market Linkages

Many programs working with the poorest are implemented in economically depressed areas where markets are extremely limited. Since the infrastructure and communications are poor, participants have few opportunities to sell the goods generated from their businesses. Without any major public- or private-sector intervention to create new markets, household-level enterprises can be severely constrained. While BRAC in Bangladesh has invested significantly to expand poultry, dairy, and clothing opportunities within the national market value chain, this level of intervention may be difficult for other Graduation Programs to consider. Because even limited markets are never static, it is important for programs to continuously monitor bottlenecks and opportunities in order to readjust interventions.[22] For example, in Ethiopia the program facilitated mid-course participant training by a new large-scale honey processor and exporter, based on an assessment that such training would significantly enhance participants' livelihoods. In some cases, group-based production schemes are needed and it makes sense to create or strengthen cooperative structures. Cooperatives can also facilitate linkages to larger markets, for example by organizing product collection centers, bulk-buying facilities, or selling outputs jointly. In Peru, for example, participants in one village organized themselves to sell their guinea pigs collectively to a trader who on-sells them to the market in Cusco. Most Programs do not have the capacity to take on market expansion activities themselves, but they can help connect participants with other interventions designed to help them lower the costs of production and increase profits.

- Specializing in a few value chains means that Programs can build up their staff's expertise in the sector, but they need to proactively address risk of market saturation when Programs scale up.

- Participants need to be trained on appropriate asset management (**see the following section on technical skills training**).

- Being flexible but equitable among participants increases the Programs' acceptance in communities.

- It is critical to be transparent from the outset about the contingencies for asset replacement by the Program.

- Without any major public- or private-sector intervention to foster support services and create new markets, many household-level enterprises are severely constrained in their access to input and output markets. The selection of assets for transfer needs to reflect this reality.

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22 Approaches such as Practical Action's Participatory Market Systems Development can help local actors collectively identify obstacles and opportunities affecting markets. See **http://practicalaction.org/pmsd**

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Asset Transfer

- Programs may prefer to transfer cash rather than physical assets. In this situation, it is important to ensure both that the market provides a range of choices for assets to purchase and that participants have the knowledge to make informed choices about price and quality when purchasing the assets.

- Carefully weigh the costs and benefits of making in-kind vs. cash transfers. In-kind preserves a greater level of control for the program implementers (because there is no risk of program participants' using cash for some purpose other than the asset acquisition). On the other hand, the logistical challenges of procuring and transporting livestock, sewing machines, or other assets could easily prove impractical.

- If the decision is made to make asset transfers in the form of cash, it is very important to link the asset transfer component to the program's monitoring system. This is essential not only to monitor that the program participants are using the cash as intended, but also to ensure that cash does not get diverted (e.g., by staff).

- Programs should determine what income level they want to see participants reach by the program's end and "work backwards" to determine the appropriate asset value.

- Each type of livelihood yields different cash-flow patterns and has different associated risks. It is important to design a package that couples assets for short-term income with longer-term assets, while diversifying the risks.

- The asset package varies by livelihood and by country but it should always be considered as a form of investment. Programs should avoid too modest a level of transfers in the hope of reducing program costs.

- It is important to have a good understanding of the markets and to choose sectors with strong potential for growth and for significant value addition, while incorporating Program participants as core actors in the value chain.

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④ Technical Skills Training

Consumption support, savings, and the transfer of assets are all tangible contributions that participants receive from the Graduation Program. Ongoing skills training and life skills coaching (see below) are equally important if less tangible components of the Graduation Approach. To successfully deliver technical skills training and life skills coaching, program staff need a mix of technical skills and personal qualities, ranging from expertise in specific livelihoods to listening skills and empathy for participants. Appropriate initial orientation and ongoing training are both essential to equip the staff to deliver the technical and social support throughout the life of the Program.

Transferring basic technical skills

Technical skills training, centered on how to manage the transferred assets and operate a business, is an important part of all Graduation Programs. The most effective trainings are hands-on and short. Training sessions also serve as an information clearinghouse, pointing participants to services they can leverage such as government health services or veterinary care. Appropriate skills training begins with assessing what is required to successfully launch and operate the livelihood activities previously identified, and is based on common skills gaps among participant households. Depending on the types of assets transferred, the trainings' content can focus on animal husbandry, inventory management, or basic business skills, as well as more advanced topics in financial literacy. In some cases the livelihoods are very simple and widespread within communities. In those cases, less technical skills training will be needed. However, even participants with some prior experience in livelihood activities can benefit from learning best practices, which sometimes differ from local norms. For example, in Peru, many households had raised guinea pigs informally before the pilot began. But they were unfamiliar with best practices in raising and breeding the guinea pigs, such as keeping them in pens and how to avoid the spread of disease.

Selecting the trainee within the participant household

Many Graduation Programs focus on female household members because they are often the most marginalized and also because they are the most likely to channel their efforts productively into the new livelihood activities. But other household members may be included in the trainings so that all can eventually contribute their efforts to the family enterprise.

Professional and peer-to-peer trainers

In most cases, program staff have livelihood expertise and provide basic technical skills training to participants. When program staff lack the necessary expertise, external trainers can be hired. Additionally, community members who have relevant skills (e.g., in animal husbandry or basic business operations) can be identified to serve as mentors to program participants. These locals understand the context-specific challenges of launching and sustaining the livelihood activities, and may also already know the Graduation participants. The Peru pilot, for example, used *yachaqs*— essentially "wise men" from the local community—to teach and mentor the program participants. The *yachaqs* are not formally trained teachers or professional trainers, but rather are recognized elders whose skills are respected. The Peru implementers characterized this peer-to-peer learning as a powerful success factor.

In addition, individuals who have participated in and "graduated" from the Program are often invited to return to the trainings to offer their stories to teach and inspire new participants. Often participants, once the program is well underway, can be divided into "slow" and "fast climbers." Fast climbers can be enlisted to provide assistance and additional support and inspiration to slow climbers.

Timing

Training typically happens right before the asset transfer, or shortly thereafter, so that it will be fresh in participants' minds as they begin applying it. Practical, hands-on, often field-based trainings are generally best. Follow-up trainings, or "refresher" courses, are offered on a regular basis (e.g., quarterly). In addition, household-specific training is also offered in conjunction with the regular monitoring and coaching visits (discussed on page 81).

Note for Government Implementers

Technical skills training was delivered during the pilots primarily by NGO providers. One important question is how to structure partnerships that can work at scale for the training component. Most governments have training programs embedded within various departments (e.g., ministries of labor and education, agricultural extension agents, etc.). A first step during program design would be to explore the training capacity that already exists to see where a Graduation Program could be layered.

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Technical Skills Training

- An upfront assessment of technical training needs for the whole household is crucial.

- Effective technical training is designed to address the needs of the selected livelihoods. Practical, hands-on, often field-based trainings are generally the most useful.

- Technical skills trainings also enhance social capital, especially for women.

- Periodic "refresher" training is generally needed.

- Training can be supplemented with a mentorship program from more experienced community members to help their peers.

❺ Life Skills Coaching

Graduation Programs also provide ongoing "life skills coaching" to participants to assess how households are faring, offer ongoing support, and boost self-confidence. Having lived marginalized from their communities, often for multiple generations, Graduation participants face high emotional hurdles to become confident that they are in fact capable of running a successful enterprise. Individual coaching has proven essential in helping people overcome these barriers. In most programs, staff make weekly visits to participating households. For some implementers, especially government programs, this level of ongoing engagement may not be possible, for a variety of reasons, including cost and lack of appropriate skills among existing staff. It is important to find an alternative coaching strategy (such as relying on community coaches, peer-to-peer support groups, or technology-enabled "e-coaching") since implementing organizations consistently state that this individualized "hand-holding" is crucial to the success of the Graduation Approach.

Effective coaching is designed to accomplish several interrelated goals:
- To provide a weekly touch-point for participants in the form of household visits by program staff, where progress on livelihoods and social development can be assessed and any problems addressed.
- To reinforce the basic financial education and livelihood skills provided in other building blocks of the program.
- To improve health practices, and to link participating households with available healthcare resources, whether through government services or NGO clinics.
- To foster self-confidence and encourage behavioral change.
- To troubleshoot when problems arise, whether these are related to business, health, or other factors.

Home-based coaching sessions offer the one-on-one interactions that allow staff to keep an eye on each participant's progress, understand household dynamics and barriers, and offer the social support needed for them to move beyond endemic poverty into sustainable livelihoods. During the visits, staff monitor progress and address problems. More importantly, they develop strong bonds with participants and become their mentors, providing informal coaching over the 18 to 36 months of the program. Staff check whether participants are on track to reach their goals and offer guidance on how to do so. They also often offer business planning advice, provide social support, promote health and nutrition, and encourage positive attitudinal changes among program participants on issues ranging from personal hygiene, safe drinking water, immunizations, family planning, and the importance of schooling for children.

Staff work with households to set both short- and long-term goals, which are monitored and reviewed during the weekly visits. These include livelihood goals (e.g., *How much income are the assets producing? Is livestock well-tended? How much in savings has been set aside?*) and also more personal goals (e.g., *How frequently and how well is the family eating? Are the children in school? Is respect being accorded to female household members?*). In Haiti, over 90 percent of participants felt that they had "a best friend" since joining the program, referring to their designated staff person. One respondent elaborated by saying, "when someone comes to visit you, asks about you, you feel important. Because of my [case manager], I feel like I am somebody."

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Coaching should be tailored to each participant's progress as he or she moves through the lifecycle of income generation from the new assets. Different, and more intensive, support may be may be needed for "slow" vs. "fast climbers." Staff also need to be mindful of any potential "slipping back" and what kinds of support are needed for the participant to get back on track.

Example of Guidelines for the Weekly Household Visits by Field Staff Used in the Ghana Graduation Pilot

General
- Dress and appearance is professional, tidy, and clean
- Punctual for appointment
- Greets the participant (family) properly and respectfully

Relationship with Participant Household
- Encourages participant to be active in conversation
- Does one task at a time and does not rush through the process
- Speaks clearly
- Makes eye contact with the participants
- Patient with participants and handles questions well
- Takes breaks at appropriate times and keeps the participants active
- Maintains a professional and alert attitude, including proper posture
- Helps guide the conversation around to the topics to be discussed
- Completes all tasks, including recording all data about the household (e.g., amount saved, consumption support amount, etc.)

Steve Werlin, a regional director with Fonkoze's Chemen Lavi Miyo program, explains the goals and practices of life skills coaching in **his blog**:

> *During [weekly] coaching sessions, members receive advice about caring for their livestock and managing their businesses, they talk with their case managers about their own and their children's health, and they are pushed to plan, to make decisions that reach deeper than just where to find their next meal. Much about these coaching sessions is almost as unpredictable as any dialogue could be. We know that there are certain topics that must come up for discussion, but it's hard to foresee just what will be said.*
>
> *One part of each weekly visit, however, is tightly scripted. We call it the "issue." Every week, members and case managers go through one out of a rotating list of ten health-related subjects. Going over the week's issue involves dialogue. We try to draw from the members what they already know about the issue […]. But the dialogue is not open-ended. We don't leave it to our members to decide whether vitamin A is good, whether prenatal care is important [...]. When presented properly, the issues have a three-part structure. First, we ask a member to consider a danger that hangs over her family and herself. We then go over the measures the member can take to protect herself and her family from the threat. Finally, we push the member to commit herself to making the changes she needs to make. […]*
>
> *Everything we can do to help them learn that the decisions they make can dramatically affect their lives is a step on the road from victim toward actor. And walking that road is a key part of the pathway to a better life.*

One way of reinforcing life skills coaching is through the formation of "village assistance committees," which serve to link more prosperous members of the community with program participants through a semi-formal, ongoing engagement. Village assistance committees are groups of village leaders tasked with helping the poorest protect their assets, providing advice, and facilitating access to government and other resources. Although Bandhan in India started its program without these committees, it soon introduced them to help ensure participants' security and to offer mediation in cases of domestic violence and alcohol abuse. The programs in Haiti and Honduras have also organized such committees to support program participants, foster local buy-in for the program, and reinforce its messages within communities.

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Note for Government Implementers

The life skills coaching component has been consistently identified, by lead implementers and by the participants themselves, as perhaps the most critical success factor for the Graduation Approach. That said, CGAP and the Ford Foundation recognize that this same component is also the most logistically complex and the most difficult to source–problems that will both intensify exponentially as a Program attempts to achieve scale. Some governments have large cohorts of social workers, and it is possible that in such cases, the coaching component of the Graduation Program could be layered on to that infrastructure. It is also possible that an approach that includes less frequent coaching (it was weekly, during the pilot phase) or that uses technology solutions may be viable. In Colombia, for example, one program currently being implemented relies on videotaped coaching sessions delivered via mobile device. (See related material in **Conclusions and Next Steps**.) The Colombian lead implementers were candid that their available human resources (government workers who lacked the necessary empathy and who moreover were men in a program targeting women) were simply not a viable solution. The authors of this Guide wish to reiterate that it is not yet known how such modifications will work. The entire question of modifications and adaptations—especially in the area of the life skills coaching—is a critical area for future research.

Life Skills Coaching

ⓘ⚠️ Tips and Cautions

Ongoing, deep engagement with participants is a crucial element in the Graduation Approach. These regular interactions provide the opportunity both to keep track of households' progress and to offer needed training around life skills, such as confidence-building, health, hygiene, and children's education.

- Ongoing coaching is essential both to reinforce the material conveyed in the technical skills trainings and to identify and address household-level challenges as they arise.
- Village assistance committees can reinforce training and coaching messages throughout the program and after it is over.
- Appropriate staff orientation and ongoing training is essential (see also the **Planning** section).

Monitoring

M

1 Program-level monitoring

2 Household-level monitoring

❶ Program-Level Monitoring

At the program level, it is crucial to monitor the quality of inputs, staff engagement with participants, and participants' progress toward achieving their goals. Information collected from households (see below) may be aggregated to track progress toward achieving program goals, as well as to shed light on important operating issues.

Supervisors should use monitoring data to gauge performance and address questions such as

- Are field workers visiting households as scheduled?
- Are livestock healthy and are income-generating activities yielding projected returns?
- Are households saving as intended?
- Are there significant variations in participant performance according to field worker, community, livelihood, etc., which may prompt program modifications (e.g., extra training or close monitoring of underperforming staff)?
- Is the program achieving its goals, and if not, what kinds of changes in program design or delivery might be needed?

It may also be important to assess

- What kinds of information are most difficult to track?
- In scale up, what changes may be needed to the monitoring and evaluation system?

In addition to monitoring, it is important to perform an assessment of the overall results of the program to provide managers with a better understanding of the nuances behind the results. This gives a more complete picture of what works, what doesn't, and why—how the process of change unfolds in the lives of participants, and why some participants succeed while others may not.

As the goal of the Graduation Approach is long-term progress out of extreme poverty through sustainable livelihoods and increased assets, it is important to continue to gather household data after program completion. Some programs are able to do this for all participants. If this proves too costly or logistically unfeasible, collecting data on a sample of past participants can still shed light on whether the long-term objectives of the program are being achieved (and, if not, the reasons behind any ongoing challenges the households continue to face). Finally, where contributing to knowledge generation for the broader field is a priority, third-party evaluations should be commissioned to measure program success and the reasons why specific outcomes were, or were not, achieved. This will be especially useful to the Graduation Program's community of practice in situations of "second-generation pilots" implemented by government agencies in different configurations so that the body of knowledge can expand about the impact of different models.

FIGURE 7: Trickle Up Infographic Based on Monitoring Data, May 2013

Combating Hunger

107% increase in people who reported their families always have enough food to eat

Livelihood + Assets

140% increase in livestock assets

Savings + Credit

Nearly all participants reported having savings

from **21**% at the start of the program to **99**%

Women's Empowerment

9 out of **10** women reported high participation in family decision-making

Monitoring

M

A table drawn from the Client Monitoring System (CMS) developed for the CGAP-Ford Foundation Graduation Program pilots is included in the Annexes. It covers key information to be tracked throughout the duration of the program, such as

- Field agent and participant identification
- Nature and number of transferred assets
- For each asset: cost, number still in service, income generated, etc.
- Stipend amount and use
- Savings accumulated
- Food consumption
- Number of children attending school
- Health status of family members

❷ Household-Level Monitoring

Gauging the progress of graduation participants toward their economic and social goals requires a rigorous yet easily manageable CMS. Monitoring data against key indicators and benchmarks enables programs to track participants' progress in key areas such as savings, assets, income, and health. Along with tracking each household's progress relative to its own goals, it is also useful to aggregate the data in order to compare households to one another. This can uncover any notable variations in participants' progress, possibly suggesting the need for adjustments in program design and services (e.g., providing "slow climbers" with additional resources). Most Graduation Programs collect and analyze qualitative data as well to understand more deeply the particular experiences of participants and how they are making changes in their lives.

The specific household-level data to be tracked depend on the graduation criteria that the program has established for each household, as well as any key intermediate outcomes that are deemed important for achieving the desired results. For example, Trickle Up has relatively few formal graduation criteria but a much larger set of performance targets with quarterly or yearly benchmarks for assessing progress.

Some Recommended Economic and Social Indicators, Based on the 2006-2014 Pilot Experience

Economic:
- Stabilized and diversified income sources
- Increase in assets (e.g., livestock)
- Increase in formal and informal savings

Social:
- Food security
- Improved access to healthcare
- Increased self-confidence and a plan for the future. Collection of client monitoring data can be combined with the weekly coaching visit to each household. Either the regular field staff person serving that household can perform both tasks (i.e., the standard coaching functions as well as the data collection) or alternatively, a second field staff person can attend to handle the data collection. Regardless of who performs the task, if data is collected during the weekly coaching visits, it is better that the monitoring forms not be filled out in front of the participant, but rather afterwards, so that the participant feels fully free to share his or her challenges and concerns. Staff should be encouraged to discuss with one another regularly about their experiences and the challenges they and program participants are facing, so that an opportunity for shared learning is created from which timely program modifications can be made.

Monitoring

M

1 Program-level monitoring

2 **Household-level monitoring**

Client-level data should be collected and analyzed at several different junctures:

- Initially at program inception, to provide a baseline of where each household is relative to the key metrics established.
- Periodically (e.g., weekly, monthly or bi-monthly) during the program, to gauge ongoing progress and any challenges faced (including midway through the program to establish a midline update).
- At the end of the program, to assess how well the household has fared (endline).
- Ideally, on a periodic basis after the program has ended (e.g., every three or six months) to assess how deeply economic and social changes have taken root (either for all households or, if that proves too expensive, for a sample).

Baseline participant monitoring. A Graduation Program typically works with each household to create a "life plan," defining goals the participants want to reach by the end of the Program and setting benchmarks to measure ongoing progress. Establishing a baseline—a record of the household's starting point—permits the Program to observe and track changes and can help refine performance targets.

Ongoing participant monitoring. Program staff track each household's progress against key benchmarks throughout the duration of the Program, collecting data either in conjunction with the weekly field visits or independently. This information helps the field officer assess whether the household is progressing, what events (positive and negative) may have taken place, and how best to work with the household to ensure continued progress in each key area. If livelihood activities are affected by seasonality, that should be reflected in assessments of economic progress. In some of the Graduation pilots, field workers maintained booklets to help participants record their progress (and challenges) towards meeting goals.

Endline participant monitoring. Gathering household data at the conclusion of the program allows participants, staff and management to gauge how well people have fared in achieving their goals, and to glean insights on what kinds of changes to program design might be needed.

Post-program monitoring. As noted throughout this Guide, the goal of the Graduation Approach is to move participants permanently out of extreme poverty and into sustainable livelihoods. Given the challenges of moving out of extreme poverty, and the possibility that a household may slip back into it, the Program should monitor key household-level indicators after the program has ended. This monitoring can shed light both on any additional services may still be needed for a particular household and on whether changes may be needed to the Program design as a whole.

ⓘ⚠ Tips and Cautions

Monitoring

- Graduation Programs must have a Client Monitoring System that gauges household-level progress toward the goals established as graduation criteria.

- The specific indicators and benchmarks vary by program, but include both economic and social data on assets, income, food security, health, children's education, etc.

- The data collected is analyzed on an ongoing basis so that appropriate modifications can be made during the program.

- Data is also aggregated across all households to shed light on broader program trends, such as why some households may be progressing better than others, what kinds of additional interventions may be needed, and the degree to which the program is making progress toward achieving its overall goals.

- Data should be collected at several junctures: baseline, ongoing, endline, and after program completion.

- When generating knowledge for the field as a whole is a priority, third-party evaluations should be commissioned, particularly for those programs that significantly modify one or more of the Graduation Approach's elements.

Reaching Graduation

G

1 **Defining graduation**
2 Developing good indicators
3 The process of graduating
4 Social protection
5 Managing the risk of slipping back

❶ Defining Graduation

Program objectives

Every Graduation Program must develop a succinct definition for what constitutes "graduation" along with a set of clear indicators to assess whether that definition has been met. Clarity of purpose and of expectations will in turn create clarity for staff and for participant expectations. Fonkoze, for example, adopted the following definition: "*Graduating members have the skills and resources to sustainably provide for the needs of their families, the capacity to manage future economic shocks, and are ready, should they choose, to receive their first loan.*" Fonkoze's indicators, in turn, flowed from that definitional statement. Some of those indicators included a requirement that, for a participant to "graduate," all school-age children had to be enrolled in school provided there was a school within a reasonable distance, that no one be suffering from malnutrition, and that the family home have a viable roof.

It is worth emphasizing that Fonkoze, like most of the other implementers during the Graduation 2006-2014 pilots, is an NGO and therefore had the task of setting its own definition and associated indicators. As noted, CGAP and the Ford Foundation expect that second-generation implementers will include public-sector actors, especially ministries already engaged in social protection activities. Such actors will likely be operating within a larger, pre-defined policy framework that might encompass, among other elements, eligibility criteria for various safety-net benefits for their respective nations' citizens.

The Graduation Approach has as its overarching end goal to move participants out of extreme poverty and into sustainable livelihoods. The Approach is, as noted, structured around the careful sequencing of five core building blocks, and achievement of the goal of a sustainable livelihood, based on the experience of the 2006-2014 pilots, typically takes between 18 and 36 months.

FIGURE 8: One Participant's Visual Reminder

This member of Fonkoze's Chemen Lavi Miyo (Pathway to a Better Life) program has placed her graduation indicators on her front door. Many participants in the Fonkoze pilot did this, ticking off their progress against each indicator as milestones were achieved. (Screenshot from CGAP video.)

How the success of the Graduation Approach supports broader governmental policy goals, including allocation of social protection resources, is a question that each government must answer for itself. But as Graduation Programs are integrated into government social protection programs, care should be taken to avoid defining premature graduation or setting exit criteria too low. Participants must be given adequate time to demonstrate that their sustainable livelihoods are precisely that—sustainable—and that they have sufficient resilience to significantly reduce the probability that they might fall back into extreme poverty.

FIGURE 9: Fonkoze (Haiti) Graduates Display Their Diplomas at Their Graduation Ceremony.
Photo courtesy Fonkoze

Reaching Graduation

G

Future household resilience

Reaching graduation means reaching a number of certain context-specific indicators by a certain point in time (i.e., the end of the program), but these indicators should also aim to incorporate a measure of potential resilience to future shocks and vulnerabilities. There is a choice to make about what level of shocks a household should be able to bear to be deemed "resilient"—a difficult choice in the context of macroeconomic fragility, as well as recurring natural and man-made disasters. However, this attempt to assess participants' future resilience reflects the reality that the Program's goal is not the participants' short-term escape from extreme poverty, but rather their ability to sustain themselves after the Program is over.

Specific objectives. Some implementers use the Graduation Approach as a means to achieve a specific objective, on top of poverty alleviation. For example Plan International designed its Programs in Honduras and Peru as a way to foster child welfare. Plan deliberately targeted households with several children, then worked with parents and children (along with the wider community) throughout the course of the Program to raise awareness around children's rights. Different implementers may have different specific objectives for their Graduation Programs. But any Program will stand a better chance of success to the extent it defines objectives clearly from the outset and designs interventions accordingly.

FIGURE 10: Program Coherence Around Specific Objectives/Plan International in Honduras and Peru Pilots: Children's Education

Target families with children

Work with particpants' children on their rights

Work with families and communities on children's rights

Measure children's rights awareness as part of graduation criteria

Alberto, a participant in the Peru Graduation Pilot, drew a picture of his situation in 2010 and a picture of what he wanted his life to look like by 2012. He and his partner, Epifania, then in their mid-30s and with seven children ages 4 to 17, wanted to buy more livestock, build a new stable, expand their house, and pay for school fees.

Participants' dreams and aspirations

Reaching Graduation should also mean that participants meet a certain number of personal objectives. Toward this end, staff should help households determine what outcomes they personally want to achieve through their participation in the program. The extreme poor are often focused on day-to-day survival, so creative strategies are frequently needed to help them look beyond immediate survival and to express their aspirations for the future. One interesting way to help households "unpack" their dreams is to ask families to draw their current situation and what they would like their life to look like when the program is over. In many cases program staff need to work with participants to help them think of ambitious yet realistic objectives.

Reaching Graduation

❷ Developing Good Indicators

While the overarching goal of graduation is common across all pilots—exit from extreme poverty and the move into sustainable livelihoods—each pilot sets its own context-driven indicators for graduation, since the features of poverty vary in different sites. The five completed pilots incorporated some or all of the following elements in their graduation criteria: food security, stabilized and diversified income, increased assets (including savings), improved access to healthcare, increased self-confidence, and a plan for the future. Indicators need to be *coherent*, *meaningful*, and *measurable*.

Coherent. Programs target the extreme poor based on certain criteria (reflected in the targeting inclusion/exclusion standards). So it makes sense to reflect progress made along these criteria at the end of the program. For example, Bandhan targets participants: whose primary source of income is informal labor or begging; who have no productive assets; and who have school-aged children working rather than attending school. Based on this targeting strategy, Bandhan's twelve graduation criteria include participants having at least two sources of income and keeping school-age children enrolled in school.

Meaningful. Graduation criteria need to be ambitious yet achievable. They must also reflect the program intervention—for example, it is unrealistic to expect improved health outcomes after an 18 to 36 month intervention if the program did not specifically include access to healthcare as a component. While measures of meaningful economic changes are fairly clear (e.g., increase in income and assets), indicators of less tangible but equally important goals (such as increase in self-esteem) are harder to design. Careful consideration is needed of what is meaningful and achievable, based on the particular goals and structure of the program and on the local context. For example, Trickle Up determined for the program in West Bengal that if women actively participated in local government meetings, that was a good proxy for increased confidence.

Measurable. Indicators need to lend themselves to being accurately measured. At Fonkoze, for example, members were linked to healthcare providers during the program. But because Fonkoze did not have a straightforward and cost-effective way to measure whether or not members were actually visiting the healthcare providers, utilization of healthcare services was not used as a graduation criterion. All indicators need not have equal weight. Staff may decide that some indicators are "absolute"— *sine qua non* conditions for reaching graduation—whereas others are not. At Fonkoze it was decided that participants could not "graduate" if there were any malnourished children remaining in the household who were not already attending a feeding program, if women in the family were too sick to work, or if there was no viable roof on the house.

Where appropriate, graduation criteria can be evaluated using a poverty measurement tool such as a poverty scorecard, a PPI, or some other type of survey (e.g., a food security survey). Participants should be assessed at baseline and upon program completion using the same set of measurement tools: comparing baseline and follow-up data gives a more complete picture of participant progress.

Accounting for the participant's perspective

Self-confidence and a vision for the future are important Program outcomes in themselves. They also significantly influence participants' general ability to pursue the Program's goals, so it is important to track participants' sense of well-being. In several sites, graduation evaluation teams asked participants to respond to some entirely subjective, self-reported questions. These questions created the sense that graduation was not simply the expiration of the Program, but an active choice on the part of the participant. When using subjective criteria, it is important to evaluate whether participants are accurately reflecting their situation: neither artificially boosting their progress nor under-reporting in hopes of receiving additional support. For example, participants have been asked to assess which step of a "happiness staircase" (with a smiley face at the top, and a sad face at the bottom) they felt they were on before joining the Program, and which step they were on upon Program completion.

FIGURE 12: The Happiness Staircase

Considering external variables

Several graduation indicators—typically those related to healthcare or schooling—depend on external service provision or infrastructure. It is important to take this into account when designing graduation indicators. In Pakistan, for example, school coverage is patchy; hence the program deemed that a graduation indicator should be very specific: "All children aged five to ten must be attending school if a school is accessible in a radius of 1.5km."

Reaching Graduation

Building on a government safety net program

REST (Relief Society of Tigray) in Ethiopia has implemented a Graduation pilot that builds on the Ethiopian government's Productive Safety Net Program (PSNP). REST aligned its Graduation Program objectives with PSNP's general targets, but took care to express its graduation metrics as a set of clear indicators (qualitative and quantitative) with a specific timeline. At the end of the Graduation Program cycle (36 months from the date of the asset transfer for bee-keeping participants; 24 months from asset transfer for all others), households are expected to graduate by meeting at least one of the quantitative indicators plus at least one of the qualitative indicators—both categories reflecting PNSP criteria. *Quantitative criteria*: (1) Graduating to food security (equivalent to owning 12 months of food supply plus 3 months reserves); (2) Successfully saving an amount equivalent to at least 75 percent of the initial value of the asset. *Qualitative criteria*: (1) Expanding and diversifying livelihoods; (2) Readiness to access microcredit; (3) Verification by a Community Task Force that the concerned household is better off.

❸ The Process of Graduation

Home visit

It is important to assess participants' progress during an end-of-program home-visit evaluation, made by at least two staff. When working in pairs, one interviewer can ask questions and discuss informally while the other assesses objective questions by observing members' homes, assets, children, etc. The interviews should be conversational in tone and the information-gathering tool preferably not used in front of the participant.

Committee

After each household has been visited and evaluated according to the determined criteria, a Graduation Committee of staff and management can be gathered to help determine the status of members whose special circumstances are not reflected in a systematic evaluation. This allows for a more nuanced evaluation process and corrects for human error in data collection and observation. The Graduation Committee meetings can also help management identify weaknesses in the program and the evaluation tool itself, and to consider ways of improving both during scale-up. During Committee meetings at Fonkoze, staff provided a nuanced portrayal of each member in question, and sought to understand the particular circumstances of each borderline case while maintaining the authenticity of the evaluation. Conversations with program staff produced information about participants' readiness for graduation, for example: "Francoise's assets are more valuable than the evaluation indicates because her goats are large, not small" or "Bernadette has a zero savings account balance because she just withdrew money to purchase a horse."[23]

FIGURE 13: Graduation Ceremony Photo (India)

 Women line up to perform a dance at Trickle Up Graduation Ceremony, West Bengal, India
(Photo courtesy of Trickle Up)

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23 See CGAP (2010).

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Graduation ceremony

After each member has been evaluated and his or her eligibility for graduation determined, it is important to hold a graduation ceremony for participants and their families. The ceremony allows the participants to talk about their progress and celebrate their success. In some cases, participants receive certificates of program completion or other gifts. At SKS each graduate received a clock—a symbol both of status and of the move out of a state where time had no meaning and participants were always frantically trying to make ends meet and into a life under better control. At the Trickle Up Graduation ceremony participants had made banners and chanted slogans for economic and social rights. Several participants also spoke or recited poems about the journey out of extreme poverty they had made.

What if a participant doesn't achieve the graduation benchmarks?

Almost certainly, some program participants will not satisfy the criteria established for graduation. An institution should define the interventions that will be available to "non-graduates." Will the program offer an extension period for those who do not graduate? If so, how will this be managed? These decisions may be time-sensitive as resources will need to be allocated for members who need additional support. Moving reliably out of extreme poverty is a process, rather than a threshold or "finish line," and some program participants may need additional support.

Post-graduation pathways

As part of the Graduation Approach participants are encouraged to develop new livelihoods through self-employment. However, not everyone will want or be able to expand their microenterprise, so it is important to foster alternative pathways.

Entrepreneurship. Given the Graduation Approach's focus on self-employment, microcredit will likely be an important post-Graduation tool for many participants. The early focus on financial literacy training, building financial discipline through regular savings, and business development training is especially important to participants' future ability to use credit wisely. Program staff also need to ensure that the credit products'

designs are suited to the participants' needs. As noted earlier, Fonkoze has an intermediary product, called *Ti Kredi*, which offers very small loan amounts and extra hand-holding. Fonkoze offers *Ti Kredi* to recent graduates as a first step before accessing mainstream solidarity loans.

Introducing microcredit

The Graduation Approach recognizes that not all participants will want to take on credit. However, in some cases, participants do choose to borrow to expand their activities or start new enterprises. A shared goal across pilots is that by the end of the program, members are creditworthy and in a position where they can access credit if they want to. At Fonkoze, credit agents and branch directors were asked to address the participants and describe the basics about their microcredit program during the graduation ceremony. Many participants applied for a *Ti Kredi* loan of US$25 before leaving the graduation ceremony. Some participants choose not to take microcredit upon graduation because of fear, but may decide months later to join a credit program. Research at Fonkoze suggests that due to the lack of other employment opportunities, those who do not take up microcredit tend not to fare as well six months after the program's end.

Employment

In some contexts (e.g., coastal Sindh and rural Haiti), it is difficult to find alternatives for those who do not want to take on self-employment. However, where possible, participants should be encouraged to link up with salaried employment opportunities which can be at least as lucrative and often less risky than microenterprise. In many places pilots have encouraged participants to seek principal or supplemental income in activities such as domestic employment, agricultural wage labor, or construction work. In a series of new pilots, the United Nations High Commissioner for Refugees (UNHCR) is developing an "employment track" in addition to the classic "microenterprise track." Participants in the employment track receive technical skills in areas where the markets can offer jobs for relatively low-skilled workers. In parallel, UNHCR works with the potential employers to determine the needs and raise awareness on the particularities of their populations of concern (typically refugees or internally displaced people).

❹ Social Protection

Safety nets should still be available to people who require ongoing support. Where government programs are in place, it is important that participants be made aware of the existence of such programs and encouraged to avail themselves of their rights. Programs must also cultivate a consistent engagement with governments with the goal of improving the design, implementation, and coordination of safety net programs and determining strategic interventions for pro-poor economic growth.

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❺ Managing the Risk of Slipping Back

Even though a majority of participating households do "graduate" into livelihoods that should be sustainable after the program's end, this process is not always linear or sustained in the long-term. It also does not mean that all or most of the households will have crossed the poverty line. It is likely that many will go through different cycles of progress and setbacks. To mitigate these risks it is important to consider the following mitigation strategies:

Continued community support. In places where group strategies are developed (SHGs, peer-learning networks, village assistance committees, etc.) they should be designed to sustain post-program engagement. Such groups can keep a watchful eye on former participants and continue with local initiatives that program staff began, such as social messaging or community development. Lead implementers should work throughout the Program to build the capacity of these groups so that the groups can remain effective permanent resources in their communities after the Program is over.

Facilitating access to healthcare. Many households slip back into extreme poverty due to a health crisis. In severe cases, households may go into debt or sell their assets to pay for medical assistance. Access to healthcare or health insurance services after the end of the Program allows participants to access preventative care and to seek early treatment, reducing the risk that health shocks will thrust them back into extreme poverty.

Facilitating access to savings and insurance. Financial services play a crucial role in participants' trajectories beyond graduation. A strong savings base is vital to managing emergencies and to maintaining consumption despite erratic cash flow (a common feature of self-employment, particularly where seasonality is a factor). Continuing to save after the end of the program can also help participants protect assets and accumulate money for future investments. Although there are many competing demands upon participants' income (e.g., food, emergencies, requests from family, purchasing an animal, etc.), the established discipline of formal savings helps ensure that some funds are set aside for the future. Program staff have an important role in encouraging participants to make the savings habit a permanent discipline. The lead implementer should also work with its financial services partner to ensure that appropriate savings services remain available. Program staff may also be able to source insurance products to protect participants against the kinds of major shocks (e.g., hurricanes or earthquakes) that personal savings cannot cover. At Trickle Up, for example, excessive rainwater during the pilot phase caused high livestock mortality. Trickle Up has since negotiated for bulk livestock insurance as it scales up the program.

FIGURE 14: The Multi-Level Effects of the Graduation Approach
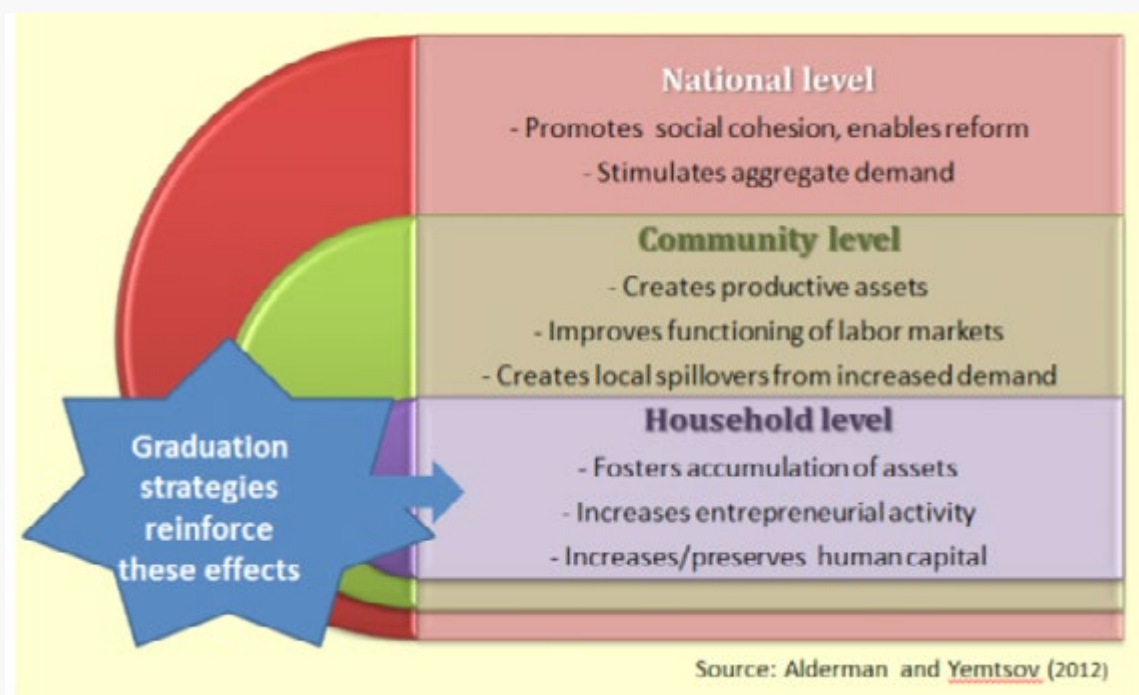
Figure courtesy of Grosh (2014), used with permission.

🏛 Note for Government Implementers

The Graduation Approach is not intended to be a substitute for effective social protection coverage. The program is likely to achieve a measure of public visibility, so it will be desirable for policy makers at all levels to understand and be able to articulate clearly the fact that participants do not "graduate out" of their eligibility for social protection if they still need it.

In fact, the experience of the pilot phase frequently found the opposite. Participants in some cases, notably West Bengal, effectively graduated *into* social protection. They had been so socially isolated that they had been previously unaware that social protection services existed, or that they qualified for them. Part of the work of the Graduation Program there was not only to deliver the program services but also to link the participants, for the first time in their lives, to social protection.

Interventions such as the Graduation Approach are not and should not be a means for the public sector to be let "off the hook." The extreme poor, on their way to becoming self-employed micro-entrepreneurs, need to have sound infrastructure (roads, irrigation, agricultural extension services) in place. They require access to affordable healthcare since any economic progress can be swept away by a single health shock with their families. In order to break the intergenerational cycle of poverty, their children will still require affordable access to quality education and other human development benefits. Governments should continue to provide transfers to those extreme poor who are still eligible given their vulnerability (e.g., those Graduation Program participants whose new livelihoods are still fragile and, of course, those whom the Graduation Approach is unable to reach or for whom it is not an appropriate intervention).

Conclusions and Next Steps

We conclude this Technical Guide with one of the observations with which we began it: poverty is a complex, multi-dimensional phenomenon. This is especially true of the extreme poverty—entrenched across multiple generations, affecting entire communities—that was the focus of the Graduation Approach during its 2006-2014 pilot stage. Such complexity means that caution is warranted when attributing causation to any given intervention, including the Graduation Approach, and that is why the CGAP-Ford Foundation Graduation Program includes RCT impact assessments as part of its robust research and learning agenda. [24]

When the full results of the impact research are published in 2015, CGAP and the Ford Foundation, and the community of practice coming together around this Approach, will have a much richer understanding of the extent to which program participants are achieving their goals and the extent to which the Graduation Approach is the decisive factor in that achievement. In the meantime, the preliminary results have been very encouraging: [25]

- **_Income._** Early results from RCT impact assessments in Bangladesh and five Graduation Pilots show the programs had strong positive and statistically significant effects on income. In Bangladesh, the RCT shows household incomes among ultra-poor treatment families rose 40 percent on average, with women able to work more hours and with increased regularity throughout the year, mirroring the patterns of middle-income earners four years after the end of the program.
- **_Consumption._** There were also significant and sustained increases in total annual consumption per capita at most of the six CGAP-Ford Foundation Graduation Pilot sites. For example, at Bandhan (India) household consumption went up by 11 percent.
- **_Food Security._** Food consumption increased in most sites. For example, at Bandhan (India), food consumption increased by 9 percent relative to the control group, over a year after the end of the program.
- **_Improved Happiness and other Benefits._** Life satisfaction improved. In Haiti, as part of a long-term qualitative research "life histories" approach, participants were asked to evaluate their well-being at the start of the program, and then nine, 18, and 24 months afterwards. This self-evaluation exercise indicated

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24 RCT impact assessments by external academics prove causality between program participation and changes observed in participants' lives through random assignment of potential participants to treatment and control groups and comparing changes between them.

25 See draft results here: **http://graduation.cgap.org/wp-content/uploads/2014/02/Karlan-Goldberg_Graduation-Impact1.pdf**. A pooled analysis of research results will be available in early 2015 here: http://graduation.cgap.org/library-category/graduation-program-impact-assessments/

that every participant in the program (all women) felt a significant improvement in her life in the two years following the start of the program. Qualitative research also documents increased female empowerment. For example, while 30 percent of participants at the launch of the Trickle Up (India) program could sign their names and feel confident traveling outside their village—two proxies for increased confidence—that number is now 90 percent. In Haiti, qualitative research shows women gained confidence because of the assets they accumulated, enhanced business skills, and their ability to care better for their children and provide regular meals.

Two related points made throughout this Technical Guide bear repeating. The first is that what we know about the Graduation Approach (including the encouraging results noted above) pertain to the Approach as it was piloted—as a fully integrated suite of five interventions, in a set sequence— during the 2006-2014 period. The second point is that CGAP and the Ford Foundation fully expect that at least some, perhaps most, of the second-generation implementations will not adhere in every respect to the piloted model but rather will tweak the Approach to their own purposes, constraints, and contexts.

Most importantly, the second-generation implementations will include (indeed already include) efforts to roll out the Approach at massive scale rather than pilot scale. The lead implementers for large-scale roll-outs are likely to be large government agencies. The specific ways in which their execution will differ from that of the NGOs who piloted the Approach may not be clear yet, but we can confidently assume that there will in fact be differences, some of them significant. Whether because the goals are different, or the scale is much more massive, or the resources are limited, or for other as-yet unforeseeable reasons, we assume, as noted, that second-generation implementers will modify some element or elements of the Approach.

One of the prime examples is the life skills coaching element. As noted elsewhere, both the lead implementers and the participants themselves consistently identified the coaching as a critical success factor during the pilot implementations. One of the defining features of entrenched, extreme poverty is social isolation. Extremely poor people are typically surrounded by people who are likewise extremely poor, and they seldom engage with people who could provide positive encouragement or examples. The life skills coaching provides that vital source of hope and sound practical advice that would almost certainly not materialize in the normal course of participants' lives.

This life skills coaching element, however, is also time consuming, costly, and requires unique staff skills and attitudes, and so is arguably the most difficult element to roll out at scale. Finding people with the right background, skill sets, and personal commitment, and finding them in sufficient quantity, is a daunting challenge. In Colombia (**see box**), the implementers are using technology solutions both to train staff and to deliver the coaching to participants. It should be noted again that the effect of this adaptation on overall results is not yet known. But it is one way to confront the reality of the challenges the life skills coaching element presents, and the Colombia program implementers report good preliminary results. They are retaining the critical coaching element in a way they would probably not have been able to afford but for the technology solutions. The quality of the coaching has been standardized (rather than varying based on the performance of individual staff), and most importantly, the participants themselves have reacted positively to receiving coaching via tablets.

Alternative Approaches to the Life Skills Coaching Function

The staff profile for successful coaching—technically skilled, highly dedicated, able to travel within extremely poor communities and effectively relate to the people there—is rare. So rolling out the Life Skills Coaching element poses significant challenges, and the more a program scales up to massive outreach, the more challenging this issue becomes. In Colombia, the implementers tackled the problem in two ways. They developed a "train the field-workers" online course with all the specific components of the Approach. The field workers have to review the contents of each module and pass an examination. The implementer grades the examinations and if it is determined that the would-be field workers still have difficulty, the implementer arranges a traditional, in-classroom training session. This system has considerably reduced the cost of traditional all-classroom-based training.

Field staff doing coaching in Colombia also use electronic tablets for training the participants. In the first pilot, the coaching staff themselves used the tablets during home visits. But now, the tablets rotate among the participants and the staff go to each household to answer questions and check in on participants. This **video** (3 minutes, Spanish with English subtitles) explains how the tablet-based coaching has worked and its advantages—not only driving down costs but also ensuring uniformity of quality, independent of the skill level of the coaching staff.

Adaptations are underway in other markets, involving other components of the Approach, as well. The RCT impact assessment of the CGAP-Ford Foundation Graduation pilot in Ghana will examine the relative impact of the full implementation of the Graduation Approach versus implementing only some of the building blocks. Innovations for Poverty Action and Presbyterian Agricultural Services, the co-implementers of the pilot, are testing several different components of the Graduation Approach: some communities have been randomly selected to receive the entire "graduation package," some the full package but without savings, some get savings only (regular or matched), some receive assets only, and a control group gets no intervention at all. [26] This is a unique opportunity to get insights into which of these components might have the greatest impact, what combined effects are most critical, and to understand the relative cost effectiveness of different components.

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26 On Ghana pilot research design see **http://graduation.cgap.org/pilots/ghana-graduation-from-ultra-poverty-program/**

CGAP and the Ford Foundation hope to publish a series of case studies focused specifically on second-generation implementations. These case studies should contribute to our understanding of how the Approach works at scale vs. at pilot, how it works when the lead implementer is a government agency vs. an NGO, and how it works when implementers pursue a "pick and choose" approach vs. the full holistic Approach. All such findings will also be incorporated into the second edition (expected publication mid-2015) of this Technical Guide.

Moving forward we will also conduct research on cost structures. We want to understand more fully how the programs can be successfully and cost-effectively scaled up, including showing the relative efficiency of this Approach versus other interventions targeted to the extreme poor. We hope to be able to demonstrate to policy makers and other potential funders and implementers that the long-term social and economic benefits of the Graduation Approach outweigh its significant upfront costs.

Table 4 (next page) provides information on the new Graduation Approach sites that have been launched post-pilot phase.

As noted, CGAP and the Ford Foundation have created a global community of practice of stakeholders interested in the Graduation Approach. The community has **its own website**, frequently updated on the activities of the Graduation Approach and its learning agenda. We also maintain **a library** with hundreds of key publications on extreme poverty reduction. We encourage all those who work on extreme poverty alleviation to join the community of practice. Please review the website and submit your questions, updates and news. The community of practice has already achieved a high degree of cooperation and knowledge-sharing both online and in person (the most recent learning event took place in February 2014), and its collective wisdom plays a decisive role in the success of the Graduation Approach's ambitious agenda.

Finally, CGAP and the Ford Foundation actively encourage all who have used this Technical Guide to provide feedback on the **feedback form** included in the Annexes. The 2015 edition of the Technical Guide will be greatly enhanced by your suggestions.

A Sense of Urgency

The task of promoting sustainable livelihoods in a cost-effective manner is an urgent global task. In India alone, for example, more than 10 million additional people will be seeking work every year in the current decade. New livelihoods must be generated at a scale commensurate with the enormous global demand. Although self-employment may not be a choice, but rather a necessity for many—it is one pragmatic solution to help many of the extreme poor into a life of dignity. Government agencies supporting livelihoods development, organizations focused on this area, and policy makers must all use their resources optimally. The Government of India has been one of the largest agencies involved in livelihood promotion efforts, with work in agricultural irrigation (e.g., 40 million hectares of irrigation since independence) and subsidized asset acquisition programs such as the World Bank-sponsored District Poverty Initiatives Program in Andhra Pradesh, Madhya Pradesh, and Rajasthan. (See **"An Introduction to Livelihood Promotion" at ruralfinance.org**) Many international NGOs such as Oxfam, CARE and CONCERN also operate large-scale livelihood promotion efforts.

TABLE 4: Examples of Post-Pilot Phase Graduation Programs (Underw

Unleashing the Productive Capacity of the Extreme Poor for Sustainable Graduation (Rwanda)	• **Project implementers:** Concern Worldwide • **Project partners:** Services au Développement des Associations (SDA-IR Association Rwandaise pour la promotion du Développement Integre (A • **Location:** Districts of Huye and Nyaruguru • **Pilot start date:** 2011 • **No. Participants:** 1st cohort: 400hh; 2nd cohort: 800hh; 3rd cohort: 800h
Produciendo Por MiFuturo/ Producing for My Future (Colombia)	• **Project implementers:** Fundacion Capital • **Project partners:** Colombia Department for Social Prosperity; Union ter Trabajando Unidos • **Location:** San Luis (Tolima); Sitio Nuevo (Magdalena) • **Pilot start date:** 2013 • **No. Participants:** 1000 participants
Haku-Wiñay-Mi Chacra Emprendedora & Juntos (Peru)	• **Project implementers:** Government of Peru • **Project partners:** GRADE • **Location**: 745 towns in 15 regions (Rural Peru) • **Pilot start date:** 2013 • **No. Participants:** 17,000 rural hhs
Social Protection and Local Economic Development (LED) South Africa	• **Project implementers:** Studies in Poverty and Inequality Institute (SPII) • **Project partners:** Ford Foundation • **Location:** TBD • **Pilot start date:** 2013 • **No. Participants:** 100 treatment hhs and 100 control hhs

(IBA), ARDI) h	• **Consumption support:** TBD • **Savings:** TBD • **Livelihoods:** TBD • **Other components:** TBD • **Estimated cost:** TBD
mporal	• **Consumption support:** Conditional cash transfer • **Savings:** Mobile banking • **Livelihoods:** Animal rearing (pigs, chickens, fish); retail trade (small shops); services (hairdressing, washing machine rental) • **Other components**: Life planning (group workshop at beginning of program); tablet-based training • **Estimated cost**: US$1,000/participant
	• **Consumption support:** Conditional cash transfer • **Savings:** TBD • **Livelihoods:** TBD • **Other components**: TBD • **Estimated cost**: TBD
	• **Consumption support:** TBD • **Savings:** TBD • **Livelihoods:** TBD • **Other components**: TBD • **Estimated cost:** TBD

Acknowledgements

About the Authors

AUDE DE MONTESQUIOU manages the CGAP-Ford Foundation Graduation Program at CGAP. In close collaboration with project partners, she supports the overall coordination of the program and helps shape its research agenda. She also provides technical support to pilot implementation, facilitates global knowledge sharing, and distills lessons through various publications. Aude holds an MA in political science from the Institut d'Etudes Politiques de Paris-Sciences Politiques, and a BA in history from the Sorbonne.

TONY SHELDON is Executive Director of the Program on Social Enterprise at the Yale School of Management, where he is also a Lecturer in the Practice of Management. He has been a consultant to the Ford Foundation on the Graduation Approach since its inception. He has also worked as a consultant to several development finance networks and funders, including the Social Performance Task Force, the World Bank, CGAP, and Women's World Banking. He has an AB degree from Princeton and a Masters in Public and Private Management from Yale.

FRANK DEGIOVANNI is Director of the Ford Foundation's Financial Assets Unit. He leads the Foundation's worldwide efforts to build financial assets for disadvantaged people with support through grants and program-related investments. His team makes grants through a focused set of initiatives on savings, individual asset development, social security reform, rural livelihood development, and consumer financial services. Frank has a PhD and an MA in regional planning from the University of North Carolina at Chapel Hill.

SYED M. HASHEMI recently joined the Department of Economics and Social Sciences at BRAC University as Professor and Chair, having spent the previous five years as Founder-Director of the BRAC Development Institute, a resource center for promoting research and building knowledge for addressing poverty, inequality, and social injustice. Hashemi also spent nine years with CGAP, identifying pro-poor innovations and disseminating best practice lessons related to poverty outreach and impact. Hashemi advises the graduation work at CGAP.

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ABOUT CCGAP

The Consultative Group to Assist the Poor 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. 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.

ABOUT THE FORD FOUNDATION

The Ford Foundation is an independent, nonprofit grant-making organization. For more than 75 years it has worked with courageous people on the frontlines of social change worldwide, guided by its mission to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. With headquarters in New York, the foundation has offices in Latin America, Africa, the Middle East, and Asia.

CGAP and the Ford Foundation welcome questions, comments, and suggestions for improvement about both this Technical Guide and the Graduation Approach. Please send your input to:

graduation@worldbank.org

Along with shaping the second edition of this Guide (expected mid-2015), user feedback will be vital as CGAP and the Ford Foundation build a cohesive and effective global community of practice around the Graduation Approach.

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A Technical Guide to the Graduation Approach

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