PARTNERSHIP FOR ECONOMIC INCLUSION

Engaging the Poorest in Economic Activity: the Graduation Approach

May 4, 2018

SOCIAL PROTECTION & JOBS

WORLD BANK GROUP

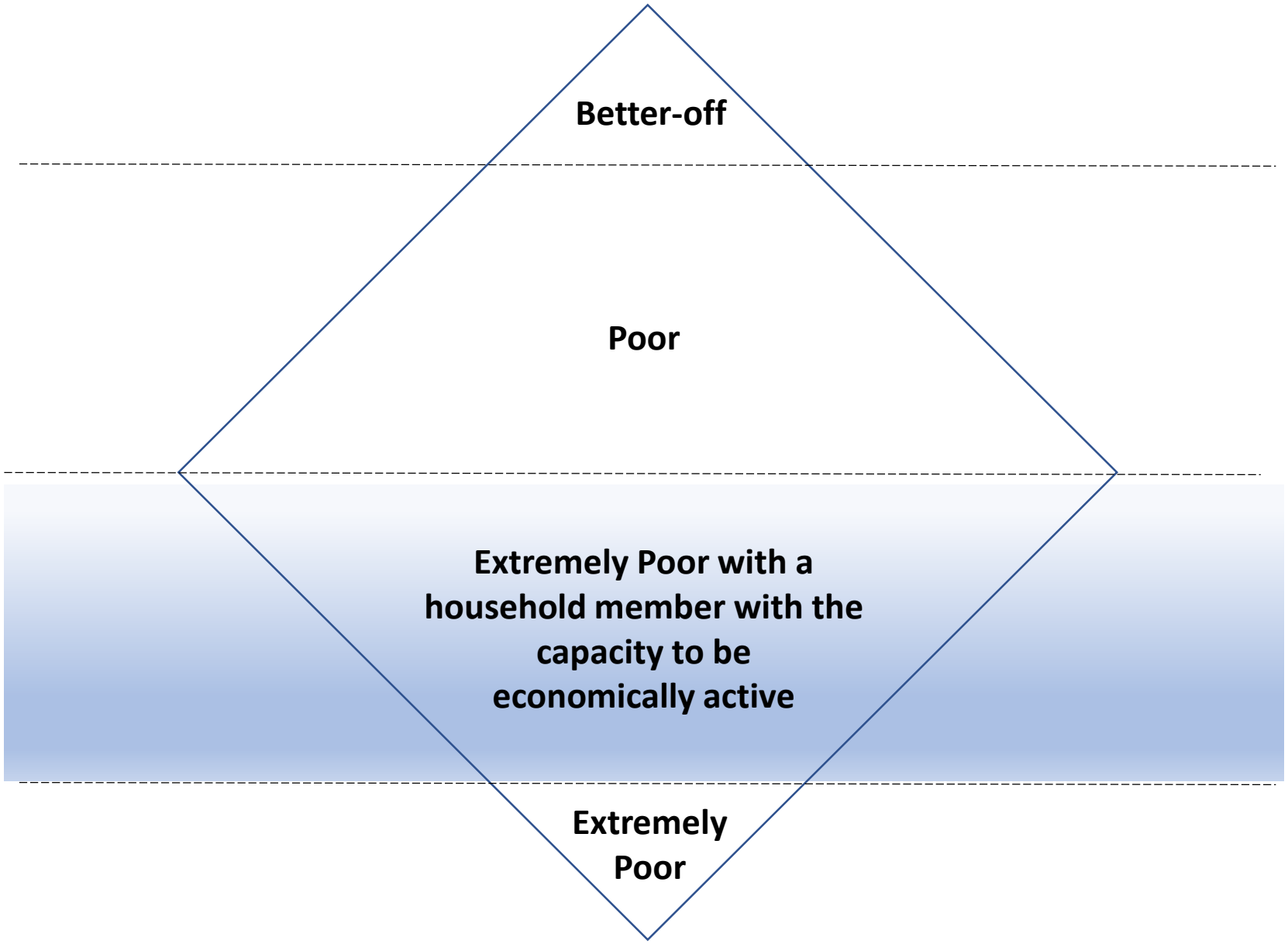
Photo Credit: BOMA

Partnership for Economic Inclusion

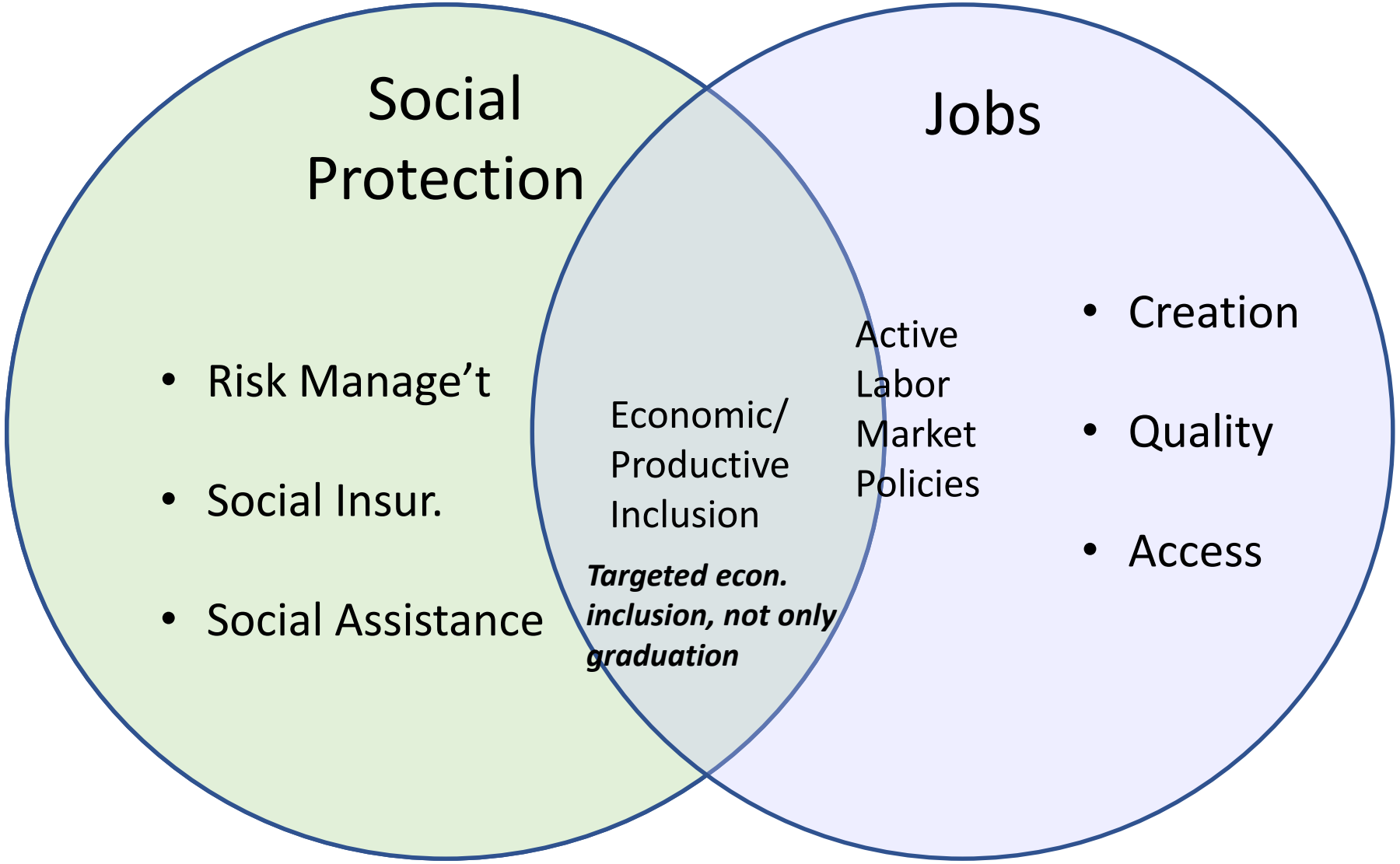
Vision:
The poorest households and other vulnerable populations sustainably improve their economic conditions, increase their resilience, and escape extreme poverty and social exclusion

Photo Credit: BOMA

The Poverty Diamond: Economic Stratification



Enabling excluded populations to capture benefit from growth in the local economy



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

We need JOBS strategies, not growth strategies

CREATION of FORMAL JOBS

- Firm entry and growth
- Less churning

QUALITY of INFORMAL JOBS

- Productivity
- Earnings
- Working conditions
- Access to social insurance

JOBS STRATEGIES

Macro and Regulatory Policies

Labor Policies

Sectoral and Regional Policies

ACCESS TO JOBS for VULNERABLE GROUPS

- Information
- Incentives
- Skills
- Mobility

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Social Protection & Jobs

	CREATION (FORMAL)	QUALITY (INFORMAL)	ACCESS
MACRO AND REGULATORY POLICIES: • Fiscal and monetary policies • Exchange rate • Business regulations • Financial sector regulations • Infrastructure • Governance • Education	+++	++	++
LABOR POLICIES: • Labor regulations • Social security and labor taxation • Active labor market programs • Migration policies	++	+++	+++
SECTORAL AND REGIONAL POLICIES: • Economic Inclusion Programs • Support to entrepreneurs and SMEs • Value chains development • Development of secondary towns	+++	+++	

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

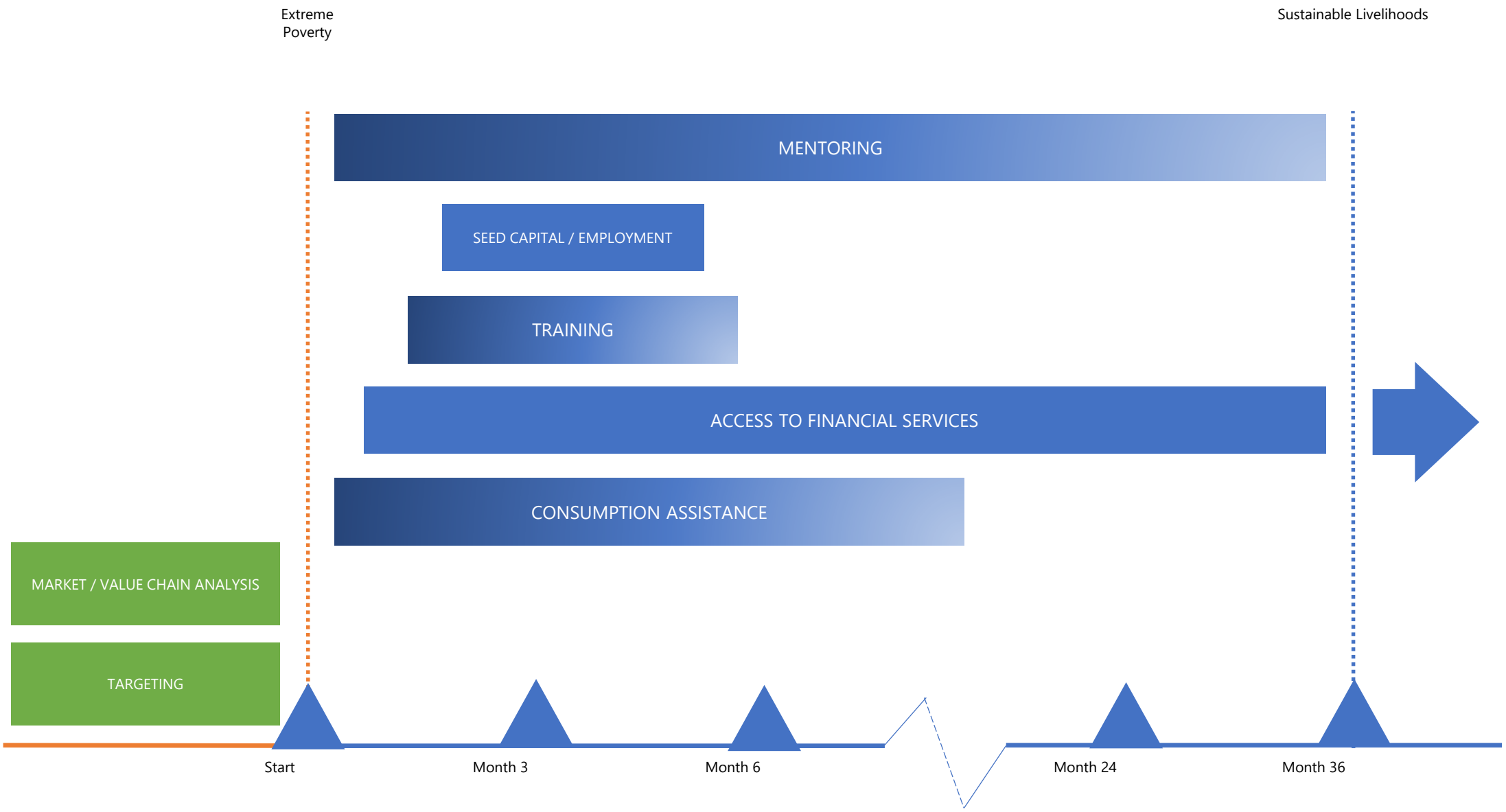
FOOD AND CASH STIPENDS
Stipends are provided to immediately improve and stabilize consumption

ASSET OR CASH TRANSFER
Participants purchase an asset that is a sustainable income generator, such as animals or shea butter processing equipment

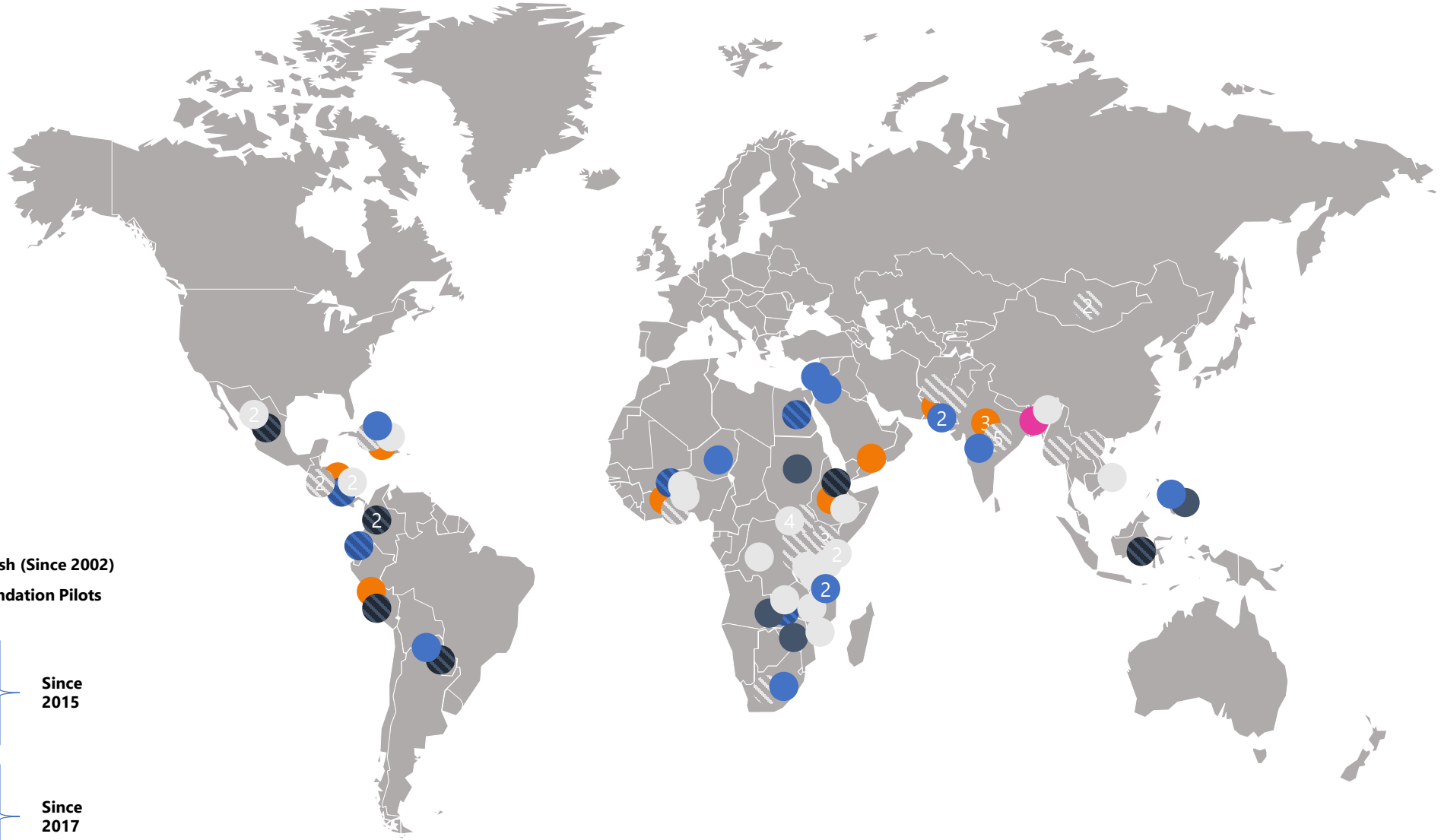
SKILLS TRAINING
Participants receive guidance on running a business and caring for assets

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


Extreme Poverty
Sustainable Livelihoods
MENTORING
SEED CAPITAL / EMPLOYMENT
TRAINING
ACCESS TO FINANCIAL SERVICES
CONSUMPTION ASSISTANCE
MARKET / VALUE CHAIN ANALYSIS
TARGETING
Start
Month 3
Month 6
Month 24
Month 36

GRADUATION IS PART OF THE SOLUTION



- BRAC – Bangladesh (Since 2002)
- CGAP – Ford Foundation Pilots (Since 2006)
- NGO
- Donor
- Governments

Since 2015

- NGO
- Donor
- Governments

Since 2017

Impacts and Costs: Randomized Controlled Trial Results

The approach drives impacts across diverse indicators…

Income

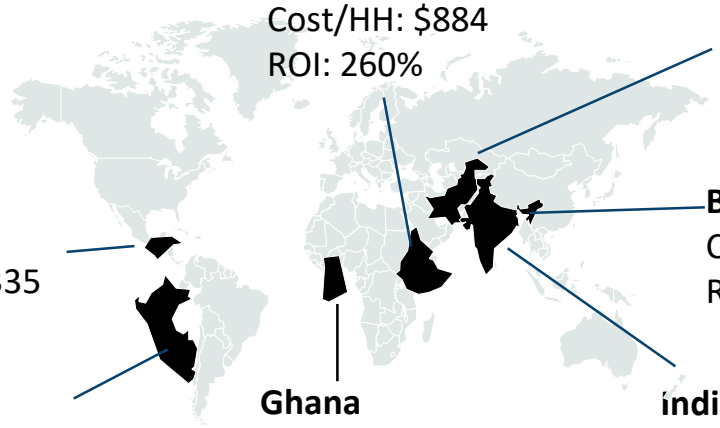
Savings

Food security

Health

Happiness

And has delivered high returns on investments with sustainable outcomes



Ethiopia
Cost/HH: $884
ROI: 260%

Pakistan
Cost/HH: $864
ROI: 179%

Bangladesh
Cost/HH: $436
ROI: 540%

Honduras
Cost/HH: $1,335
ROI: -198%

Peru
Cost/HH: $2,604
ROI: 190%

Ghana
Cost/HH: $1,777
ROI: 133%

India
Cost/HH: $330
ROI: 433%

Graduation participants reported

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

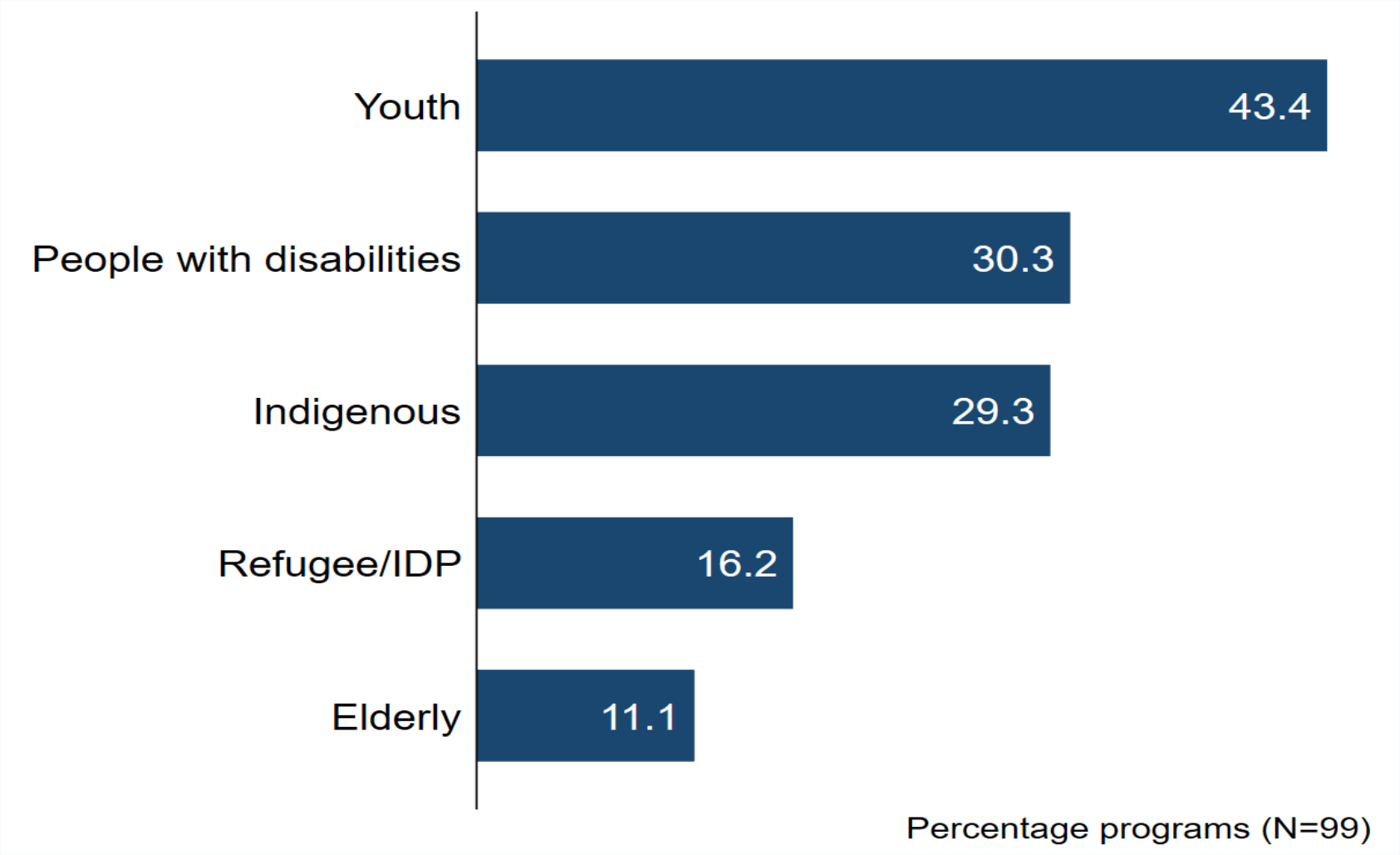
Source: Innovations for Poverty Action, Abdul Latif Jameel Poverty Action Lab, London School of Economics, The Economist

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



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?*

Add-ons for successful Graduation

Economic Inclusion	Soft skills and Empowerment	Complementary Social Services	Financial Inclusion
• Market linkages • Agricultural extension • Asset transfers • Livelihood services • Skilling	• Broader empowerment, including political • Gender/women's empowerment interventions • Digital and financial capability • Coaching	• Education • Nutrition • Health	• Insurance or risk management • Credit or investment • Savings and accumulation • Payments

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

Eligibility, Outreach, Registration, Intake, and Casework

Identification

Photo Credit: Haku Winay

Exercise:

What's in place? What needs to be added/linked/ referred?

PARTNERSHIP FOR ECONOMIC INCLUSION

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

Country Implementation

Work directly with country governments and implementing partners to implement the graduation approach, from pilot to scale

Policy Influence

Work with Community of Practice to scale and build programs that apply standards and best practices; influence donors, governments, and others

Innovation and Learning

Leverage data and evidence collection from countries and global platform to create holistic set of metrics and best practices for open-source consumption

Knowledge Management & Capacity Building

Support local efforts to build additional staff and management capacity; use global learnings to feed in standards and best practices

Innovative Funding Streams

Work with countries and donors to identify and successfully obtain new funding sources for graduation programming

Thank you!

Please see our Technical Guide on Crowd Compass

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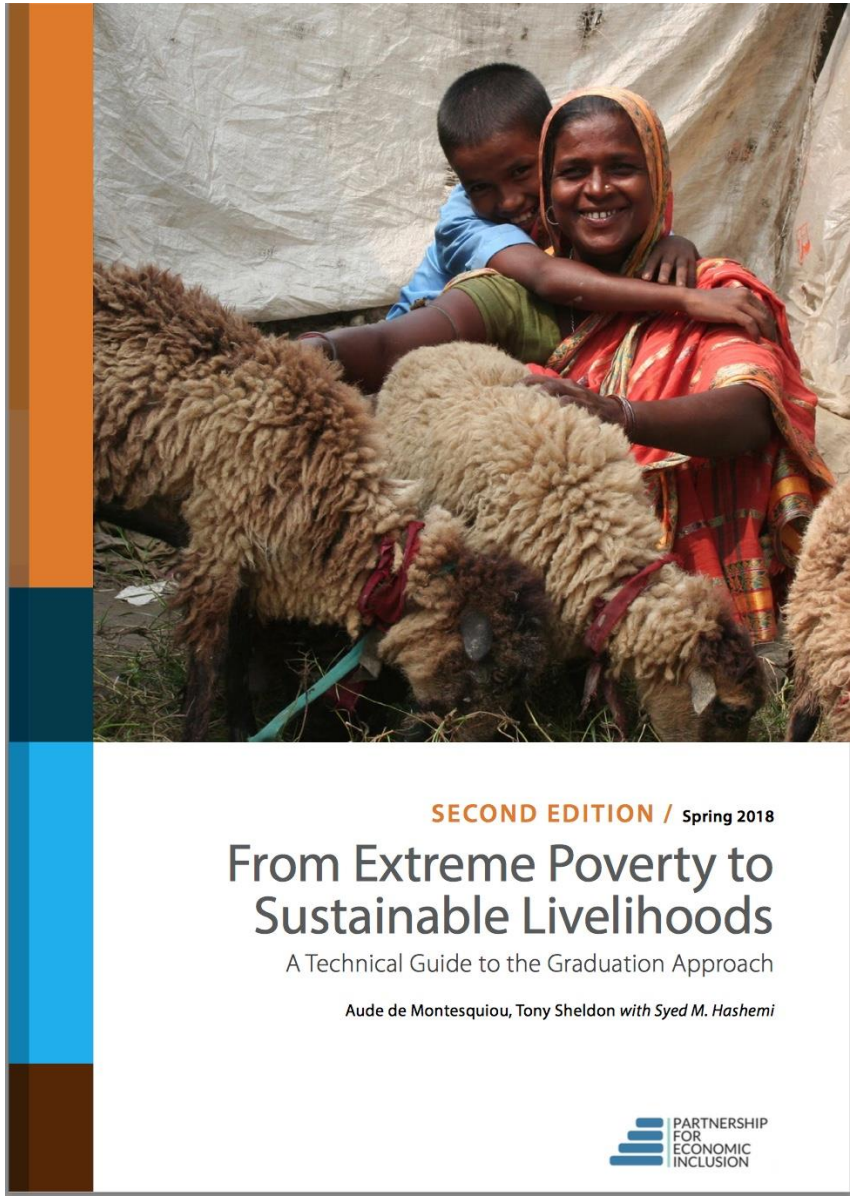
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