

Making Sustainable Reductions in Extreme Poverty: *Summary from a Comparative Meta-Analysis of Livelihood, Cash Transfer and Graduation Programs*

The share of the world’s population living in extreme poverty has seen spectacular reductions since the 1990s. But hundreds of millions still live on less than US\$1.25 a day; continued reduction of extreme poverty will require targeted interventions to help the poorest increase their standard of living. Identifying effective social protection programs is critical to this effort.

Three categories of promising approaches have emerged with the potential to help the very poor increase incomes or move out of extreme poverty (Table 1):

- Graduation programs
- Livelihood development programs
- Lump-sum cash transfer programs

A key question for policymakers is: **Which type of program generates the greatest and most sustainable impact for the extreme poor given a limited budget?**

	Graduation Programs	Livelihood Development Programs	Lump-Sum Cash Transfer Programs
Overview	Take a holistic approach to extreme poverty reduction with a set of services including access to savings, coaching and the grant of a productive asset.	Use a wide range of approaches to helping poor people acquire productive assets and build the skills to use them, usually in rural settings (e.g. promotion of new farming technologies, formation of farmer group organizations). Sometimes combined with grants and access to financial services.	Offer a large lump-sum (productive cash grant) to help the poor invest in income-generating assets.
Targeting	Select the poorest only (through participatory wealth ranking and proxy means tests).	Varied targeting. One-third of our cases focus on the extreme poor using different targeting methods.	Three of 11 of our cases target the extreme poor using proxy means tests, others target more broadly.
Cost	Relatively high average cost per beneficiary (US\$1,156), with a wide range across sites.	Large variation in cost per beneficiary, ranging from US\$2.36 to US\$3,700. Average cost of US\$796.	Average cost of US\$232 with the size of cash grants in this study ranging between US\$84 and US\$480.
Scale	Graduation Approach was initiated by BRAC in Bangladesh in 2002 and reached over half a million households by 2013. CGAP-Ford Foundation adaptations in 10 pilots (2006-2014). Scale-ups are ongoing in several countries including Afghanistan, Colombia, India, Pakistan, Paraguay, and Peru.	Usually government-implemented (or implemented by a single NGO on behalf of a government) and with countrywide scale. They have a long history of implementation, often dating back to the 1970’s.	Transfers generally implemented as pilots for research into business investment and poverty reduction, with the exception of GiveDirectly which has reached thousands of households in Kenya and Uganda and continues to expand.
Research	Randomized impact evaluations at BRAC in Bangladesh and six sites (Ethiopia, Ghana, Honduras, India, Pakistan, and Peru), published in Science Magazine (2015).	These programs have rarely been rigorously evaluated.	Extensively evaluated, since they have mostly been delivered in the context of randomized impact evaluations to learn about poverty reduction.

Methodology

In order to address this question, we identified 39 livelihood, 11 lump-sum cash transfer, and seven Graduation programs with both impact evaluations and project-specific cost data. The criteria for inclusion were 1) evaluations of programs designed to help the poor build livelihoods; 2) availability of impacts measured on income or consumption; and 3) information of project budget and scale available to measure per participant cost. These programs are either specifically targeted to the poorest (Graduation programs) or include a broader set of beneficiaries (most livelihood and lump-sum cash transfer programs). Keeping in mind important methodological limitations, the cost-effectiveness of each approach was compared using the simple indicator of impacts on income or consumption per dollar spent.

Cost-Benefit Comparison

Among programs that target the extreme poor and for which there is long-term evidence the Graduation Approach has the greatest impact per dollar with a benefit-cost ratio of 0.11, though not statistically significantly higher than livelihood programs at 0.09. However, the livelihood programs meeting these criteria are widely varied, including agricultural reform, irrigation, a women's income-generation program, land redistribution, and ex-combatant reintegration. The breadth of these programs, the high variation in the size of impacts (including both positive and no impact), and lack of rigorous research explaining why some programs work and others do not, lead to no clear policy recommendation. To date, lump-sum cash transfers have the highest benefit-cost ratio at 0.29 but unlike graduation programs generally do not target the extreme poor. Moreover, the existing evidence of cash transfer is primarily limited to the short-term effects.

Evidence also showed that the Graduation program's impact on economic indicators persist over time. According to the six-country impact study published in *Science* (Banerjee, et. al., 2015), there was no decline in impact of the Graduation program on daily consumption after the intervention stopped; to the contrary, over one year after the program ended, households had more productive assets (mostly livestock) and had increased their labor supply. In some countries, they even acquired livestock other than those provided by the program. In Bangladesh, the estimated impact of the Graduation program on total consumption significantly increased between the end of intervention and two years after.¹ Livelihood and cash transfer cases showed a reverse trend.²

Conclusion

More evidence is needed to make a comparison between the Graduation Approach and lump-sum cash transfers in sustainable poverty reduction among the extreme poor. Based on current evidence, the Graduation Approach is the clearest path to reducing extreme poverty, though a direct comparison of the long-term impact between Graduation, lump-sum cash transfers, and specific livelihood development interventions serving the extreme poor is needed.

For more information please read:

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www.microfinancegateway.org/graduation

graduation@worldbank.org

¹ BRAC's RCT Findings: Can Basic Entrepreneurship Transform the Economic Lives of the Poor? (April 2013). IPA-J-PAL impact evaluation in *Science*: A Multi-faceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries (May 2015)

² There are five cases (three livelihood and two cash transfer programs) with impact estimates at multiple points of time. These show a declining trend between their respective mid-lines and end-lines. All three livelihood cases show substantial decline in effect sizes. The cash grant experiment in Sri Lanka (Case C4) finds that the impacts are much higher in the four quarters immediately after transfers than a year later while another experiment involving training – and another grant transfer in Sri Lanka (Case C10) – show that the initial improvements in business practices dissipate after two years.