Engaging the Poorest in Economic Activity: the Graduation Approach

May 4, 2018
Vision:
The poorest households and other vulnerable populations sustainably improve their economic conditions, increase their resilience, and escape extreme poverty and social exclusion.
The Poverty Diamond: Economic Stratification

- Better-off
- Poor
- Extremely Poor with a household member with the capacity to be economically active
- Extremely Poor
Enabling excluded populations to capture benefit from growth in the local economy

**Social Protection**
- Risk Manage’t
- Social Insur.
- Social Assistance

**Jobs**
- Creation
- Quality
- Access

**Economic/ Productive Inclusion**

Targeted econ. inclusion, not only graduation

PEI focuses on targeted economic inclusion:
- Targeted to people living in extreme poverty and/or vulnerability
- Direct to households or individuals
- Package of support sufficient to boost income and assets
- Time-bound
- Typically an add-on to social assistance

Active Labor Market Policies
We need JOBS strategies, not growth strategies

**JOBS STRATEGIES**

**CREATION of FORMAL JOBS**
- Firm entry and growth
- Less churning

**QUALITY of INFORMAL JOBS**
- Productivity
- Earnings
- Working conditions
- Access to social insurance

**ACCESS TO JOBS for VULNERABLE GROUPS**
- Information
- Incentives
- Skills
- Mobility

**Macro and Regulatory Policies**

**Labor Policies**

**Sectoral and Regional Policies**

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WORLD BANK GROUP
Social Protection & Jobs
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The Graduation Approach

**Approach Characteristics**

- **Time-bound** interventions (typically 18-24 mos.) delivered at the household level
- Deliberately **targeting the extreme poor**, either those under the $1.90-per-day line and/or those identified as the poorest or most vulnerable and marginalized
- **Holistic** in order to tackle the multifaceted constraints of extreme poverty
- Offer a “big push” based on the idea that a large investment to kick-start an economic activity will really make a meaningful change
- Facilitate **access to a wider social protection regime** and formal or semi-formal financial services as away to build resilience, deepen economic inclusion, and continue upward progress

**Components of the Graduation Approach**

- **FOOD AND CASH STIPENDS**
  Stipends are provided to immediately improve and stabilize consumption
- **ASSET OR CASH TRANSFER**
  Participants purchase an asset that is a sustainable income generator, such as animals or shea butter processing equipment
- **SKILLS TRAINING**
  Participants receive guidance on running a business and caring for assets
- **SAVINGS PROMOTION**
  Households are encouraged to open and maintain savings accounts with a microfinance institution or community-based savings group
- **MENTORING**
  Field officers regularly visit households to encourage and monitor participants and reinforce accountability
MENTORING

SEED CAPITAL / EMPLOYMENT

TRAINING

ACCESS TO FINANCIAL SERVICES

CONSUMPTION ASSISTANCE

MARKET / VALUE CHAIN ANALYSIS

TARGETING

Extreme Poverty

Sustainable Livelihoods
BRAC – Bangladesh (Since 2002)
C GAP – Ford Foundation Pilots (Since 2006)
Impacts and Costs: Randomized Controlled Trial Results

The approach drives impacts across diverse indicators...

Income  Savings  Food security  Health  Happiness

And has delivered high returns on investments with sustainable outcomes

Graduation participants reported
- Working, earning, and eating more than the control group a year after program completion
- Greater occupational choices

Source: Innovations for Poverty Action, Abdul Latif Jameel Poverty Action Lab, London School of Economics, The Economist
Government Implementation

• Governments are in the lead in 32% of programs surveyed

• Governments from 31 countries are involved in graduation programming in some capacity (leading, implementing, funding, or some combination)

• Governments in Ethiopia, Pakistan, Peru, and two states in India are in the process of scaling up

Photo Credit: Trickle Up
Adaptation to different segments

- Youth: 43.4%
- People with disabilities: 30.3%
- Indigenous: 29.3%
- Refugee/IDP: 16.2%
- Elderly: 11.1%

Source: PEI Upcoming State of the Sector Report
The big opportunity: Building on the foundation of an existing, effective social transfer as the gateway to an effective graduation package

**Decision 1:** The minimum sufficient package, Which “add-on” components are essential?

**Decision 2:** Who delivers what? For each component, is it:
- Agency-provided, or
- Linked, referred, or outsourced?

**Decision 3:** Delivery model - If linked, referred, or outsourced, then:
- Public agency vs private service provider?
- Group vs individual delivery?
- Deliver by institutions and/or individuals?

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**Add-ons for successful Graduation**

- Economic Inclusion
  - Market linkages
  - Agricultural extension
  - Asset transfers
  - Livelihood services
  - Skilling

- Soft skills and Empowerment
  - Broader empowerment, including political
  - Gender/women’s empowerment interventions
  - Digital and financial capability
  - Coaching

- Complementary Social Services
  - Education
  - Nutrition
  - Health

- Financial Inclusion
  - Insurance or risk management
  - Credit or investment
  - Savings and accumulation
  - Payments

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**Government-to-Person (G2P)/Direct Benefits Transfer**

- Eligibility, Outreach, Registration, Intake, and Casework
- Identification
Exercise:

What’s in place? What needs to be added/linked/referred?
The PEI partnership is:

- A multi-stakeholder initiative that aims to accelerate systems change and innovation

- It seeks to massively scale up effective household interventions that increase the earning opportunities and well-being of extreme poor and vulnerable people as part of social protection systems
Thank you!

Please see our Technical Guide on Crowd Compass

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