

FLETCHER D-PRIZE COMPETITION

2021-2022 Academic Year

Livelihoods Challenges

Scale Livelihood Support to End Ultra Poverty

We challenge you to launch a new organization that helps the ultra poor graduate from poverty. Many of those trapped in ultra poverty lack the capital and skills to access profitable livelihoods. Fortunately there is a simple intervention that offers capital transfers and coaching to help the ultra poor earn more. D-Prize will award up to \$20,000 to teams with a plan to launch a pilot of the “Graduation Approach” beginning with 30-60 households, and who have a vision to expand country-wide.

The Poverty Problem

Nearly 400 million people live in ultra-poverty, subsisting well below the extreme poverty line of \$1.90 per day.¹ These are the marginalized within already marginal communities. They work menial and insecure jobs in agriculture and domestic labor and have limited or no access to healthcare, clean water, electricity, and even shelter.² And their situation is getting worse: Global poverty is expected to rise for the first time in twenty years due to the disruption of covid-19.³

Self-employment is one of the few viable alternatives for the ultra poor, but most lack the capital and skills to start a profitable business. Many interventions meant to help develop stronger livelihoods have had limited success. For instance, microcredit alone has not increased average household income and consumption for the extreme poor, and does not reach the ultra poor entirely.⁴ Similarly, standalone business mentorship and training has also struggled to drive large impact. Such programs are often too short in duration to produce discernible benefits.⁵⁶

¹ <https://nextbillion.net/the-under-recognized-threat-of-ultra-poverty-and-how-the-world-can-tackle-it/>

² <https://www.worldvision.org/sponsorship-news-stories/global-poverty-facts#facts>

³ <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>

⁴ <https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20140287>

⁵

https://blogs.worldbank.org/impactevaluations/reassessing-evidence-business-training-doesnt-work?CID=WBW_AL_BlogNotification_EN_EXT

⁶ <https://www.poverty-action.org/study/graduating-ultra-poor-ghana>

The Proven Intervention

Fortunately, there is one program model proven to have an impact on livelihoods for the ultra poor. The [“Graduation Approach”](#) was developed by BRAC in Bangladesh as an integrated livelihood program combining capital transfer with training and other forms of ongoing social support.⁷

Graduation approach programs work like this: Ultra poor members of a community are selected for participation using a screening process. Participants are given ongoing business training, which usually takes place in a monthly meeting with their entire cohort. Participants also receive a productive asset or cash to launch a small business, coaching to help that business succeed, and other forms of social support. Programs typically last 1-2 years.

Across six countries, this approach was found to improve multiple economic measures.⁸ At the end of the program household savings increased by 156% compared to a control group, and 96% one year later. Productive asset gains were similarly impressive, at 15% after the program and 14% a year later. In addition, per capita income increased by 5%, from \$78.80 to \$83.35.

These results led the World Bank’s Consultative Group to Assist the Poor to declare that “the graduation approach should form an integral component of national social protection and poverty reduction strategies.”⁹

There are several versions of this proven program. Besides BRAC, [Village Enterprise](#) and [The Boma Project](#) have proven to drive impact. Once these programs identify the most vulnerable members of a community, they offer them a combination of many of the following elements:

- *Capital transfers* of a productive asset or a cash grant. Popular assets in graduation models include livestock, like sheep, goats, oxen, and hens, agricultural inputs, like maize seed and fertilizer, and various nonfarm micro-enterprise inventory. Some Graduation programs, like the one run by Village Enterprise, give cash transfers instead of productive assets.¹⁰ The asset or grant must be appropriate to the market, and most asset programs offer clients a choice of assets.
- *Skills training and coaching* to make use of the capital transfer. For example, households that receive livestock are offered training on how to care for the animals, including information on vaccines, feed, and disease treatment. Many programs include ongoing coaching and home visits, including training on health and financial literacy.
- *Savings support* is offered in many programs, with households required to participate in savings groups or open formal bank accounts. In Uganda, Village Enterprise requires

⁷<https://www.fordfoundation.org/campaigns/early-lessons-from-large-scale-implementations-of-the-graduation-approach/#:~:text=The%20Graduation%20Approach%20is%20a%20needs%20of%20extreme%20poor%20households>.

⁸ <https://gap.hks.harvard.edu/multifaceted-program-causes-lasting-progress-very-poor-evidence-six-countries>

⁹<http://documents1.worldbank.org/curated/en/130091504769730602/pdf/119209-BRI-PUBLIC-Brief-Graduation-Pathways-Dec-2016.pdf>

¹⁰ <https://villageenterprise.org/what-we-do/>

households to form Business Savings Groups, which are structured similarly to Village Savings and Loan Groups.¹¹ In Ethiopia, a graduation program mandated that households open savings accounts at a regional microfinance bank and stipulated regular deposits and withdrawal restrictions.¹²

- *Social protection* is offered in many programs, often in the form of food support or cash transfers, as well as access to healthcare. For example, a graduation program in Ghana offered weekly cash transfers during the lean season.¹³

Your Distribution Challenge

D-Prize will award up to \$20,000 to teams that can create a new social enterprise that provides a Graduation Approach program to those living on less than \$1.90 per day.

You must have a vision for a program that is easy to replicate quickly, and can help at least 50,000 people living in poverty improve their household consumption and savings within five years. Our award is meant to enable the first step toward this vision by supporting a small test pilot of the enterprise that serves 30-60 households through the first year of the program.

Designing Your Social Enterprise

We believe a successful graduation entrepreneur must have compelling answers to the following questions:

(1) *What is the market you are seeking to serve, and what will your specific Graduation Approach model be?* A good proposal will describe which communities will be served by this intervention. We recommend selecting communities similar to those served by other proven organizations, like [Village Enterprise](#), [The Boma Project](#), or another successful Graduation Approach venture.

A good proposal must also specify the capital transfer, skills training, and other social support provided to these communities. We recommend staying as close as possible to the support mix offered by other proven organizations. Any deviation to suit local needs should be explained.

Please note that a poorly chosen capital transfer can be disastrous. For example, a graduation program in Honduras distributed chickens, a large proportion of which died of illness, resulting in negative impacts on consumption and asset holdings and an overall negative return of 198%.¹⁴

*Note: D-Prize does not award ideas for vocational training or other forms of business training alone.

(2) *How will you recruit and train community coaches?* A typical graduation approach model

¹¹ <https://www.poverty-action.org/study/variations-ultra-poor-graduation-programming-uganda>

¹² <https://www.poverty-action.org/study/graduating-ultra-poor-ethiopia>

¹³ <https://www.poverty-action.org/study/graduating-ultra-poor-ghana>

¹⁴ <https://www.poverty-action.org/study/graduating-ultra-poor-honduras>

includes skills training and business mentoring. This is usually provided by your team members.

A good proposal will include a plan to recruit, train, and manage and monitor a team of effective coaches. Good coaches must lead hands-on training through a combination of group visits and home visits from the moment the beneficiary receives the capital transfer all the way to graduation. [BRAC recommends](#) that coaches:

1. Mentor participants
2. Train on key topics such as livelihood management, business skills, household budgeting, and other life skills
3. Link households to government and community resources
4. Monitor progress of households

In addition, BRAC emphasizes the importance of trust, respect, and soft skills including, “deep contextual knowledge, strong interpersonal skills, and ability to handle sensitive issues related to gender.”

(3) How will you enter the community and identify the most vulnerable members of the community? The Graduation Approach is designed for the most vulnerable in extreme poverty, typically defined as living on much less than \$1.90 per day.

A good application will outline a compelling model for identifying and enrolling qualified participants.

For example, Village Enterprise identifies target beneficiaries through “a community-based Participatory Wealth Exercise and Innovation for Poverty Action’s [Poverty Probability Index](#).”¹⁵

The BRAC model recommends that implementers identify a poor region in their market and then select participants through:

- *Community input:* Implementers ask communities to create a local map identifying each household and then conduct a poverty wealth ranking (PWR) based on household characteristics to identify the poorest members of the community for participation.
- *Surveys:* The implementers then verify the results of the PWRs through traditional household means-tests including family size, number of children attending school, and type of housing.
- *Cross-verification:* In the final step, senior program staff visit all selected households to verify community input and survey information to prevent selection errors.¹⁶

Most graduation programs target rural poverty. In 2010 BRAC offered a version of its graduation program in urban settings and found this population to be slightly better educated and more economically well-off through odd jobs and trade, making the traditional Graduation Approach

¹⁵ <https://villageenterprise.org/what-we-do/>

¹⁶ <https://www.cgap.org/sites/default/files/CGAP-Focus-Note-Reaching-the-Poorest-Lessons-from-the-Graduation-Model-Mar-2011.pdf>

less effective in these settings.¹⁷

(4) *How will you measure results and impact?* Graduation programs last 18-36 months. In the long-term you should have a plan to measure whether or not participants have “graduated” from ultra poverty. We recommend using similar metrics and data collection processes that are used by existing programs.

A good proposal must also consider what metrics indicate success in a much shorter time frame. We recommend you select metrics that are easy to track, and plan to continuously monitor your program. A good proposal will be ready to catch a failing program quickly and pivot to a new idea.

For an example of metrics, BRAC graduation programs use the following elements to determine impact: food security, stabilized and diversified income, increased assets, improved access to health care, improved self-confidence, and a plan for the future. This comprehensive assessment is meant to understand a household’s resilience to shocks, not just short-term material gain.¹⁸

(5) *Is your program cost-effective?* Compared to less thorough interventions, the Graduation Approach has relatively high upfront costs. Many have total implementation and program costs of around \$1,000 per household. However, successful programs deliver 130%+ returns with benefits from increased consumption and asset growth.

Most organizations do not have the capacity to deliver all of the elements of an effective Graduation Approach and should seek implementing partners.¹⁹ A successful idea may include a plan to partner with co-implementers, including government agencies and financial services providers.

The ideal social enterprise will present an estimate of benefits that significantly exceed total implementation and program costs. Because of high upfront costs, a good applicant will have a plan to raise significant funding outside of the D-Prize award in the near term.

Helpful Resources

- BRAC’s [Graduation Overview](#) and [Graduation Pillars](#)
- IPA’s research on graduation programs:
 - [Graduating the Ultra Poor in Ethiopia](#), [Graduating the Ultra Poor in Ghana](#), [Graduating the Ultra Poor in Honduras](#), [Graduating the Ultra Poor in India](#), [Graduating the Ultra Poor in Pakistan](#), [Graduating the Ultra Poor in Peru](#),

¹⁷

<https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2017/04/Lamia-Rashid-BRAC-Ultrapoorest-Graduation-Paper-for-UN-Expert-Group-Meeting-May-2017-25Apr17.pdf>

¹⁸ <https://www.cgap.org/sites/default/files/CGAP-Focus-Note-Reaching-the-Poorest-Lessons-from-the-Graduation-Model-Mar-2011.pdf>

¹⁹ Ibid.

[Variations of Ultra-Poor Graduation Programming in Uganda, Cash and Microenterprise Support for the Ultra-Poor in Uganda](#)

- IPA's [Poverty Probability Index](#) measuring tool

Ready To Apply?

Download a First Round Application Packet and start creating your proposal at www.fletcher.tufts.edu/D-Prize.

Questions? Email Dorothy Orszulak at dorothy.orszulak@tufts.edu.