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# Preserving the Essence, Adapting for Reach: Early Lessons from Large-Scale Implementations of the Graduation Approach

Four Case Studies and Synthesis Analysis  
Tony Sheldon, Series Editor



FORD  
FOUNDATION



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# FOREWORD

Inequality remains at very high levels globally, limiting prospects for overall economic growth as well as opportunities for the poor and disadvantaged to get ahead. Combatting inequality in all of its forms is central to the mission of the Ford Foundation, and reducing inequality requires addressing the incomes and assets of the poor *and* addressing the alarming gap between those at the top and bottom of the economic ladder.

In this context, reducing or eliminating extreme poverty worldwide is a critical strategy, encompassed in the United Nations' Sustainable Development Goal #1: "End poverty in all its forms everywhere." A recent World Bank report estimated that close to 900 million people, or about 13 percent of the world's population and 15 percent of the population of developing countries, live on less than \$1.90 per day – the updated international poverty line as of 2015.<sup>1</sup>

Unfortunately, most development interventions, including microfinance and livelihood development programs, have not addressed the needs of the extreme or ultra-poor because these populations tend to be the hardest to serve: they are socially and geographically isolated, own few or no assets, have limited livelihood prospects, and often suffer from poor health.

As a striking exception, one of the most promising approaches for promoting the social and economic mobility of the extreme poor has been the "Graduation Approach," originally developed as the "Targeting the Ultra Poor" program by BRAC in Bangladesh. The Graduation Approach is a holistic livelihoods program designed to address the multi-dimensional needs of extreme poor households. The Approach consists of five core components: time-limited

<sup>1</sup> See Cruz, Marcio, James Foster, Bryce Quillin, and Philip Schellekens. October 2015. *Ending Extreme Poverty and Sharing Prosperity: Progress and Policies*. World Bank Group Policy Research Note. Washington, DC: World Bank.

consumption support; a savings component; an asset transfer; training in how to use the asset; and life skills coaching and mentoring. The theory of change underlying the model is that this mix of interventions, offered in the appropriate sequence, would help the ultra-poor to "graduate" out of extreme poverty within a defined time period.

Based on the promising results achieved by the BRAC model, the Ford Foundation partnered with the Consultative Group to Assist the Poor (CGAP), a global partnership of 34 leading development organizations housed at the World Bank that seeks to advance financial inclusion. Together, we decided to adapt and test the Graduation Approach through pilot projects implemented by nongovernmental organizations at 10 sites in eight countries in Asia, Africa, and Latin America between 2006 and 2014. The Foundation and CGAP also put in place an ambitious research and learning program to document the impacts of the pilot projects and to disseminate the results widely. I want to thank our CGAP partners as well as Frank DeGiovanni, former Director of Financial Assets here at the Ford Foundation, who played a vital role in developing this powerful work and documenting its impact.

The findings from the rigorous evaluations of the CGAP-Ford Foundation pilots, as well as from BRAC's ongoing program, have been extremely positive.<sup>2</sup> Results of the randomized experiments from the pilots show that, compared to control groups, program participants earned increased levels of income and achieved sustained gains in household consumption, assets, and food

<sup>2</sup> See for example: Banerjee, Abhijit, Esther Duflos et al. "A multifaceted program causes lasting progress for the very poor: Evidence from six countries." *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12; Balboni, Clare, Oriana Bandiera, et al. December 2015. *Transforming the economic lives of the ultra-poor*. London: International Growth Centre.; Fahey, Alison. 2015. *Building Stable Livelihoods for the Ultra-Poor*. J-PAL and IPA Policy Bulletin. Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.



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security at least one year after the two-year pilot programs ended.<sup>3</sup> Renowned economists have in fact characterized these results as among the most powerful and impressive ever achieved by an anti-poverty intervention.<sup>4</sup>

These findings suggest that the Graduation Approach is an effective and scalable intervention with impacts that are sufficiently robust to persist over time.

Based on these interim findings, the Foundation and CGAP designed an ambitious strategy to reach out to government policy makers to help them understand the potential of the Graduation Approach to serve large numbers of extremely poor people develop sustainable livelihoods and move into the market economy over time. The key is embedding the Approach in government social protection or large-scale anti-poverty programs.

The Foundation and CGAP undertook three years of systematic outreach to bilateral and multi-lateral donors and policy makers from 24 developing countries beginning in 2012. In addition, the Foundation funded technical assistance and outreach to governments in Latin America to assist them in adapting and piloting the Graduation Approach. These efforts have borne fruit. A scan conducted by CGAP in December 2015 indicated that 22 governments in Asia, Africa, and Latin America were in the process of piloting or adapting the Graduation Approach within their national social protection strategies, while 13 NGOs and one donor agency also were developing their own versions of the Graduation Approach.<sup>5</sup> This level of uptake is very encouraging.

<sup>3</sup> The evaluations of one of the pilots in India and the BRAC Targeting the Ultra Poor Program tracked the impacts of the Graduation Approach five years after the end of the interventions. In both cases, the improvements in well-being for program participants persisted.

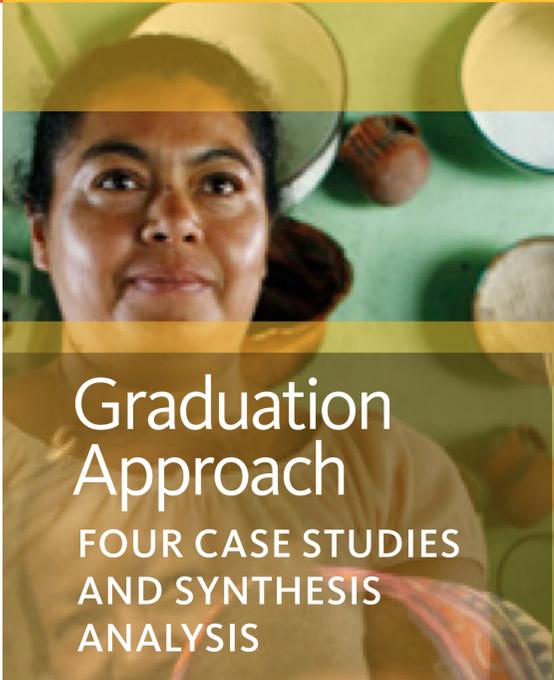
<sup>4</sup> At the CGAP-Ford Foundation convening on the Graduation Approach held in Paris in June 2014, Yale economist and founder of Innovations for Poverty Action (IPA) Dean Karlan stated: “IPA had been involved in about 500 or so randomized trials over the years. Of these, I could count on one hand those I was confident enough advising policymakers to scale up. The Graduation Program would now be on that list.”

<sup>5</sup> See CGAP, “Graduation Factsheets”, [www.microfinancegateway.org/sites/default/files/graduation\\_factsheets\\_overview\\_december\\_2015\\_pdf](http://www.microfinancegateway.org/sites/default/files/graduation_factsheets_overview_december_2015_pdf)

We recognize that governments and NGOs will need to adapt the “classic” version of the Graduation Approach as broader integration with social policy happens around the world. Governments face different challenges than NGOs, scaling brings its own set of challenges, and programs must be tailored to address differences in regional contexts. With these factors in mind, we commissioned these case studies of three governments and one large NGO who are scaling the Graduation Approach within their ongoing programs.

The widespread prevalence of extreme poverty across the world is unacceptable. It affects both current and future generations. But beyond being unacceptable, it is unnecessary, as these powerful Graduation results underscore. We celebrate the commitment of governments, NGOs and private sector partners to helping extremely poor households develop sustainable livelihoods. And we hope that the lessons provided—by the case studies and the companion analysis which synthesizes the lessons learned—will embolden other governments and NGOs to adopt, adapt, and scale up an approach that works.

Xavier de Souza Briggs  
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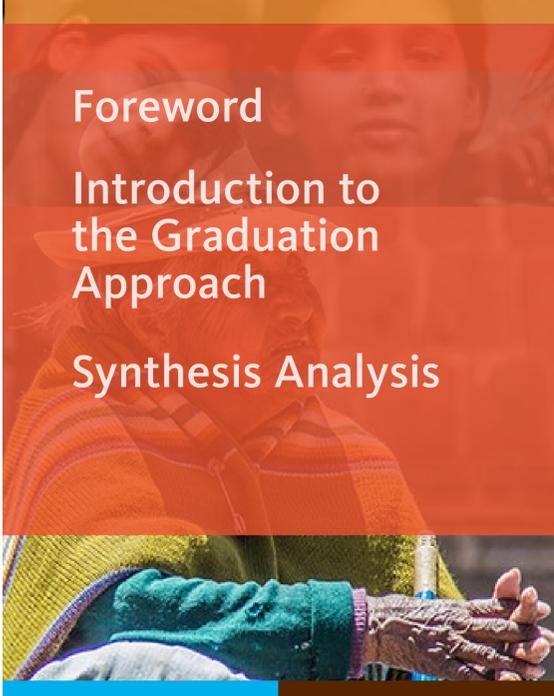
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# Preserving the Essence, Adapting for Reach:

## Early Lessons from Large-Scale Implementations of the Graduation Approach

### INTRODUCTION TO THE GRADUATION APPROACH

Among the development approaches aimed at reaching the extreme poor, one of the most promising has been the “Graduation Approach,” originally developed by BRAC in Bangladesh. BRAC’s theory of change was that with the right mix of interventions, offered in the right sequence, households could “graduate” from extreme poverty into sustainable livelihoods within a defined time period.

The “classic” Graduation Approach 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-term livelihood strategies. Once those basic needs have been met, participants receive support in saving money (a vital tool in managing risks). They are also helped to identify a sustainable livelihood that is suitable for their interests and aptitudes, and also for the local market (e.g., animal husbandry, shop-keeping, weaving or tailoring). Then they receive an asset to help launch that livelihood (e.g., goats or sheep for animal husbandry; an inventory of goods for shop-keeping) and related technical skills training. Finally, Graduation participants receive intensive personalized life-skills coaching throughout the life of the program.<sup>6</sup>

BRAC clients who participated in the Graduation Approach appeared to experience improved family nutrition, health, and other well-being indicators and, moreover, to sustain these improvements over time. The question then became whether the BRAC experience

<sup>6</sup> CGAP has recently changed the terminology it uses to describe the elements of the Graduation Approach. As the case studies were written before this change, we have kept the original terms. CGAP’s new terminology for each component is: Consumption Assistance; Financial Inclusion; Training; Seed Capital; Mentoring.

in Bangladesh could be replicated by other providers in other geographical and cultural contexts. So from 2006 to 2014, the Ford Foundation, CGAP, and several international and local partners tested and adapted the Approach through 10 pilot programs in eight countries.

The findings from the CGAP-Ford Foundation pilots, as well as from BRAC’s ongoing program, have been extremely positive.<sup>7</sup> Quantitative and qualitative studies show that, compared to peer groups, program participants were earning more income and achieving stable improvements in their well-being long after the program concluded, with sustained gains in household consumption, assets, and food security. In other words, the answer to the question about whether the successes achieved with the Graduation Approach in Bangladesh could be replicated elsewhere appeared to be a resounding “yes.”

The question remained, however, how to operate the Graduation Approach at scale. The very factors believed to make it so effective—highly personalized, wrap-around services delivered with compassionate, skilled, and individual attention—also make the “classic” Graduation Approach time- and labor-intensive and costly. So CGAP, the Ford Foundation and their partners next began exploring how best to support large-scale adaptations and implementations of the Graduation Approach, especially by governments. The results of four of those adaptations are the subject of this series of case studies commissioned by the Ford Foundation. Three of the cases (Ethiopia, Colombia and Peru) describe government-led programs; the fourth (India) covers the ongoing Graduation work of Bandhan Konnagar, one of the original 10 CGAP-Ford Foundation pilot programs.

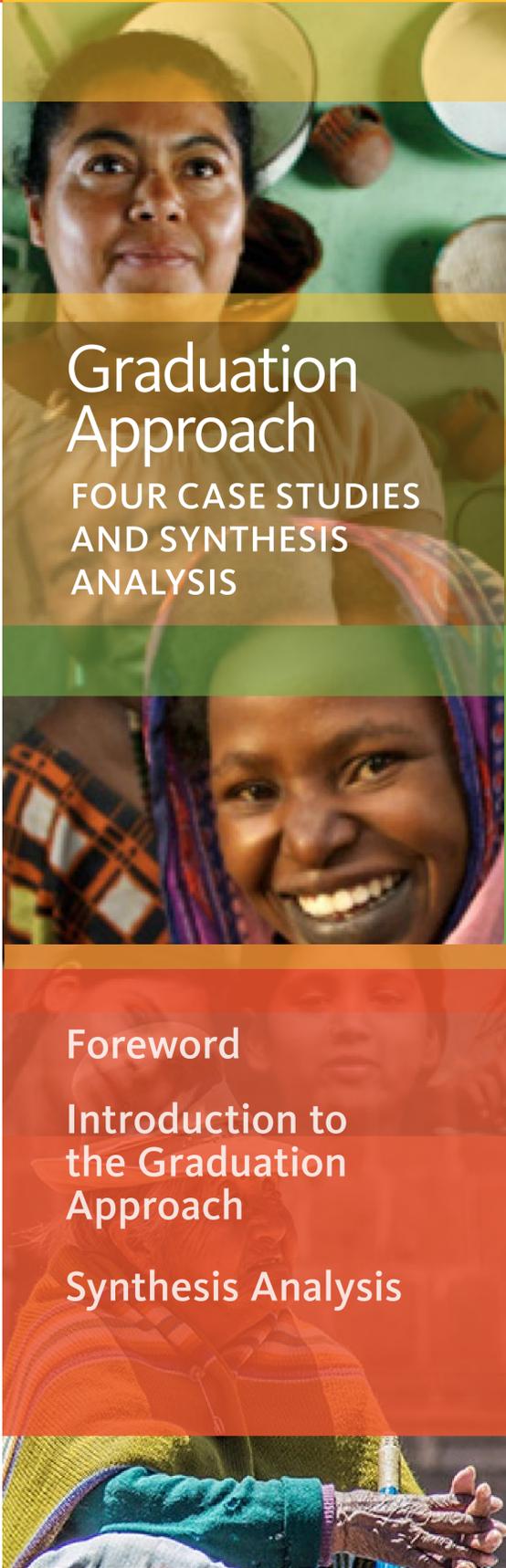
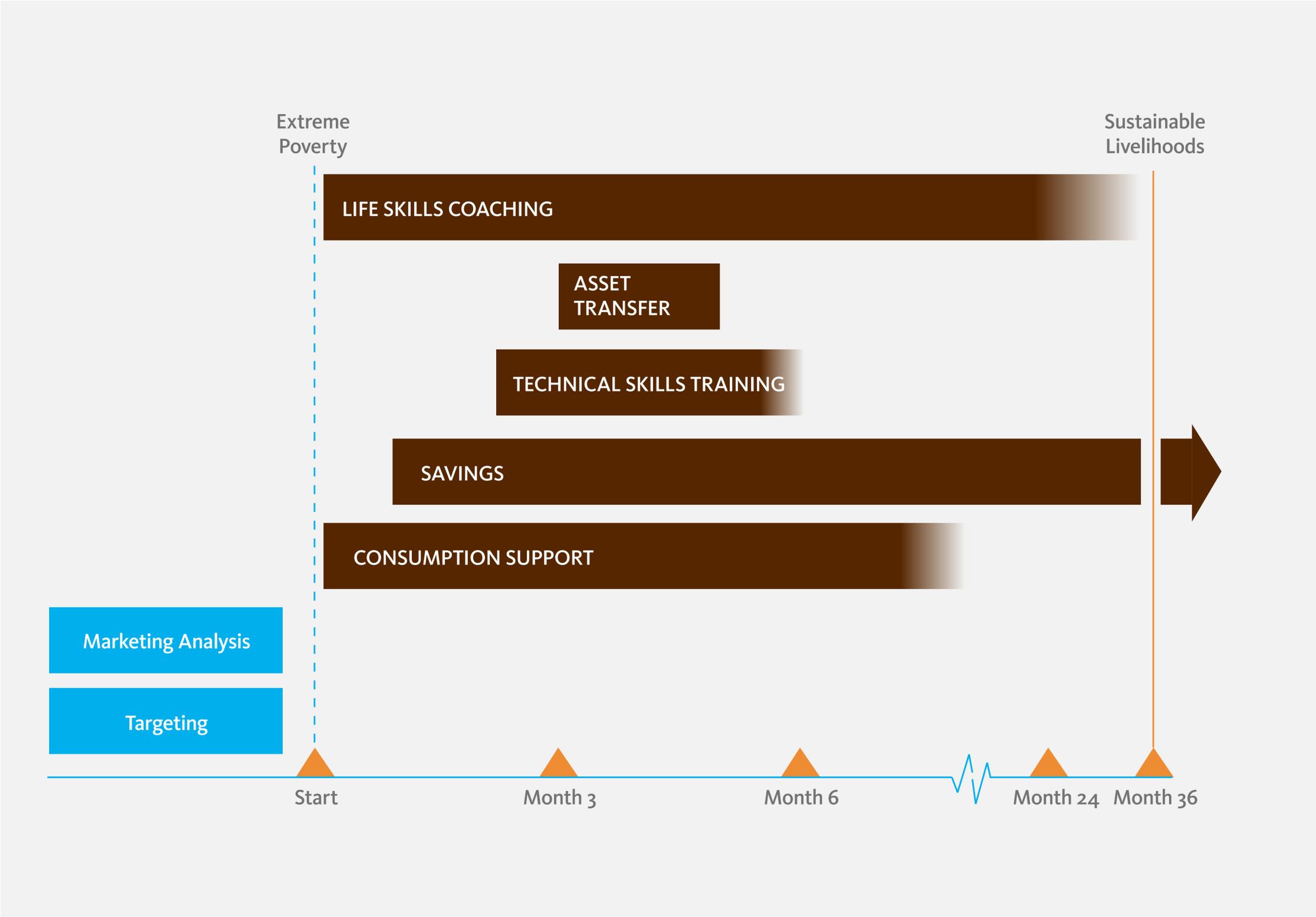
<sup>7</sup> See for example: Banerjee, Abhijit, Esther Duflos et al. “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12; Balboni, Clare, Oriana Bandiera, et al. December 2015. *Transforming the economic lives of the ultra-poor*. London: International Growth Centre.; Fahey, Alison. 2015. *Building Stable Livelihoods for the Ultra-Poor*. J-PAL and IPA Policy Bulletin. Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.



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## INTRODUCTION TO THE GRADUATION APPROACH >

When a government agency or other large-scale organization implements a program as complex, multi-faceted, and cross-sectoral as the Graduation Approach, inevitably some of the “standard” features will need to be adapted, often in innovative and imaginative ways, while still preserving the core elements that make the Approach effective. CGAP and the Ford Foundation originally published *From Extreme Poverty to Sustainable Livelihoods*, a technical guide on the design and implementation of the Graduation Approach, in 2014; an updated version will be released in late 2016. It is our hope that the revised technical guide, together with this series of case studies, will provide valuable insights to those looking to implement the Graduation Approach, especially at large scale.

We are also pleased that policymakers are increasingly recognizing the power of the Graduation Approach to alleviate poverty, and that the community of practice continues to grow rapidly. As of September 2016, 58 Graduation projects were in operation, an increase of 30 percent since December 2015.<sup>8</sup> Among the notable features:

*Growing government interest.* One third of ongoing Graduation projects are implemented by governments, reflecting the trend that Graduation style programming is increasing within national social protections systems.

*Less rural.* Projects have shifted their focus from predominantly rural (75 percent in December 2015) to 48 percent rural, 25 percent mixed, and 7 percent purely urban.

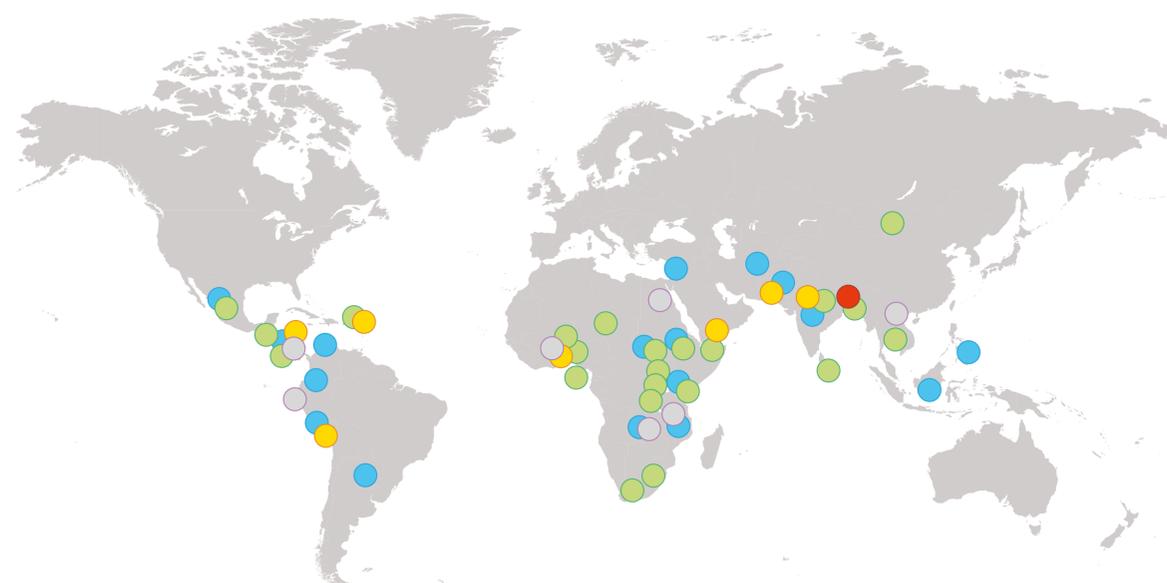
*More diverse targeting.* Targeting has also shifted from a predominant focus on the poorest (73 percent in 2015) to a little over half of the projects (56 percent) targeting people below USD 1.90 per day. Projects now target a broader range of excluded groups such as indigenous populations (16 projects), youth (15 projects), people with disabilities (11 projects), elderly people (11 projects), refugees and internally displaced persons (7 projects with 17 more planned

by 2018). From a predominant focus on women in the past, only 30 percent of projects solely target women today.

*Implementation and innovation.* A vast majority of projects still offer the full Graduation package, but there is an increasing number of adaptations. A dozen programs are now offering some element of the package digitally.

*Research.* Nearly half the projects conduct research and 19 projects have reported ongoing or planned randomized impact assessments.

## Graduation Programs as of Sept 2016 (58 programs in 36 countries)



- BRAC Bangladesh (1) – Since 2002
- CGAP- Ford Foundation Pilots (10) – 2006-2014
- NGO-implemented (30) – Since 2010
- Donor-implemented (8) – Since 2013
- Government-implemented (20) – Since 2013



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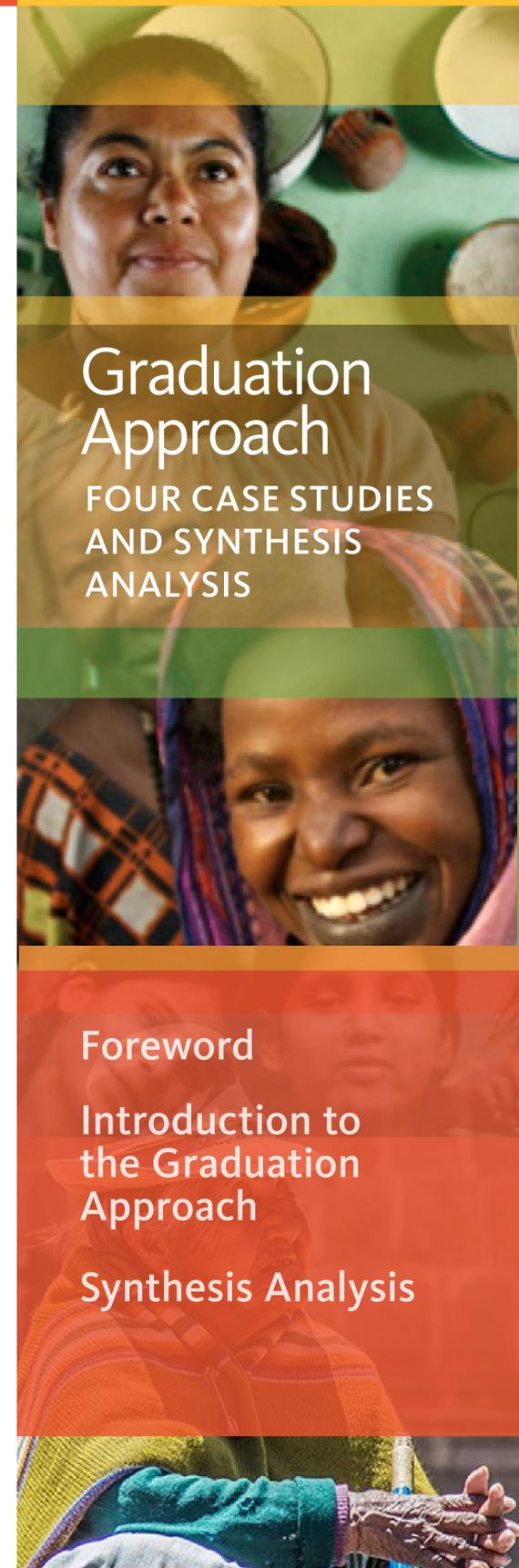
## ABOUT THIS SYNTHESIS ANALYSIS

This synthesis analysis provides an overview of these four programs' initial efforts in scaling up the Graduation Approach. It focuses primarily on lessons learned that may be valuable for other institutions and agencies implementing, or considering implementing, a large-scale Graduation program. But first, the synthesis analysis treats some general observations about the evolution of the Graduation Approach and some of the priorities of the community of practice that has grown up around it.

### Documenting and Disseminating Lessons Learned

One of the most important of those priorities is to ensure that implementers whose Graduation programs include significant adaptations to the design and delivery of the “classic” Graduation Approach also devote the necessary resources for systematic learning. That means two things: first, a rigorous assessment of the modified program to evaluate whether it still delivers a high degree of positive outcomes, and then, thorough documentation—and dissemination to the community of practice—about the lessons learned. Along with influencing other implementers' ongoing and future programs, a thorough assessment can of course be a valuable tool for making any necessary mid-course corrections to the assessed program itself.

Government-implemented Graduation programs offer great promise, and may well prove to be the most effective and efficient way of scaling up the Graduation work. Ongoing and expanded work by non-governmental organizations (NGOs) and other implementers also show great promise. But it is only by continuing to capture, document and share learnings – as government and NGO implementers adapt the core elements of the Approach – that we will be able to realize that promise. We hope that the lessons gleaned from the case studies on these four pioneering programs will contribute to this broader learning effort.



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## Government Implementation

Governments around the world are increasingly recognizing that the Graduation Approach can be a powerful complement to their existing social protection programs. Often, those programs also have access to existing resources that can be leveraged for the needs of the Approach. For example, many large-scale social protection programs already make use of robust government databases with critical information about their poorest populations (useful for Graduation targeting), the programs have extensive experience with conditional cash transfers (which can serve as the Graduation Approach’s consumption support component), and their leaders are strong conveners who can help coordinate government efforts across ministries and agencies (a vital success factor, for a complex and multi-sectoral effort such as the Graduation Approach which depends on effective partnerships).

Governments are often uniquely positioned to deliver the Graduation Approach’s key elements at significant scale for many reasons:

- Government policy objectives are often closely aligned with those of the Graduation Approach—to help provide a route out of extreme poverty and into sustainable livelihoods.
- As noted, in many cases governments have wide-reaching social protection programs, including the provision of consumption support in the form of conditional cash transfers (“CCTs”). CCT programs operate at significant scale, reaching extremely poor households – often including those targeted in the Graduation Approach. The existing infrastructure of staffing and fund-transfer mechanisms can provide a strong foundation on which to develop a broader Graduation program.
- By offering a clear route for their poorest citizens to move into sustainable livelihoods, governments can leverage their investment in social protection to help extremely poor

households enter into productive ongoing economic activities. Policymakers in many countries have already seen the potential that integrating a Graduation Approach into their existing social protection programs can offer. Their experience can influence other governments, probably more persuasively than the experience of non-governmental actors could do.

- In a number of countries, government commitment to scaling up a Graduation Approach is coinciding with national financial inclusion initiatives aimed at increasing the availability and use of financial services. The Graduation Approach can be a first step toward financial inclusion for the hardest-to-reach segments of the population.

## Adapting the Graduation Approach

The four programs profiled in these case studies are located in four very different geographical, political, and cultural contexts.

### Colombia

“Producing For My Future” is being implemented by Colombia’s Department of Social Prosperity (DPS) with extensive technical assistance from Fundación Capital.<sup>9</sup> DPS, as the nation’s lead agency on programs for social inclusion and reconciliation, is responsible for programs aimed at benefitting vulnerable populations, including the extreme poor, through capacity building and access to opportunities and assets. Overall management was undertaken jointly by a project manager from DPS and a small implementing team from Fundación Capital, the program partner and technical assistance provider. Launched as a pilot program in 2013, “Producing For My Future” began major scaling up in 2015. It is designed to last two years at each site and to reach 35,000 families by 2018.

<sup>9</sup> Fundación Capital is an international social enterprise organization aimed at building the assets of the poor on a massive scale. Fundación Capital partners with governments in 12 countries, including Colombia, to scale initiatives and promote exchange among policymakers about pro-poor and inclusive social policy.

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## Peru

The Graduation program in Peru, Haku Wiñay (“We are going to grow” in the Andean Quechua language) is based on an earlier program, “My Entrepreneurial Farm,” which offered a flexible menu of assets and technical training. Haku Wiñay is led by a central oversight body of the responsible Peruvian government ministry, FONCODES (*Fondo de Cooperación para el Desarrollo*, or the Fund for Cooperation for Development, a division of the Ministry of Development and Social Inclusion, MIDIS) with decentralized field operations that incorporate long-standing grassroots governance structures and that also recruit local people to deliver technical support. Aspiring to be a nationwide program to promote social and economic inclusion of extremely poor rural families, Haku Wiñay has four components: improving productivity of family farms, upgrading sanitation and health practices in homes, promoting rural businesses, and training in financial literacy. Haku Wiñay is also linked with other government initiatives, such as efforts to strengthen infrastructure (e.g., roads and telecommunications), so that the program’s household-level interventions are reinforced by public services that those households also need. The program was launched in 2012 and lasts for three years at each site. By 2015 the program had reached 90,000 families.

## Ethiopia

The Graduation Approach in Ethiopia began as a small NGO pilot project in northern Tigray province implemented by the Relief Society of Tigray (REST) from 2010 to 2012. The Approach is now included as an integral part of the national Productive Safety Net Program (PSNP IV) – the fourth iteration of this extensive food security-focused program. Up to ten million social protection clients will be eligible for access to elements of the Approach between 2016 and 2020, with the poorest 30 percent specifically designated to receive asset transfers. This case study was completed shortly before implementation of Ethiopia’s PSNP IV was scheduled to begin. It will be valuable to revisit many of the program’s key components a year or two after they have been put into practice to help shed light on how other large-scale government-implemented programs can best grapple with similar challenges.

## India

Bandhan Konnagar, an NGO affiliated with Bandhan Bank in West Bengal, implemented one of the 10 original sites of the CGAP-Ford Foundation Graduation pilots. Their Graduation program, known as Targeting the Hard Core Poor (THP), worked with 300 female participants in Murshidabad, one of the poorest districts of West Bengal, for 24 months between 2007 and 2009. Since 2009, Bandhan Konnagar has expanded its portfolio of interventions to include education, health, youth skills development, ethical trade, and energy renewal, but its core focus remains the Graduation program. As of early 2016, it was operational in seven states and had reached nearly 40,000 participants, of whom over 22,000 had “graduated” (that is, had become financially independent and achieved a set of social and economic criteria that indicate holistic improvement in household well-being).

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## KEY LESSONS LEARNED

As noted elsewhere, the Graduation Approach consists of five core elements: consumption support; an asset transfer; savings/financial literacy; livelihood skills training; and life skills coaching. The process of designing and planning a Graduation program takes time and expertise and involves, at a minimum, deciding how to target and select participants; how to recruit, retain, and supervise staff; how to identify and manage the necessary partnerships to carry out the work; and—not least—how to define success: what criteria to use for “graduation.” This synthesis analysis begins with the lessons learned during the planning stage and then moves on to those related to the elements of program delivery.

## PROGRAM PLANNING

### Targeting and selecting participants

Many government-implemented Graduation programs target households (generally the poorest) who are served by their country’s conditional cash transfer (CCT) program, as well as other populations identified as national priorities (such as ethnic minorities or displaced persons). Many Graduation programs have increasingly relied on existing public databases to select eligible households. Several of the programs profiled here also include an element of community engagement in the household selection process, which increases community buy-in and acts as a cross-check for database-generated targeting.

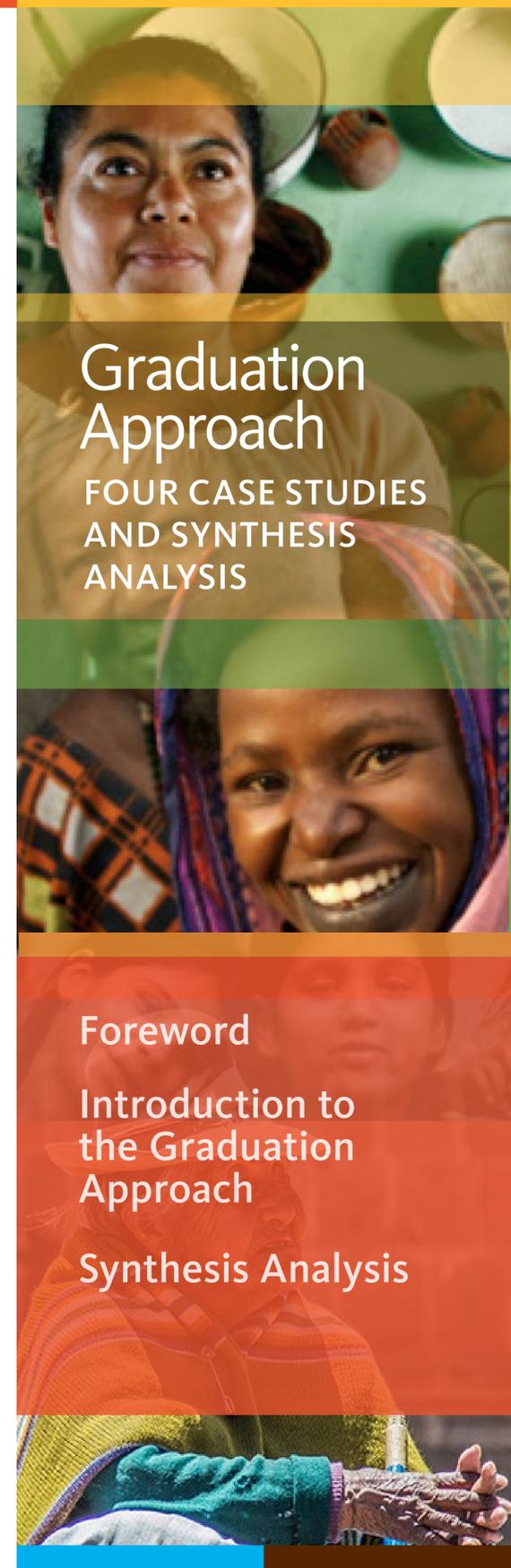
Colombia’s “Producing For My Future” program relies on a government database that categorizes and ranks Colombia’s poorest citizens according to certain criteria including health, housing, education, and vulnerability levels. Selecting participants from that database yielded a list of eligible households comparable to the one

generated by a participatory mapping exercise but at much lower cost. However, the Colombia implementers found that some of the information in the database was outdated – for example, some records had old addresses and contact information. As noted, the database-generated list of families is cross-checked by the mapping exercise as extra assurance that extremely poor households are being included. A home visit is the final step to ensure that the target population is being reached.

In order to focus on areas with a high incidence of poverty, Peru’s Haku Wiñay centers its efforts on areas where *Juntos*, the national CCT program, operates. In these areas, 75 percent or more of the homes lack at least one basic necessity (water, sanitation, electricity, or telecommunications). Many of these settlements are located two to eight hours by road from a mid-sized city or district center.

For the Ethiopia program, Graduation program targeting is part of the broader national Productive Safety Net Program (PSNP) process. Food-insecure districts are determined at the federal level, and then specific districts and wards are selected based on whether they have received food assistance or emergency relief in the past three to five years. The selected communities then utilize wealth-ranking techniques to determine the poorest 30 percent of households, which will be eligible for asset transfers, with priority given to female household heads, landless youth, the poorest households, and those for whom credit is not an option. This community-based process includes dissemination of clear criteria to help ensure that the communities themselves view the process as both transparent and fair.

Targeting for Bandhan Konnagar takes several considerations into account. One important factor is the feasibility of establishing a branch office for implementing the Graduation program in a particular area. Bandhan Konnagar also evaluates the cultural context: for example, implementing such an intensive program may



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prove impractical in extremely conservative areas that are resistant to change. Like other Graduation implementers, Bandhan Konnagar targets the most vulnerable populations it believes it can effectively serve: households without able-bodied male members are deemed among the most vulnerable and so are given priority. Local village assistance committees (VACs) also play a crucial role in developing and maintaining a relationship of transparency and trust within the community as targeting proceeds. Staff have found that contextual differences from one area to another can play an important role, and that staff must be alert to these nuances and exercise discretion during the selection process. For example, they take care not to exclude a large number of vulnerable households on the basis of what may be technicalities. Appropriate weight must be given to contextual factors to gauge with accuracy the extent and nature of household poverty.

### Recruiting, training, and motivating staff

Government-led Graduation programs often leverage existing resources—not only in-place distribution networks and databases but also existing staff. The Graduation Approach usually entails a significant extension of staff’s responsibilities, both in terms of time demands and professional expertise, so providing the right degree of supervision becomes crucial. Managers need to recognize this and offer appropriate training and ongoing support. As Bandhan Konnagar learned, an NGO-led scale-up poses different staffing challenges, mainly to do with recruiting and retaining talented people.

In Colombia, government “municipal coordinators” manage field staff responsible for coaching, one of the most important program components. The coaches’ bi-monthly in-person visits to each household have proved critical to building participants’ trust in the program and to ensuring that they stay on track with their business development. Coaches were hired locally to increase the likelihood

that participants would build the necessary rapport with them. But due to the rural nature of the pilot sites, finding qualified people (who meet the requirements of education level and work experience) has been a challenge.

Turnover among the coaches in Colombia was high between the first and second years of the pilot, requiring time and resources for orientation of each new team member. However, this issue also inspired Fundación Capital to create on-line, virtual classrooms to train new coaches, a technology solution now being implemented as part of coach training as the program continues to scale up. For the coaches themselves, meeting the demands of the coaching schedule has also proved challenging. Time-management training to help coaches realistically plan their visits, as well as to make any needed changes in the visiting schedule, is now included in staff training. Time-management skills become especially critical when participant families live in very remote rural areas, adding the element of significant travel time to what are already very demanding schedules.

In Peru, Haku Wiñay has addressed staffing constraints in a very innovative way. Field-level staff are recruited from local and nearby communities to serve as peer-to-peer resources for program participants. These *Yachachiqs* (“teachers” in the local Quechua language) are selected based on their agricultural expertise and business experience. Their own knowledge is supplemented with training in the ecological technologies that the program promotes, including irrigation systems, organic fertilizers, raising chickens and guinea pigs, installing improved stoves, and preparing safe drinking water. The *Yachachiqs*, in turn, then train program participants in these techniques as the participants’ chosen livelihoods may warrant. The *Yachachiqs* also serve as de facto coaches, as discussed below in the Life Skills Coaching section. Frequent contact between regionally-based FONCODES technicians and local Haku Wiñay communities provides technical support to field staff and participating farmers, as well as monitoring of program progress.



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The current phase of Ethiopia’s PSNP relies for staffing on a network of existing government development agents (DAs), whose role is expanded to cover the additional programmatic elements of the Graduation Approach. The government recognizes that a major challenge ahead will be managing the DAs’ increased workloads. Those DAs supporting the livelihoods component may already possess the technical skills associated with livelihoods but typically undergo training in new skills such as coaching and monitoring, which are necessary for the Graduation Approach. Along with finding ways to avoid overworking the DAs, the critical staffing challenge in Ethiopia involves balancing Graduation participants’ need for personalized attention with the realities of large-scale implementation. PSNP IV is grouping participants into cohorts for training sessions that also emphasize peer-to-peer learning, and is employing a range of government ministries and other partner organizations to deliver structured technical training as well. Other measures—such as a set ratio of 50 households per DA, scheduling group meetings every two weeks but household visits just once a month, and prioritizing struggling households over those doing well for the coaching and mentoring—are also designed to mitigate demands on the DAs.

During its scaling up in India, especially during the initial months of a new program cycle, Bandhan Konnagar faced high turnover among field staff due to the physical and emotional demands of the job and the difficult living conditions. Bandhan recognized the importance of providing field staff with the incentive of a long-term career trajectory, by providing the scope for growth through promotions. The staff’s psychological well-being, through these career mobility paths and other means, has proved crucial for staff retention. Bandhan also provides staff with classroom training spread over a period of seven to eight months after recruitment, and refresher courses conducted on an as-needed basis. To increase staff capacity rapidly, Bandhan Konnagar has adjusted its minimum qualifications (for example, to find suitable candidates in states with lower levels of

literacy). It is also hiring new local management teams where fluency in the local language is a decisive factor, illustrating how staffing procedures have to be flexible and adapted to different contexts. Given the cultural context of West Bengal, however, Bandhan has found it difficult to recruit women due to the long work hours, their frequent inability to relocate, and a lack of appropriate housing facilities.

### Building partnerships and alliances

Given the varied and complex nature of the interventions included in the Graduation Approach—which span social protection, livelihoods development, and financial services – often no single agency is able to implement the full range of services. The lead implementing agency must often serve as the focal point for partnerships and alliances with other agencies and organizations, including NGO advisers and co-implementers.

The Graduation program in Colombia, “Producing For My Future,” partnered not only with multiple other government agencies but also with the NGO Fundación Capital as its key technical services provider. The program design process was led by the Department of Social Prosperity (DPS), with the participation of the Department of National Planning and the National Agency to Overcome Extreme Poverty (ANSPE). ANSPE facilitates social welfare programs to poor families across the country, providing consumption support in addition to other “safety net” options, allowing DPS to leverage this support for most of the families targeted for “Producing For My Future.” Other DPS departments, including the Unit for Integrated Attention and Reparation of Victims (serving families displaced by Colombia’s internal conflict) were involved in the selection of program sites. After the program was launched in 2012 as a pilot within DPS, Colombia’s National Learning Service Agency (SENA), a government initiative focused on capacity building to foster employment readiness, provided additional technical assistance.



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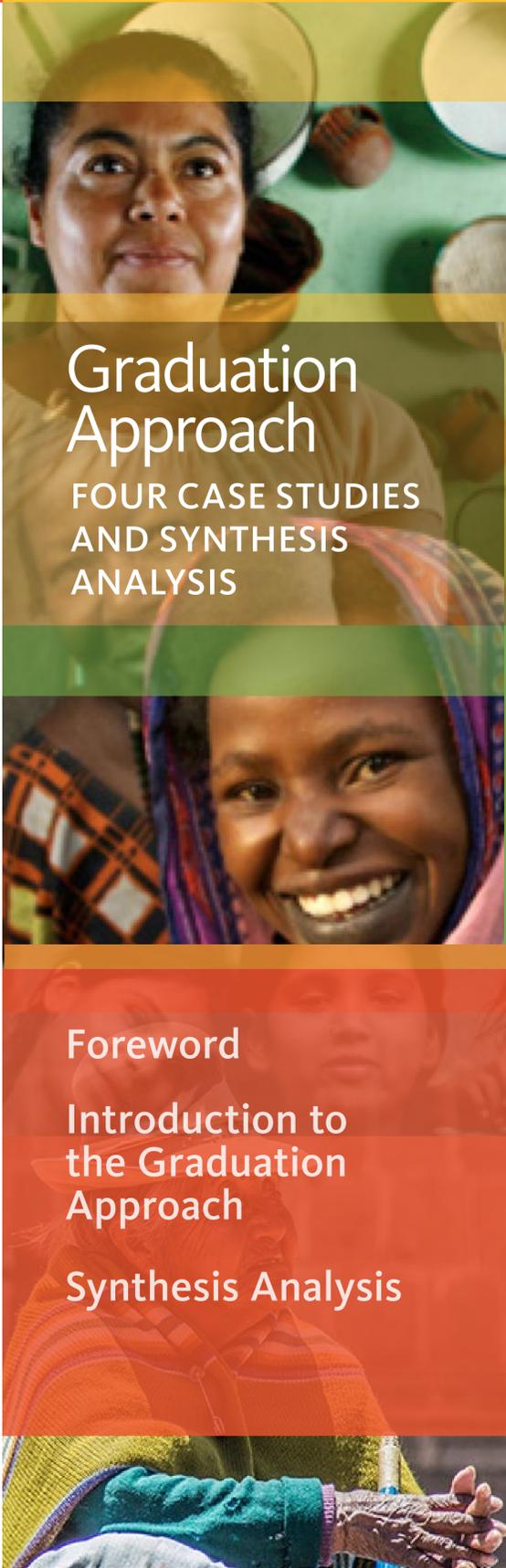
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Peru’s Ministry for Development and Social Inclusion (MIDIS), the lead implementer of Haku Wiñay, is supported by partnerships with other federal government agencies, as well as with municipal governments, bilateral aid organizations, development NGOs and coalitions, and citizen groups. The program is implemented through a formal agreement between MIDIS’ Cooperation Fund for Social Development (FONCODES), municipal governments, and local “Implementing Groups” made up of representatives of the communities served. FONCODES provides funding, technical assistance, and program supervision, while municipal governments contribute financial and in-kind support such as transportation and office space. Peruvian and international NGOs and bilateral aid agencies provide technical assistance and funding that support specific Haku Wiñay activities. For example, a German development agency provided the cleaner burning cook stoves that were a major feature of Haku Wiñay’s healthy homes component.

Ethiopia’s Productive Safety Net Program (PSNP) brings together a number of donors, government ministries, NGOs, and microfinance institutions in support of the livelihoods component. Eleven donors support PSNP, including the World Bank, the UK Department for International Development, the United States Agency for International Development, the European Commission, UNICEF and the World Food program. The Government of Ethiopia provides the consumption support, asset transfers, technical skills training, and life skills coaching. NGOs, including regionally based organizations, play a number of roles at the local level, such as providing financial literacy training and supporting savings through establishment of Village Savings and Loan Associations. Financial institutions are a key program partner during the asset transfer, when savings plans are established for participants. In addition, a range of Ethiopian government agencies, such as the ministries of Women, Youth, and

Children’s Affairs, are taking on expanded roles in this next phase of PSNP. In short, a multitude of partners is involved in the process, providing the opportunity for program participants to receive tailored support from the specialized institutions and ministries, but also creating significant coordination challenges.

For an NGO like Bandhan Konnagar, developing new funding partnerships has been especially crucial, including with non-traditional funders such as companies that focus on supporting micro-entrepreneurship and the development of local markets. Bandhan has found that corporate donors often prioritize narrowly defined quantitative metrics, such as increases in monthly income, over more qualitative indicators of holistic development, and furthermore, that private and philanthropic sources will not be sufficient to take the program to massive scale. Bandhan has identified two options for mobilizing the level of funds required: public-sector companies and state administrative departments and ministries. Public-sector companies, such as the Oil and Natural Gas Corporation, have corporate social responsibility funds that are much greater than those available from the private sector. However key personnel in those public companies have proven difficult to approach, a common problem in the Indian government bureaucracy, and approval for funding is an extremely lengthy process. Large-scale government funding could translate into multi-regional or even nationwide operations, but securing such funding would require a major policy change by the central government. So Bandhan has focused its efforts to reach out to various regional governments with a proposal to work with the poorest 1 to 2 percent of target populations. At the time of writing the case study, these discussions were in the preliminary stages, and possibilities of partnering with the regional governments were still speculative.



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## Graduation Exit Criteria

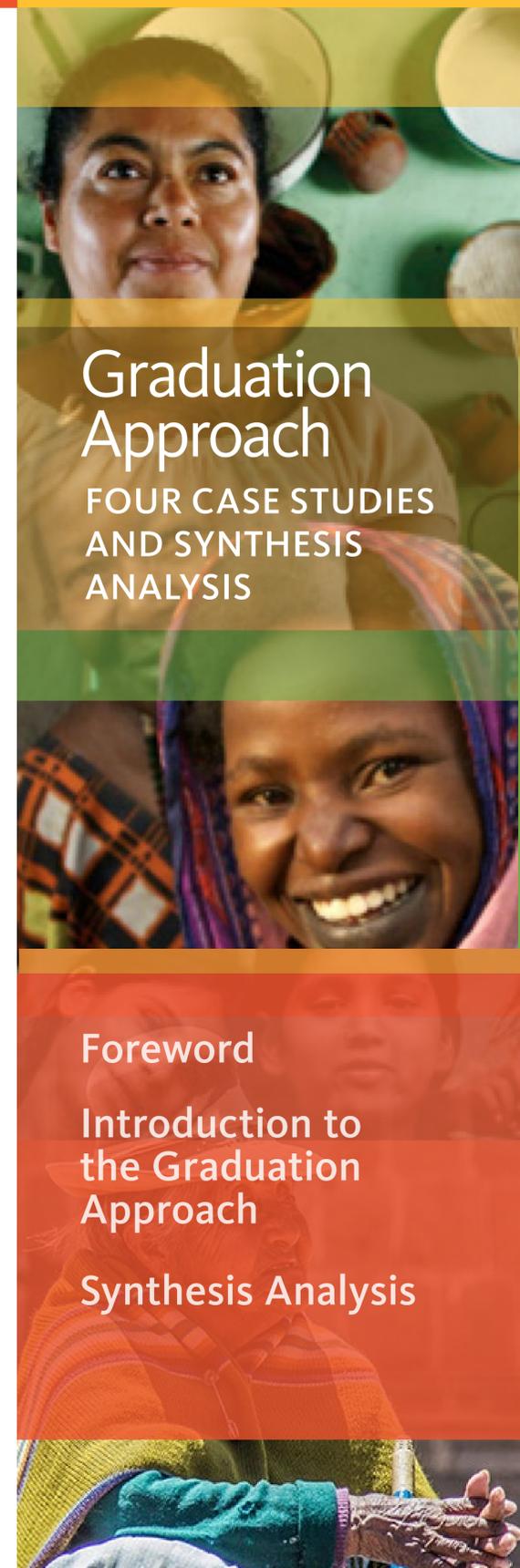
It is challenging yet crucial to define “graduation”—to develop clear, context-specific criteria to gauge whether participants have succeeded in moving out of extreme poverty and into sustainable livelihoods within the time parameters set. These criteria are generally a mix of quantitative and qualitative indicators. “Graduating” does not necessarily mean that participants are no longer eligible for other government services, such as conditional cash transfers, as eligibility criteria for such programs may be distinct from Graduation criteria. Indeed, participants’ capacity to continue increasing their economic and social resilience may depend on their continued eligibility for government services, such as conditional cash transfers and healthcare.

Colombia’s “Producing for My Future” program did not mandate specific graduation criteria but did set certain expectations at the outset for each participating family. To complete the program successfully, participants had to complete all capacity-building modules and be present for the coaches’ home visits. If the registered participant was unable to be present on a specific day, someone else from the family was expected to meet with the coach, complete the training module (using the tablet), and pass along the information. All participants were also required to attend group activities that promoted team building and cooperation to strengthen community connections and to encourage savings plans.

The vision for Peru’s Haku Wiñay is that, by the time they complete the program, participants will have more diversified sources of income, be better planners, have money saved, and make use of other financial services. Haku Wiñay tracks and evaluates several key indicators to gauge household progress, such as annual change in household income, average spending in the household, and change in value of agricultural production.

Ethiopia’s PSNP IV does not use a predetermined set of standardized benchmarks to evaluate graduation. Rather, local committees are tasked with determining context-specific criteria for program exit, relying on their knowledge of the communities they serve. To reduce any pressure households may feel to exit before they are ready, Ethiopia does not impose a specific timeline for graduation. While the Government of Ethiopia ultimately wants to ensure greater exit from the PSNP program (because it wants to achieve the goals of reducing extreme poverty and increasing sustainable livelihoods), it is also undertaking a pragmatic approach. Employing the knowledge of local-level officials, evaluating households on a case-by-case basis, and not imposing a deadline are all efforts to reduce the odds that households will exit before they are ready and thus that they might backslide.

Bandhan Konnagar has established two sets of metrics or “progress indicators” – mandatory and optional – to gauge both household graduation and to maintain comparability of outcomes across operational sites. These graduation criteria encompass a range of context-relevant achievements (economic and non-economic) at the end of the program cycle. Participants must achieve 75 percent of all the indicators including five of the eight mandatory criteria.



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*Bandhan Konnagar's Graduation Progress Indicators*

MANDATORY CRITERIA	OPTIONAL CRITERIA
Income and working capital of family will be increased significantly (to USD 75 and 377, respectively)	Eligible couple in the family practicing family planning method
At least two sources of income in the family	Household has access to basic medical services and facilities
Growing savings habits and deposits	Household has proper access to safe drinking water
Residential house of the family is safe	All children below 5 years are immunized
Beneficiaries can write their names and numbers (1-10) properly	All school-aged children are attending school
All members of the family are getting at least two full meals every day	All members of the family wear clean clothes and keep their house clean
Family members are using safe and hygienic latrines	Beneficiary has a voter identity card
Beneficiary planted at least two fruit plants or cultivates two types of vegetables in her own garden	Beneficiary has a ration card

## PROGRAM IMPLEMENTATION

Each of the four programs profiled in the case studies has made innovative and potentially replicable modifications to the “classic” Graduation Approach in order to adapt the core elements to local context or in response to funding or other resource constraints.

### Consumption Support

Leveraging existing government cash transfer programs is a cost-efficient way to deliver the Graduation Approach’s consumption support component without duplicating effort and resources. However, it is important to note that not all families participating in the Graduation program may be receiving full consumption support from the government. Eligibility criteria between the two programs may be different. In the case of NGO implementers, finding sufficient funding for consumption support can often be a major hurdle, especially as programs scale up.

In Colombia, the government leverages existing social welfare initiatives that include a consumption support component to serve as the foundation for “Producing for My Future.” A conditional cash transfer program (“More Families in Action”) provides a consumption stipend to extremely poor households and to families displaced by the country’s long-standing internal conflict. This existing program was used as the channel to provide consumption support to families in the Graduation program. However, about 40 percent of Graduation participants were not eligible for this CCT program, and so did not receive consumption support in the course of the Graduation pilot. (The Graduation implementers believed that if their program directly delivered consumption support to some families but not others [that is, not delivering it directly to the families who were already getting such support via the CCT program], then the Graduation program would be perceived as unfair even if the



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intention was to bring the non-CCT-eligible families to parity.) An important outcome to be explored from the Graduation pilot is to compare the well-being of families who received consumption support with the families that did not.

Peru's Haku Wiñay program was also designed to build on an existing national CCT program, *Juntos* ("Together"). A stipend worth about USD 70 is given every two months to poor mothers in rural areas to help them buy more food to improve family health and welfare. In return, the women are required to keep their children in school and take them to regular health check-ups. Participation in (or completion of) Haku Wiñay does not disqualify families from ongoing access to CCTs or other government social protection programs.

All of Ethiopia's PSNP participants receive consumption support from the Ethiopian government, regardless of whether they choose to participate in the broader livelihoods component, and whether or not they are among the poorest 30 percent who are eligible for an asset transfer. Each household receives food, or a cash equivalent, for six to 12 months of the year. This support is based on a "food-for-work" model, wherein able-bodied adult household members provide five days of work per month per PSNP household recipient. The food-for-work model aims at benefiting the local community as a whole and also reflects the Government of Ethiopia's determination to avoid fostering dependency among recipients of government benefits.

During the pilot phase, Bandhan Konnagar provided a cash stipend of approximately USD 1 per week, given for 30 weeks for farm livelihoods and 13 weeks for non-farm livelihoods. Staff observed that cash consumption stipends were not always used for the purpose intended (household consumption). For many participants, it was the first time they had what was for them a significant and steady income stream, and they seized the opportunity to funnel it toward productive investment. To encourage participants to use the consumption support for their own food needs, the amount was increased from USD 1 to approximately USD 2.50, so that some

of the money could still be set aside while the majority used for consumption purposes. The consumption support time period was also reduced, to 14 weeks for farm livelihoods and six weeks for non-farm livelihoods, so that households would know that the asset transfers for their livelihoods would be available sooner than in the original design.

### Savings and Financial Literacy Training

In Colombia, the pilot encouraged formal savings, but in the end participants saved primarily at home and through savings groups. Training modules stressed the importance and value of savings—each participant received a small *alcancia*, or piggy bank, and was encouraged to set aside a portion of earnings. Each family had its own process for deciding the percentage they wanted to save, and for many, Producing for My Future facilitated the first-ever household savings plan. The participants who reported saving did so with obvious pride. The savings enabled them to meet their personal and family goals, including sending their children to school, as well as expanding or improving their homes. In general, though, participants expressed hesitation about using banks. Many were wary of formal banking because of a lack of experience with the banking system, limited financial education, and negative customer service experiences including high transaction fees. For the project's next phase, the savings groups are being prioritized and group capacity-building begins earlier in the implementation process. The savings groups are again voluntary, but coaches will spend more time helping establish the groups, and providing mentoring and guidance to ensure their sustainability.

FONCODES, the government ministry overseeing the Graduation program in Peru, reports that from 2012 to September 2015, 22 percent of Haku Wiñay participants (over 15,000 families) used formal financial services including deposits, withdrawals, microloans, and insurance; about 6,700 opened savings accounts. Compared

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to a control group of *Juntos* beneficiaries, an additional 14 percent of Haku Wiñay participants expressed a preference for saving in a financial institution over informal savings options. Haku Wiñay’s financial education uses standardized modules taught by peer trainers to expand knowledge of financial services and increase confidence in using the financial system.

In the Ethiopia program, the savings component is mandatory (as it was in the REST Graduation pilot in Tigray), but implementers are aware that this may be difficult to ensure in the future, given the realities of expanding the program to scale across the nation. It is important to remember the Government of Ethiopia’s general determination to avoid fostering dependency. Government planners recognize that the development of successful, context-specific mechanisms to ensure clients save sufficiently will be a key factor in reducing those concerns.

In India, Bandhan Konnagar’s savings approach consisted of daily mandatory savings and “capital” savings (the remainder of profits after reinvestment). Mandatory savings is intended to inculcate a regular savings habit and is set at a minimum level (the equivalent of USD 0.45 cents a day) so as to not create a strain on household consumption. Participants are expected also to make a bank deposit of “capital” savings of about USD 1.50-2.20 at least once a month. Capital savings are normally utilized for household purposes, especially housing repair, healthcare costs, and children’s education.

### Market Analysis

Based on the “Producing For My Future” pilot, the Colombia program has built into its next phase of expansion several key lessons:

*A comprehensive market analysis is necessary to help participants understand the potential opportunities and competition for their proposed small enterprise.*

*Businesses are more likely to succeed when they build on participants’ existing skills, knowledge and resources. Coaches must provide guidance and encourage participants to focus on past experiences and knowledge, as well as existing resources, to build out their businesses.*

*Investing sufficient time in each participant’s business plan helps ensure a higher success rate. While the program’s training methodology teaches general concepts (e.g., the upfront costs, revenues and expenses of running a small business), more individualized planning and projections are necessary to ensure that participants take a longer-term view of their entrepreneurial investments.*

*If a comprehensive market analysis is not possible, efforts should be made to help participants diversify the range of economic activities undertaken based on a general understanding of the existing landscape of businesses.*

The Peru program does not carry out formal market or value chain analysis. Haku Wiñay staff describe that discipline as one that is as yet generally underdeveloped in the country as a whole, so market researchers and analysts possessing the necessary skills are difficult to find. But in addition to supporting and advising participants’ household-level microenterprises, the local *Yachachiqs* encourage participants to form groups of four to six “partners” interested in working together to develop ideas for larger businesses. *Yachachiqs* provide guidance about how to produce and market the goods or services the group has in mind. With the *Yachachiqs*’ help, each group prepares business proposals and pitches them to a local committee, which selects the business plans that seem most feasible and awards them start-up funds of about USD 2,500. These judgments are informed opinions but are not equivalent to a market study. When the business is running, the partners receive ongoing training from their *Yachachiqs* and from Haku Wiñay technical advisors to identify and connect with potential markets. Haku Wiñay is working to develop stronger expertise in value chains that can link rural areas with larger markets as the program continues to expand.

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The Ethiopia program integrated key lessons from the earlier REST pilot in Tigray. One of those was that livelihoods pathways are more effective when they combine market demand with participant choice (from among viable community-specific options) based on his or her own aptitudes and past experiences. Careful explanation of each livelihood option enables clients to understand and fully engage in the process, and to select an appropriate pathway. The combination of local knowledge with participation at all levels is one of the key lessons from REST influencing PSNP IV's design, but implementers recognize that it will also be a challenge to replicate across all districts throughout the diverse nation.

Bandhan Konnagar does not consider an extended market or value chain analysis relevant for its Graduation program because participants operate at a commercially insignificant scale. Instead, Bandhan Konnagar conducts an analysis of the local market via discussions with community members during the enterprise selection phase, during which each participant decides which livelihood he or she will pursue. Enterprise selection is one of the most critical and challenging parts of the program. After experimenting with different approaches, Bandhan Konnagar now emphasizes non-farm livelihoods unless participants insist on purchasing livestock, in which case mixed livelihoods are encouraged (e.g., livestock and petty trade).

### Asset Transfer

Rather than delivering in-kind physical assets (e.g., livestock for those pursuing animal husbandry; an inventory of goods for those opening small shops), the program in Colombia transfers the assets' cash value instead. DPS and Fundación Capital wanted to test the operational efficiency of this strategy. They also find that receiving cash (which is transferred in two installments) provides an opportunity for participants to increase their confidence with cash management, which was low for most households. Finally, DPS and Fundación Capital wanted to help stimulate the local economy so

the broader community could receive the secondary benefits of the increased circulation of the funds. The financial transfer was difficult during the pilot for some participants, particularly those who had never received a digital wire transfer before and those who were illiterate. They had to ask for help from their coach, family members, or neighbors to access the transfer, which in most cases worked well. Although the Graduation Approach focuses on building skills of individual households, many small business owners, in order to succeed, need to work with others to save on common business expenses and to improve their access to markets. For future phases, the Colombia program is assessing how to emphasize the benefits of cooperation among participants, including creating alliances to make asset purchases, sales, and even technical assistance more cost-effective.

Asset transfers in Peru's Haku Wiñay program are managed by participants through a collective implementing group called the "executing nucleus." Members get three price quotes on the assets to be bought and any equipment that is purchased for rural businesses. The group makes the purchases and keep records of how the government funds were spent, reporting regularly on program accounts to FONCODES. Local control over the purchase of assets is intended to empower residents of Haku Wiñay communities. The community-based model for asset transfer has long precedent: it builds on more than two decades of experience in Peru with elected committees of local farmers administering government funds.

To balance costs with impact as it expands to massive scale, the Ethiopia program is lowering the value of the asset transfer compared to that of the Tigray pilot project. Although this means it will not be possible for recipients to undertake a major project immediately, the asset transfer process is designed to allow participants to get comfortable with investments, savings and credit, and to move to larger projects gradually. The impact of the reduced amount of the asset transfer will be a key element to monitor during the pilot phase in Year 1 and may require adjustments further on.

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In India, Bandhan Konnagar also conducts the asset transfer in cash. As in Colombia, the program transfers working capital in installments so as to not overwhelm participants inexperienced in cash management. The cash amount transferred takes into account local prices for the assets and builds in a contingency to cover any asset loss in the initial months of the program. Local market dynamics and their impact on the confidence and performance of participants are other considerations in identifying the appropriate assets.

### Technical Skills Training

Technical skills training (as distinct from life skills coaching, discussed below) refers to the training a participant receives to prepare for the specific livelihood he or she has chosen.

In the Colombia program, Fundación Capital developed a tablet-based application which delivers training modules on financial education, entrepreneurship, and soft skills (such as communication and negotiation). The application allows participants to direct their own learning, at their own pace, in their own homes, repeating lessons that are most relevant to their needs, and sharing knowledge with their families. **The tablets are distributed to participants on a rotating basis**, a cost-effective way to facilitate the curriculum's dissemination throughout the community (and to increase comfort with technology). The Colombia program has also found that technical assistance is most effective when it is delivered steadily over the life of the project, rather than just during the livelihood start-up phase.

Haku Wiñay's strategies for technical skills training draw from long experience with rural and agricultural development programs in Peru. As noted earlier, the *Yachachiqs* (the trainers who work directly with participating families) are selected from among farmers who live in Haku Wiñay communities, allowing for peer-to-peer communication and skills transfer. In their on-site visits, the *Yachachiqs* discuss the families' priorities, develop a training plan, and then deliver the relevant training during twice-monthly home visits.

In Ethiopia, the efforts of local “community facilitators” are supplemented with those of a range of technical experts who can provide participants with more specific advice based on the livelihood chosen. An emphasis on group and peer-to-peer learning decreases the demands on staff, an important consideration given the large-scale implementation. The Ethiopia program has developed a checklist of required steps so that training modules are rolled out in the proper sequence, and so that clients are adequately trained before receiving an asset transfer. As with other elements of the Graduation Approach at scale, the development of pathway-specific training involves a range of actors, and coordinating all their efforts will be a key ongoing challenge.

Bandhan Konnagar provides three-day skills-building: two days on building participants' technical business skills and one day devoted to confidence-building and motivational training, drawing on success stories from past participants. In addition to this upfront training, Bandhan has found that systematic refresher training proved necessary for all participants, farm and non-farm livelihoods alike. These refreshers take place every three months.

### Life Skills Coaching

The concern that governments and NGOs implementing the Graduation Approach at scale raise most frequently has been the complexity of the life skills coaching element. The operating model for most government-led Graduation scale-ups depends upon leveraging existing staff members rather than hiring new ones. Few government workers come to the new task already possessing the skills typical of “coaches” and they are also unlikely to have the time available for intensive weekly visits with each Graduation participant household. In short, of all the elements of the Graduation Approach, the life skills coaching element is the one most ripe for creative adaptations.

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The Colombia program is using computer tablets to supplement bi-weekly coaching visits, as a tool both to reduce costs and to improve quality. (As noted above, Colombia also delivers technical skills training via tablet-enabled modules.) To streamline the coaching, DPS and Fundación Capital designed a standard Graduation coaching curriculum of 22 modules that can be delivered consistently and are thus less dependent for success upon the interpersonal style or abilities of each coach. As noted above, the tablets circulate among participants, allowing the community to share these technical resources. Families who are “fast climbers” and who are active technology users absorb the material quickly. This allows the coaches to move through the modules with them at a swifter pace and, more importantly, it also allows the coaches to allocate more of their time to the “slow climbers” who need it most. Even with the use of tablets, the Colombia program has found that the one-on-one home visit is still a critical component of life skills coaching. Group activities also help strengthen both economic and social connections among participants through trust-building and cooperative activities.

For the next phase of the program, Fundación Capital has made several updates to the tablet-enabled life skills coaching modules:

- Improving the technology to minimize glitches.
- Including more interactive activities and stories, based on the feedback and observations of what “sticks” with the participants.
- Including the extended story of one person who makes the metaphoric journey with the participants—this greater personalization helps bring the material alive and makes it easier for participants to relate to it.

Peru’s Haku Wiñay does not include a separate life skills coaching component. The program implementers describe the life skills coaching goals (e.g., building participants’ self-confidence, future orientation and ability to plan, social capital) as being achieved as a natural outcome of the program’s design. The *Yachachiqs* engage intensively with participant households as they guide the enterprise selection and oversee the related training. The thought is that the *Yachachiqs* are uniquely well positioned to embed life-skills lessons (along with performing their other duties) by virtue of their relatability (they are themselves local farmers), the respect they inspire (they are the most skilled in the community), and the frequency and intensity of their interactions. Haku Wiñay’s program design also invests a great deal of decision-making and financial administration with local implementing committees, an operating model that contributes to the social capital building that is among the life-skills coaching’s goals.

Ethiopia’s program is aiming for a ratio of 50 households per Development Agent (DA) in order to reach a very large number of participants while maintaining quality control over the coaching and the program as a whole. The government recognizes the importance of investing in the development of DA skills particularly in terms of coaching, given that it is a new role for them and will be added to their other ongoing responsibilities.

Bandhan Konnagar has found that the coaching component is indeed scalable. To preserve effectiveness, the ratio of field staff to participant is maintained at 1:50 to 1:75 households. Weekly group meetings with participants are also important. They create a sense of solidarity amongst group members and provide a forum for easier discussion of issues that may be too sensitive to address in one-on-one coaching sessions.



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# CONCLUSIONS AND NEXT STEPS

The Graduation Approach has thus far shown strong promise of being adaptable enough for implementation at significant scale, both by governments and by NGOs. Challenges of course lie ahead in adapting the program design to suit local contexts, participant needs, and resource constraints. But the scale-ups documented in the four Ford Foundation-commissioned case studies indicate that such adaptations can be managed successfully; initial results are quite positive.<sup>10</sup>

The experience of government-led Graduation programs has demonstrated that the Approach can be successfully integrated into existing social protection initiatives, especially conditional cash transfer programs. Such an integrated strategy combines the breadth and depth of outreach that the existing programs already achieve with new and potentially life-changing economic opportunities for the populations served. As described in these case studies, government-implemented programs have already adapted and innovated on many elements of the “classic” Graduation Approach, often in response to the unique demands and constraints that publicly-funded initiatives face. This kind of experimentation presents important opportunities to deepen our understanding of how adaptable different elements of the Graduation Approach may be without sacrificing positive results.

Successfully striking that balance—between preserving the essence while adapting for scale—is probably the most critical overarching challenge facing the Graduation community of practice. The very factors that make the Graduation Approach so powerful—its

<sup>10</sup> Escobal, Javier y Carmen Ponce (Eds.) 2016. *Combinando protección social con generación de oportunidades económicas: una evaluación de los avances del programa Haku Wiñay*. Lima, Peru: GRADE.

intensive, skilled, and compassionate one-on-one intervention, sustained over time—are also the factors that make it complex and expensive.

Perhaps unsurprisingly, the promise of technology has particularly captured the hopes of many who believe that technology-enabled efficiency gains can dramatically reduce the Graduation Approach’s operating costs. These case studies detail specific instances where that promise was, at least partially, fulfilled. As noted earlier, in Colombia, the existence of a national database used for targeting and client selection made the cost- and labor-intensive alternative of community ranking exercises unnecessary. Tablet-delivered modules for technical skills training and life-skills coaching also provided a more efficient (and more engaging) learning experience for participants. However, the implementers also concluded that the in-person coaching was still integral to the Approach’s success in reaching and truly serving the needs of the extreme poor.

A key challenge for the Graduation community of practice is to isolate which elements of the Approach—a high-touch, holistic approach that recognizes the psychological as well as material dimensions of extreme poverty—can be automated without compromising results, and which cannot. These are not easy questions. And there may be no practical way to answer them other than by trial and error, making it all the more important to document and disseminate the lessons learned.

Whether they involve technological automation or some other kind of adaptation, it is indeed vitally important that programs that make significant changes to the Approach’s methodology are both thoroughly documented and then assessed to determine whether they still deliver a high degree of positive outcomes. These assessments should be shared among the broader Graduation community of practice to inform other governments and NGOs implementing, or considering, Graduation programs with significant



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adjustments in program design. Otherwise we will be missing a crucial opportunity to learn from one another about what works and what doesn't and to allocate resources accordingly.

Initial results from these four programs indicate that the Graduation Approach significantly changes the lives of participants. The incentive provided by the asset transfer, however modest, provides a much-needed capital infusion for the participants to build their businesses. In combination with the development of savings discipline and the technical training and life skills coaching, participants experience significant improvements in income, assets, and self-confidence. And after years of seeing themselves as poor and with little ability to change their circumstances, the Graduation program helps instill a sense of hope and self-esteem. It provides participants not only the opportunity to achieve gains in their family's material well-being—but to see themselves on a pathway to a better future.

Much work remains ahead to adapt, document, and share experiences about scaling up the Graduation Approach. These case studies represent one effort in that ongoing process. CGAP and the Ford Foundation heartily hope that readers of these cases will contribute their perspectives and experiences to the [Graduation Community of Practice's online portal](#) so that we can all continue to learn from one another's work. ■

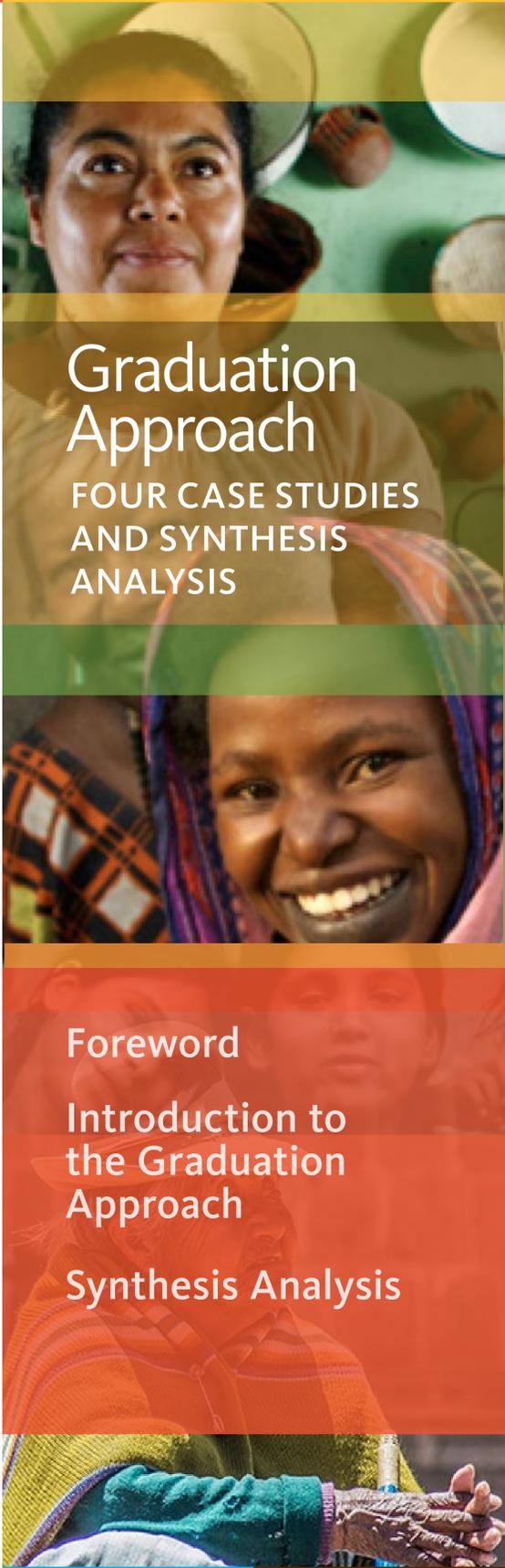
# ABOUT THE AUTHOR AND EDITOR OF THE CASE STUDIES SERIES

Tony Sheldon is executive director of the Yale School of Management's Program on Social Enterprise. He has been a consultant to the Ford Foundation on its Graduation work since 2006. He is co-author of *From Extreme Poverty to Sustainable Livelihoods* (World Bank 2014, to be revised 2016), a technical guide on the implementation of the Graduation Approach.

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All of the authors in this series of case studies are grateful to the implementers and scholars whose published work has advanced the Graduation Approach. Where possible, we have provided URLs so interested readers can download the works cited in this series. Please note that URLs were valid at the time of writing. We regret that we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge.



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Preserving the Essence,  
Adapting for Reach:

# Early Lessons from Large-Scale Implementations of the Graduation Approach

COLOMBIA Case Study  
by Alissa Moen



Series Editor: Tony Sheldon

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# GLOSSARY

**Acción Social** – Social Action

**ANSPE** – *Agencia Nacional para la Superación de la Pobreza Extrema* (National Agency to Overcome Extreme Poverty)

**CNMH** – *Centro Nacional de Memoria Histórica* (National Center for Historical Memory)

**Dirección de Inclusión Productiva y Sostenibilidad** – Division for Productive Inclusion and Sustainability, the division of DPS that implemented the Graduation pilots

**DPS** – *Departamento para la Prosperidad Social* (Department for Social Prosperity, the lead ministry responsible for Producing for My Future. Since the completion of the Graduation pilot, this ministry's name has been changed to Prosperidad Social.)

**ICBF** – *Instituto Colombiano de Bienestar Familiar* (Colombian Institute for Family Well-Being)

**IRACA** – Social program, supported by the Department of Social Prosperity, targeted toward vulnerable ethnic groups, specifically indigenous and Afro-Colombian communities

**Más Familias en Acción** – More Families in Action – A national program to address consumption needs of vulnerable families who meet certain criteria.

**Produciendo por Mi Futuro** – Producing for My Future – A pilot initiative aimed at improving the productive, financial, human and social capital of Colombia's rural extreme poor.

**Red Unidos para la Superación de la Pobreza Extrema** – Network to Overcome Extreme Poverty, a national government strategy to address households in extreme poverty in Colombia

**SENA** – *Servicio Nacional de Aprendizaje* (National Learning Service Agency)

**Unidad Administrativa Especial para la Consolidación Territorial** – Special Administrative Unit for Land Consolidation

**Unidad para la Atención y Reparación Integral a las Víctimas** – Unit for Integrated Attention and Reparation to Victims



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# CASE CONTEXT

## Background on Graduation Approach in Colombia

Close to four million people in Colombia, primarily in the country's rural areas, live in extreme poverty, meaning that they are unable to meet their basic daily needs (e.g., for food or water). Colombia's national government is committed to exploring and investing in opportunities to improve the socioeconomic status and well-being of its extremely poor citizens. Between January 2013 and December 2014, Colombia's Department for Social Prosperity (or DPS, for its Spanish name, *Departamento para la Prosperidad Social*) invested in a pilot initiative aimed at improving the productive, financial, human and social capital of Colombia's rural extreme poor. The initiative, called *Produciendo por Mi Futuro* (Producing for My Future), was implemented by DPS in partnership with Fundación Capital, a nongovernmental organization focused on economic development, with additional support from the Ford Foundation. Producing for My Future was implemented in the municipalities of San Luis, Tolima, and Sitionuevo, Magdalena with a total of approximately 1,000 families over a two-year pilot period.

Producing for My Future is based on the Graduation Approach, devised in Bangladesh by BRAC and further developed in eight countries through ten pilot programs launched by CGAP and the Ford Foundation between 2006 and 2012. Recognizing the value of the Graduation Approach pilots in other parts of the world, the Colombian government agreed to test large-scale adaptation and implementation of the approach through Producing for My Future during 2013 - 2014. The two-year Producing for My Future program follows a multi-stage sequence that includes the following general components:

- Consumption support
- Exposure to savings
- Market analysis and asset transfer to create or strengthen a small business
- Technical skills training
- Life skills coaching, including access to training through technology with electronic tablets, home visits and group activities

In Colombia, the pilot of Producing for My Future<sup>1</sup> tested adaptations to the Graduation Approach, intentionally leveraging existing government social protection programs by integrating them into the Graduation Approach.

<sup>1</sup> This case uses the term "pilot" for the 24-month phase of the Graduation Approach implemented by the Department of Social Prosperity (DPS) in Colombia.

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## Next iteration of roll-out, government-led implementation / scaling

The Graduation Community of Practice is exploring how best to support large-scale adaptation and implementation of the Graduation Approach by governments and other implementers. This case study focuses on one country program in the second iteration of pilot projects, Producing For My Future, which, as noted, was implemented by the Department of Social Prosperity (DPS) in partnership with Fundación Capital in Colombia. Fundación Capital is an international social enterprise aimed at building the assets of the poor on a massive scale. Fundación Capital partners with governments in 14 countries, including Colombia, to pilot and scale initiatives and to promote exchanges among policymakers about pro-poor and inclusive social policy. DPS, as Colombia's lead federal agency on programs for social inclusion and reconciliation, is responsible for programs that promote productive inclusion and sustainability for vulnerable populations, including the extreme poor, through capacity-building and access to opportunities and assets.

Producing For My Future was implemented as part of broader public policy efforts in Colombia. The pilot was embedded into a comprehensive national social policy

## AT A GLANCE Producing for My Future

**Project sites:** Sitionuevo (northern coast) and San Luis (central inland), Colombia

**Project direction:** Colombian government's Department for Social Prosperity

**Project implementation partners:** Union Temporal Trabajando Unidos (first year); Fundación Capital (technical adviser; implementing partner second year)

**Additional support:** Ford Foundation

**Supplemental technical training:** SENA, Colombia's National Service of Learning Agency

**Participants:** 1,000 recruited; 911 completed

**Duration:** Two years (2013-2014)

**Cost:** USD 1,170 per participant

**Initial findings:** Noticeable improvements observed in areas such as increased income, savings, business acumen, and confidence/optimism.

**Next steps:** Three new expansion sites in Colombia targeting 10,000 new participants.

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portfolio to support economic development for the nation’s vulnerable populations, providing new tools and training that could leverage other investments by DPS and generate best practices to reach the extreme poor at nationwide scale. This case examines each phase of the project, and explores how changes in methodology (including using tablet-based educational materials) and government-led implementation have affected the program. The case also provides lessons learned and reviews additional changes that will be implemented as the Colombian government continues to expand the program in new regions across the country.

As the Colombian government plans future phases of Producing for My Future, and as other governments consider implementing the Graduation Approach, the lessons learned during the pilot project will be critical for improving the Approach’s impact. This case study aims to capture the successes and the challenges with which pioneers are grappling. These lessons will contribute to the evolving global knowledge base of the Graduation Approach.



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## Country (demographic indicators, government policies and programs)

Colombia is an incredibly diverse country in terms of demographics, race and culture. According to 2014 data from the World Bank, approximately 14 (out of 46) million people live in poverty, and four million are considered extremely poor (defined as being unable to meet basic daily sustenance needs, as noted earlier).

The country has a significant Afro-Colombian community and indigenous populations—approximately 1.5 million people—who maintain a strong cultural identity and traditions. Both groups have historically been marginalized socially, politically and economically, and as a result have suffered disproportionately from systemic poverty. Furthermore, approximately seven million Colombians are displaced or victims of the long-term internal conflict. The majority of female heads of households are widows and families with grandparents and young children.

According to DPS data, between 2010 and 2014, 4.4 million people moved out of poverty. However, the poverty gap between urban and rural populations widened, and income inequality remains a major challenge for Colombia. Average income per capita of the top 10 percent is almost 40 times higher than the income of the lowest 10 percent (DPS based on

GEIH [general household survey] data from 2013).<sup>2</sup> In response, the Colombian government has, as noted, begun investing in programs to provide support (financial, psychological, etc.) to vulnerable households, particularly those living in extreme poverty and/or in households displaced by the civil conflict.

The *Department of Social Prosperity* was created in 2011 by the Government of President Juan Manuel Santos, as an offshoot of the presidential initiative Social Action (*Acción Social*). DPS' mandate was to contribute to the socioeconomic stabilization of vulnerable groups and marginalized territories in an effort to build a more equitable society and achieve long-lasting peace. DPS sets policies and implements programs for social inclusion and economic reintegration, and provides assistance to victims of violence. DPS also includes the National Agency to Overcome Extreme Poverty (*Agencia Nacional para la Superación de la Pobreza Extrema—ANSPE*), the National Center for Historical Memory (*Centro Nacional de Memoria Histórica—CNMH*), the Colombian Institute for Family Well-Being (*Instituto Colombiano de Bienestar Familiar—ICBF*), the Unit for Integrated Attention and Reparation to Victims (*Unidad para la Atención y Reparación Integral a las Víctimas*), and the Special Administrative Unit for Land Consolidation (*Unidad Administrativa Especial*

<sup>2</sup> Central data catalogue maintained by the University of the Andes. Available at: <https://datoscede.uniandes.edu.co/microdatos-detalle.php/48/>

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*para la Consolidación Territorial*). The Producing for My Future pilot was supported by DPS's Department for Productive Inclusion and Sustainability (*Dirección de Inclusión Productiva y Sostenibilidad*) under its umbrella of social programs for rural communities.

DPS' strategy for Producing for My Future has been to leverage existing government-run programs, particularly the conditional cash transfer program (*Más Familias en Acción*) which provides a consumption stipend to

extremely poor families and to households that have been victims of the internal conflict. This pre-existing program provided the channel to deliver Producing for My Future's consumption support to the majority of families in the pilot. Importantly for DPS' overall objectives, the addition of the Producing for My Future initiative in the DPS portfolio provided economic development opportunities for this population as a next step to improve their overall well-being.



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## Region and towns selected for Graduation project

Fundación Capital worked with DPS as well as the National Planning Department to identify the most relevant and appropriate municipalities to pilot the Graduation Approach, in accordance with the government's priorities and territorial objectives. In February 2012, a working group devised specific parameters to choose the pilot communities. They took into account multi-dimensional poverty indicators like access to education and health services, road conditions and level of access to municipalities and urban centers. The group also assessed potential for synergy with existing government programs targeting the needs of vulnerable populations.

After reviewing the factors and context of potential communities, DPS selected two. The chosen sites represented different cultures and customs in Colombia—Sitionuevo, representing Colombia's more outgoing coastal culture, and San Luis, representing the more reticent inland culture.

**Sitionuevo** is located in the Magdalena department (or district) on the northern coast of Colombia. The nearest city is Barranquilla, Colombia's fourth-largest city, approximately 20 miles away.



Neighborhood in Sitionuevo

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Economic activities include small-scale crops (onions, cilantro, etc.), raising pigs and chickens, running small variety and food shops, or services like sewing and tailoring. Sitionuevo and the surrounding communities are situated around major thoroughfares that connect to Barranquilla, so transportation to markets and other urban services is fairly regular.

**San Luis** is located in the inland department of Tolima, in central Colombia. The majority of the population in San Luis is dedicated to agriculture—corn, yucca, and cattle ranching are the main income-generating activities. Most families depend for water on streams and springs, and water contamination, from both agricultural and human sources, is a major problem. Those who have the resources can pipe water in with a gasoline-generated water pump for daily use as well as for crop irrigation and animal husbandry (e.g., pigs, chickens) needs. Others must collect water every day to fill their small tanks. Public transportation is limited or non-existent in the rural areas where most of the population lives, making market connections and access to other services a challenge.



*San Luis, Tolima*



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**SITIONUEVO**  
Magdalena



**SAN LUIS**  
Tolima

Pilot sites photos (Sitionuevo (top) and San Luis (bottom)) and map



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# GRADUATION PROJECT

## Program objectives and theory of change

The objective of Producing for My Future is to help families living in extreme poverty accumulate assets (human, social, productive and financial) to strengthen their socioeconomic status, increase resilience, and build economic independence.

The project design process began in 2011, led by DPS and with the participation of the Department of National Planning (DNP) and ANSPE, along with the technical expertise of Fundación Capital. In 2012, after extensive consultations among the stakeholders, Producing for My Future was established as a pilot program within DPS. To balance the various priorities of the diverse range of participating entities and decision-makers (including DPN, ANSPE, DPS and Fundación Capital with guidance from the Ford Foundation), DPS chose to focus on extremely vulnerable populations, including victims of Colombia's internal conflict. Other DPS programs, like the Unit for Integrated Attention and Reparation of Victims (*Unidad para la Atención y Reparación Integral a las Víctimas*), solely target families displaced by the country's internal conflict;<sup>3</sup> ANSPE facilitates social welfare programs to poor families across the country. As noted earlier, DPS wanted Producing for My Future to leverage resources that were already addressing the needs of the extreme poor in Colombia, especially the government's conditional cash transfer program.

<sup>3</sup> A separate Graduation pilot was implemented in 2014- 2015 serving only families affected by the country's internal conflict, reaching over 1,000 households.

## Target participants, scale of program

Producing for My Future aimed to include 1,000 total participants from the two different regions. Due to program attrition (including participants moving, dropping out, and even dying, in a few cases), 911 completed the entire program. The pilot targeted participants in situations of extreme poverty living in the two rural centers described earlier. A multi-dimensional poverty index<sup>4</sup> was used initially to identify potential participants from those two areas.

Participants were then chosen using two methods:

- A government system and database that categorizes and ranks Colombia's poorest citizens according to certain criteria, including health, housing, education and vulnerability levels (*Red Unidos para la Superación de la Pobreza Extrema*<sup>5</sup> and *Sisbén*<sup>6</sup>).
- A community mapping exercise to identify needy families.

<sup>4</sup> "Policy – A Multidimensional Approach." OPHI. <http://www.ophi.org.uk/policy/multidimensional-poverty-index/>. The Índice de Pobreza Multidimensional (IPM)–or Multidimensional Poverty Index–is used as an indicator to represent the nature and intensity of poverty-related hardship in households. The dimensions include education levels, work, health, housing conditions and family size (including number for children), among others.

<sup>5</sup> *Red Unidos para la Superación de la Pobreza Extrema* is a national government strategy to address households in extreme poverty in Colombia, led by ANSPE, the national Agency to Overcome Extreme Poverty. It ranks families in a national database.

<sup>6</sup> "Sisbén." <https://www.sisben.gov.co/>. February 18, 2016. The Sisbén is a survey used by the Colombian government to identify potential beneficiaries of government-sponsored social programs, using health, education, housing and vulnerability indicators.

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*Stream that supplied drinking and cooking water for families near San Luis*

Of the 1,000 families originally chosen, fifty percent were chosen using the government database, and the other half were chosen through the community mapping and identification.

Generally, the pilot aimed to identify and integrate women heads of households as the main participants. Global research has shown that when women manage household finances, they tend to spend resources on family well-being and domestic needs more consistently than men do. Both men and women were welcome, however, and participated in the program. In some cases, the beneficiary was the male head of house, but his wife or female partner attended the group trainings and participated during the home-visits with the

coaches. But even when women attended the workshops and learned alongside with their husbands or male partners, the men were often still the ones who made the decisions about how money was used.

For the families identified through the Sisbén government database, DPS and Fundación Capital received a list of initial participant names and then verified the families' eligibility for the program through in-person home visits. The list was adjusted to correct any outdated information in the system—for example, records had old addresses and contact information for some families originally flagged by the Sisbén score.

To test the other participant identification strategy, DPS and Fundación Capital met with community members and local leaders in both municipalities to create maps of vulnerable households and identify the neediest families. The objective was to identify such families via collaboration with the communities, both to ensure local buy-in and to avoid oversights that the government database might make.

The average participant age was 45 years old (although there were several senior citizen participants, about which more below). One-third of the participants have five or more children; some families reported up to eleven family members living in the same house. Education levels were generally low among the population: 31 percent of the pilot participants reported not knowing how to read at all (functional illiteracy was

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actually much higher), and 27 percent had never attended school. In terms of household services, participants reported the following situations:

- 52 percent lacked potable water (34 percent sourced water from rivers, streams or springs).
- 44 percent of participants had floors made of dirt or sand.

The pilot included a number of participants who were aged 70 or older, and some of them faced additional challenges because of age-related health issues or because of limited educational skills that prevented them from taking full advantage of the program’s tools (e.g. workbooks, to be discussed in greater detail in the Life Skills Coaching section). The program learned that including a younger household member could help mitigate the potential attrition rates of older participants.

Several challenges arose during the selection process. The community mapping exercise at times created difficult social dynamics in the communities. Some families wanted to participate because they wanted the financial support, even though they were not necessarily the neediest. At certain points, program staff—especially those who themselves came from the same or nearby municipalities—were pressured to choose influential people in the communities, even though those people were not necessarily the neediest. In other words, local power dynamics still entered into the selection process. The additional step of household visits to verify the socioeconomic status of potential

participants was often used to ensure the program targeted the most appropriate households.

Once all the participants were chosen, Fundación Capital cross-referenced the list of participants identified during the community mapping exercise against the list generated by the Sisben database. The two methods identified families of a similar vulnerability level as potential participants, but the Sisben database was more cost-effective.

### LESSONS LEARNED: TARGETING AND SELECTING PARTICIPANTS

- Selecting participants from the national government (Sisbén) database provided a comparable list of eligible households as the participatory mapping exercise but was more cost-effective.
- The government has to keep the national database up-to-date, however, if those records are to provide reliable information for this type of participant identification exercise.
- In-person visits to verify household eligibility provides added assurance that the target population is being reached.
- Including more elderly participants can help ensure that the poorest and most vulnerable are indeed participating, but an upper age limit may be needed for the program’s resources to be most effectively and efficiently deployed.

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## Key partners

Producing for My Future was implemented by DPS with a consortium of partners over the course of the two-year pilot program. During the first year (2013), the project was funded by a larger government grant with multiple components,<sup>7</sup> of which Producing for My Future was one part. In the second year, full responsibility shifted to Fundación Capital which helped streamline operations. Fundación Capital coordinated activities with DPS during the second year to ensure that the government’s objectives for the pilot were being met, but Fundación Capital alone became responsible for day-to-day, on-the-ground operations and management of the pilot, including training and managing the coordinators and coaches.

Additional technical assistance support was informally provided in Sitionuevo by Colombia’s National Service of Learning Agency (*Servicio Nacional de Aprendizaje*, or SENA). SENA is a government initiative dedicated to professional development. Participants in Sitionuevo received training from SENA through a municipal agreement that complemented the efforts of the Producing for My Future program. Although the

<sup>7</sup> In 2013, funding and operations for Producing for My Future was channeled through a larger grant program that was being implemented by DPS. As noted above, certain components (e.g., consumption support), were covered by other programs as DPS leveraged existing resources. Specifically, this first of year of implementation of Producing for My Future was financed and administered through one workstream within a comprehensive, multi-pronged program supported by DPS. Operational management of the program was through a “*union temporal*” – or temporary partnership. During the first year, Fundación Capital’s role was as strategic advisor around technical issues of program implementation of the Graduation Approach.

relationship was informal in terms of the pilot, there were certain DPS requests for training that SENA was able to fulfill, and the participants gained valuable additional learning opportunities through SENA’s capacity-building sessions.

## Planning: Adaptations to prior Graduation Approach models

The DPS pilot intentionally deviated in several ways from the original Graduation Approach in order to contextualize the program to Colombia. The main adaptations are discussed below.

The Colombian government was the key implementer, providing most of the funding and the strategic vision for the intervention. As noted, DPS saw the opportunity to integrate an economic development component into its portfolio of social programs. Government implementation strengthens the link to broader public policy, which may facilitate program sustainability. The availability of ongoing funding and a dedicated workforce can also be a benefit, with the ability to scale more efficiently and quickly to multiple regions or to a nationwide level.

The asset transfers for business development were provided in cash, rather than in in-kind material. DPS

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and Fundación Capital wanted to test the efficiency of providing cash to participants to acquire their own assets, rather than having the program take responsibility for identifying and procuring suitable assets for each participant. The cash transfer also provided an opportunity for participants to increase their engagement in business decision-making as well as their confidence with cash management, both of which were low for most households. Finally, the implementers wanted to test how injecting cash into the local economy would benefit the community.

The life-skills coaching component was facilitated by coaches who used a computer tablet to teach each lesson. DPS and Fundación Capital integrated the tablet and 22 training modules with the objective of increasing consistency of the training across program sites and participating households, regardless of the training style or abilities of the various coaches. Also, given the education levels of most participants, DPS and Fundación Capital believed that the tablet technology would be more user-friendly and thus ultimately more successful at building participants' capacity than written materials (which participants may or may not have been able to read).

Further details of these adaptations will be addressed in detail in the following sections.

## Implementation

### Staffing

Staffing of the pilot included teams from DPS and Fundación Capital, with strategic and financial support from the Ford Foundation as well. Ultimate responsibility for project management rested with a project manager from DPS (with strategic guidance and alignment to overall DPS objectives provided by the Deputy Director of DPS) and technical advice from a small advisory/implementing team from Fundación Capital. The project's operations manager, from the implementing partner contracted by DPS, oversaw administrative and operational aspects of the pilot. She was responsible for supervising the work of two regional coordinators on site, as well as for relationship management and communication with municipal leaders and DPS. She also spoke at least weekly with the coordinators and the coaches and made monthly visits to each site. Fundación Capital helped train the coaches and oversee field activities.<sup>8</sup> (See the figure on the following page for the overall organization structure of the project.)

<sup>8</sup> During the first year of pilot implementation, Union Temporal Trabajando Unidos served as the implementing partner, with Fundación Capital providing technical assistance to ensure the project was being implemented in accordance with the design and to help address issues that arose in the field. During the second year of pilot implementation, Fundación Capital served as the implementing partner.

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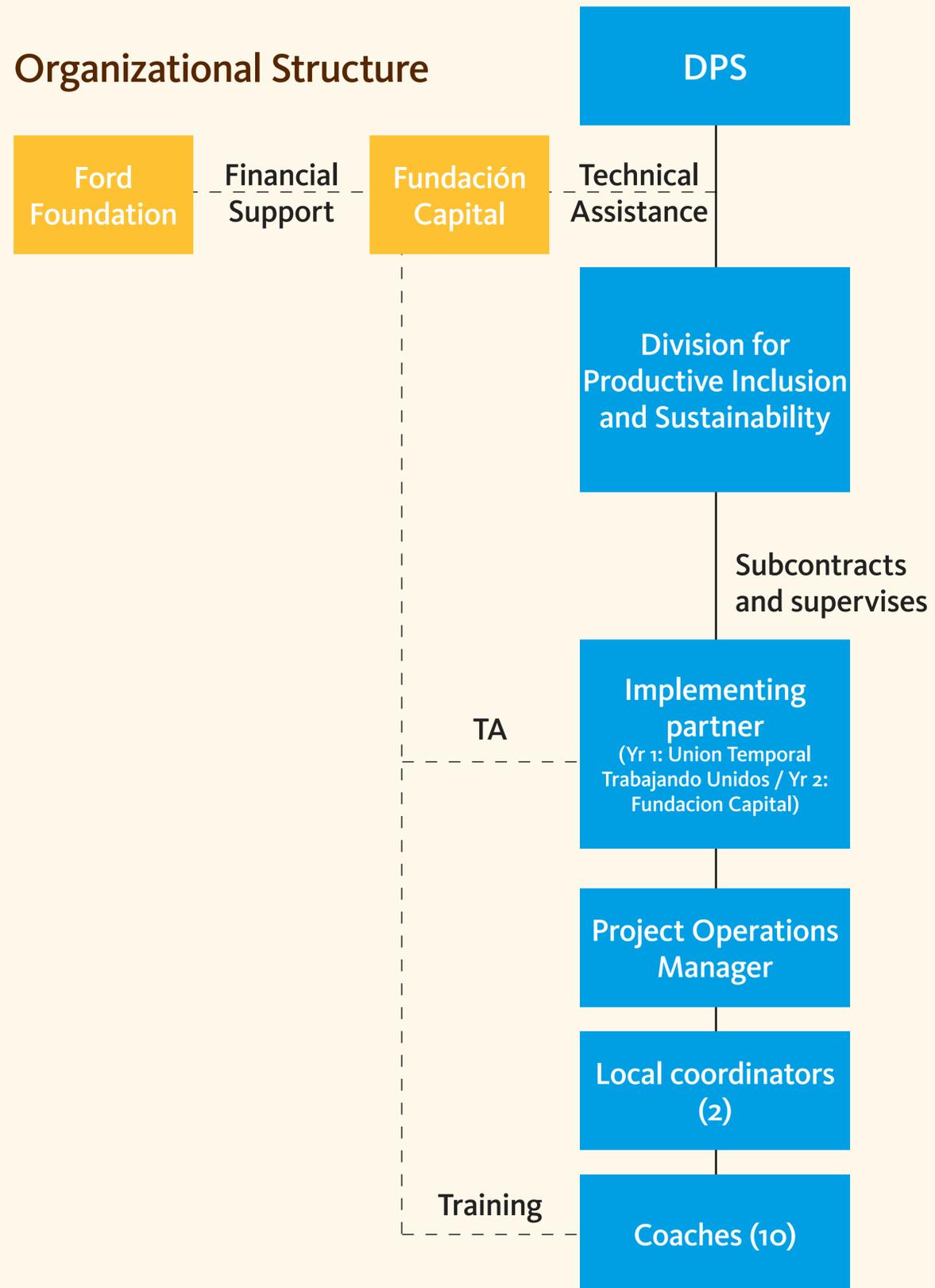
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In each pilot site, one coordinator oversaw the work of five coaches who were each, in turn, responsible for visiting 100 participants and their families over the course of the 24-month program. On average, each coach was scheduled to make 10 visits per day; this meant that each family was visited (by the same coach) approximately twice per month.

Each week the coordinators would meet with the coaches to review weekly work plans and troubleshoot any challenges. They monitored weekly progress reports submitted by the coaches to ensure that the coaches' weekly goals were being met, and facilitated any additional communication regarding challenges, important milestones, or other issues. The site coordinator would also perform random checks during planned site visits to ensure each coach was in fact carrying out the required visits. Particularly as the coaches and families got to know each other, the visits—which were designed to last about 30 minutes—would extend as the participants established a level of trust and friendship with the coach. Often, coaches played a larger role as confidante and friend to the participants. According to one coach in Sitionuevo, it was an ongoing challenge to complete all visits on a given day, resulting in an ongoing negotiation of workload.

Turnover was high among the coaches during the first year of the pilot. When a new coach joined the team, the coordinators had to devote considerable time and

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resources to on-boarding. To contain on-boarding costs, Fundación Capital eventually created an online, virtual classroom to train new coaches (which is now being implemented as part of the coach training in the next phase of the program).

Coaches were hired locally, a strategy to help build participants' trust in their coaches (they would have the same accent and know the area). However, due to the rural nature of the pilot sites, finding a sufficient number of qualified coaches was a challenge. Because of their local ties, the coaches also faced occasional temptations to cut corners during the one-on-one visits, for example, combining a work visit with a social visit, or consolidating individual visits into a group visit. Fundación Capital and DPS worked together to establish a system of monitoring and evaluation (and discipline in some cases) to address performance issues of the coaches. The implementers learned that when hiring coaches, certain trade-offs (e.g., between formal qualifications vs. local knowledge) may be necessary and that a formal performance evaluation system can be helpful to ensure quality work from the coaches.

Providing a detailed explanation on the program's theory of change, as well as the sequencing of its modules and lessons, is important to build the coaches' understanding and skills. This type of training ensures that the coaches are prepared for the responsibility of facilitating each module and the group activities. Each coach was given an implementation manual and guide

as preparation, and as noted above Fundación Capital has now designed an online course for coach training.

During the program, Fundación Capital and DPS had a collaborative relationship, with aligned programmatic objectives and consistent ongoing communication. All the project stakeholders stressed the importance of regular communication across institutions and at different levels. This included strong communication within and across all the government agencies involved, as well as between the implementation and leadership teams at DPS and Fundación Capital.

#### LESSONS LEARNED: STAFFING

- Bi-monthly in-person visits are critical to build trust between coaches and participants and to ensure participants stay on track with their business development and the associated activities.
- Institutional memory is difficult to maintain because staff turns over at all levels. Government agencies and implementing partners must develop training strategies and tools, tips, and guides to help ensure smooth transitions and efficient and effective on-boarding of new staff.
- Time-management training for the coaches is essential to help them meet their coaching session responsibilities.
- Hiring local coaches has trade-offs (professional criteria and education levels versus local knowledge of the area and population).
- Ongoing communication among key implementing partners (e.g., between Fundación Capital and DPS) facilitated successful pilot implementation.

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## Graduation Criteria

The program did not set specific performance criteria for graduation but did set certain expectations at the outset for each participating family. To successfully finish the program, participants had to complete all capacity-building modules and be present for the coaches' home visits. If the registered participant was unable to be present on a specific day, someone else from the family was expected to meet with the coach, complete the training module (using the tablet), and pass along the information. All participants were also required to attend group activities that promoted team building and cooperation to strengthen community connections and to encourage savings plans (which included the distribution of piggy banks for each participant). Each participant signed enrollment forms, indicating his or her commitment to completing all one-on-one coaching sessions and group activities, as well as to the appropriate use of the seed capital (i.e., for business purposes only). If the first disbursement of money was misspent, for example, a participant would be ineligible for the second. There was no requirement, however, that any participant return any misspent money. Both the government and Fundación Capital recognized this risk factor in the program, but believed it would be impossible to ask for money back from families facing dire household needs and situations. Notwithstanding that reality, the goal remained to establish a sense of responsibility and trust in each participant so that they would responsibly invest the funds.

### LESSONS LEARNED: GRADUATION CRITERIA

- Participants are expected to attend all coaching sessions and group activities in order to successfully complete the program.
- If a participant is unable to attend a one-on-one or group session, a family member should attend instead and complete the module and lesson with the coach, being sure to convey the relevant information.
- Although participants commit to full participation in the program, sometimes external factors make it impossible for a participant/family to complete the program.
- A certain level of attrition or diversion of funds is likely, due to the vulnerable population targeted by the project, but participants should not be expected to pay back any asset transfer funds that may have been diverted to another purpose.

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## Consumption Support

Consumption support is a critical component of the Graduation Approach. As noted earlier, the Colombian government leveraged existing consumption-support initiatives to serve as the foundation for Producing for My Future. To avoid duplicating efforts, the pilot worked with the *Más Familias en Acción*, a national program to address consumption needs of vulnerable families which effectively included many of the pilot-program families. *Más Familias en Acción* provides support to Colombian families who meet certain criteria—but some of these differ from the criteria used to screen Producing for My Future participants. Due to legal constraints and the fact that both Producing for My Future and *Más Familias en Acción* are government-supported programs, the non-Familias participants (about 40 percent of the total pilot-program participants) did not receive the consumption support that was a key feature of the “classic” Graduation Approach. DPS and Fundación Capital considered providing a separate, one-time transfer for consumption support to those Producing for My Future participants who did not receive consumption support from *Más Familias en Acción*. The program staff were concerned, however, that Producing for My Future might be perceived as playing favorites if it provided consumption support to some participants but not others (even if such a move had been undertaken with the good intention of bringing the non-

*Familias* participants up to parity). In the end, Producing for My Future elected to provide consumption support to no one rather than to only some.

Upon reflection on the choice to use consumption support from *Más Familias en Acción*, a DPS project manager noted that it was hard to assess whether or not the families who received consumption support had higher success rates than those who did not. Carrying out a longer-term comparative study among families who received consumption support versus those who did not could provide important data for program decision-making, in Colombia and more broadly.

### LESSONS LEARNED: CONSUMPTION SUPPORT

- Leveraging existing consumption support programs is a cost-efficient way to integrate new initiatives such as the Graduation Approach without duplicating efforts and resources.
- However, not all families participating in the Graduation program may receive full consumption support because of differing eligibility criteria between the two programs.
- A potential long-term study question should compare the well-being of families who received consumption support from *Más Familias en Acción* with that of families who participated only in Producing for My Future (and therefore received no consumption support).

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## Savings

Another key component of the Graduation Approach is savings promotion. In Colombia, the pilot encouraged savings primarily through individual saving at home (in a traditional piggy bank) and through savings groups. For several reasons (discussed below), formal savings in a traditional bank savings account—which was one of the goals of the program—is very uncommon for the participants in both San Luis and Sitionuevo.

Training modules were dedicated to the importance and value of savings. Each participant received a small piggy bank, which they painted and decorated in a group meeting, and were encouraged to use to set aside a portion of their income as savings. Each family had its own process for deciding the percentage they wanted to save and the percentage they intended to reinvest in their business. For many, Producing for My Future facilitated their first-ever household savings plan. The participants who reported saving did so with obvious pride. The savings enabled them to meet their personal and family goals, including sending their children to school, as well as expanding or improving their homes. Many relied on their savings in moments of family emergencies. Producing for My Future helped many participants to establish the discipline and the habit of setting aside money for savings.

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Elena, a participant from San Luis, continued to participate in a savings group with neighbors, even after the pilot had officially ended. Over the course of seven months (post-pilot), Elena saved nearly USD 150 from sales in her small store, whose inventory she was able to expand with the asset transfer from Producing for My Future.

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In general, participants expressed hesitation about using banks. For one thing, the formal financial services infrastructure (whether banks or other providers) was weak in the rural pilot sites. Many participants were also wary of formal banking because of a lack of experience with the banking system, limited financial education, negative customer service experiences, and perceived (and real) high transaction fees. Myths about banks also abound, including that money in a bank could be seized from a depositor if it is not withdrawn or added to after a certain amount of time.

The pilot included savings groups, which are locally-managed, peer support circles that encourage participants to save in a more supportive setting. Savings groups in the pilot sites were established late



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in the project cycle, when approximately four months remained in the project. Plans for future Graduation programs include initiating the savings groups much earlier. The savings groups were voluntary, with about eight participants in each group. They met every week or two to contribute to the savings funds, and each participant's contributions were recorded in an accounting book. The groups were supported with guidance and mentoring from the coaches, who helped motivate the participants to save. Savings groups enabled participants to establish the discipline of saving on a regular basis and contributed to improved communication among neighbors. At the end of the pilot, most of the groups disbanded, in part because they no longer had the external motivation and guidance from the coach to keep saving. However, one savings group has been sustained post-pilot by the participants on their own.

In spite of the challenges, there were many bright spots with the savings groups. In San Luis, a few members joined the savings group, adding whatever they could every week to the wooden box of communal savings (which was kept secure via three keys that rotated among members). Herminia, in San Luis, diligently saved through the savings group, sometimes adding the equivalent of just a few dollars every week. Over time, she was able to save COP 190,000 (about USD 60) in one week, a major achievement considering her small business raising pigs.

### LESSONS LEARNED: SAVINGS

- Basic savings training is valuable for extremely poor and vulnerable populations. Establishing the discipline of setting aside money for emergencies and for long-term goals provides important security for participants. Savings, through groups or other methods, should be introduced as early as possible in the program cycle.
- Participants felt pride in their savings, particularly with their piggy banks.
- Trust and experience working together are the foundation for successful savings groups.
- During the first few months, savings groups need consistent guidance and support from the coaches and operational partner (Fundación Capital, in this case).
- Encouraging participants to save in formal financial institutions proved more challenging than anticipated, given issues at the pilot sites of access, familiarity, and trust.

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## Market analysis

For each proposed business, participants developed a business plan with the support of the coach during a one-on-one visit. Only a general market analysis was performed by Fundación Capital and DPS, using regional data and reviewing the economic drivers (including animal husbandry and agriculture production) in the region. Government data and studies provided basic background information on the socioeconomic trends of the populations, and the general business environment, but it was not intended to provide an in-depth analysis of the market. In many cases, the markets for several of the participants' products became flooded and the participants earned less than their projections. A more comprehensive market review, leading to a more diversified array of economic activities, may have benefitted the participants in their decision-making for business ventures, especially in San Luis.

Diversity among the types of small business ventures was more limited in San Luis compared to Sitionuevo. This was due to cultural factors as well as general socioeconomic activities of each region. In Sitionuevo, access to the wider and more diverse market of Barranquilla enabled a broader diversity of ideas. In San Luis, it was harder to convince the participants to think beyond pig farming or lemon growing, based on traditional production in the area. This narrow focus was exacerbated when the participants saw an example of a pig farm in the workbook, which led many to the

mistaken conclusion that pig farming was the recommended business option. As a result, the majority of the participants in San Luis chose to raise young pigs, which are generally in high demand for celebrations and parties. Although the decision was smart in terms of building on established knowledge and capacity (many have raised pigs for years in their patios), the volume of pigs on sale at the market increased such that the price per pig dropped significantly as the market became flooded. Participants and their coaches identified creative ways to diversify even within the same productive activity (for instance some specialized in raising pigs, while other specialized in making pork-based traditional dishes).

### LESSONS LEARNED: MARKET ANALYSIS

- Investing sufficient time in each participant's business plan helps ensure a higher success rate. While the training modules teach general concepts related to upfront costs, revenues, and expenses of a small business, more planning and projection work is necessary to ensure participants are taking a longer-term vision of their entrepreneurial investments.
- Businesses succeed when they build on participants' existing skills, knowledge and resources, as long as there are sufficient markets for their products. Coaches must provide guidance and encourage participants to focus on past experiences and knowledge (e.g., experience raising pigs), as well as existing assets and resources, to build out their businesses.
- If a comprehensive market analysis is not possible, efforts should be made to help participants diversify the range of economic activities undertaken, based on an understanding of the existing landscape of businesses, including potential opportunities and competition.

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## Asset Transfer

As noted earlier, Fundación Capital and DPS decided to provide the asset transfer in cash to the participants instead of providing it in-kind. This decision was made for a number of reasons:

- Increased financial literacy and cash management skills, particularly for extreme poor and marginalized communities, are a priority goal for DPS. Managing cash flow is an “on-ramp” for individuals and households to manage more complex financial transactions. Over time, the goal is to increase the financial inclusion of households living in extreme poverty. It was noted that poor communities often have a reputation for misusing government funds and being incapable of properly managing money. Giving the households cash signaled trust and empowered the participants to demonstrate responsible use of the money and take responsibility for their business decisions. An internal evaluation by Fundación Capital found that 94 percent of participants used the cash in the way they said they would in their business plan.<sup>9</sup>
- Assets delivered “in kind” generally require a middleman who handles purchasing and delivery to the participants. In other projects, DPS had seen poor quality or delayed delivery of assets trigger project failure.
- Finally, cash transfers were provided as a way to contribute to the local economy. As participants spent the cash near their homes, they were injecting resources into the local markets.

<sup>9</sup> Fundación Capital and the Department for Social Prosperity. March 2015. *Report on Evaluation of Concepts, Processes, and Results: Producing for My Future*. Bogotá: Fundación Capital.



Participant in Sitionuevo in her shop

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Not all participants used the cash transfer entirely to cover business costs. Julia, a participant in Sitionuevo, spent her first disbursement on a sewing machine for her business. However, when the second disbursement came, she bought a new well pump—not a business expense. Programmatically, there were no negative repercussions or sanctions from DPS for using the cash for non-business needs. They anticipated a certain level of funds diversion due to the poverty levels and socioeconomic challenges facing the target households. DPS and Fundación Capital recognize that certain other needs may outweigh business interests, such as family health needs. These decisions to use the money for family emergencies are logical and understandable. Therefore, a certain percentage of “loss” should be anticipated and worked into impact expectations with regard to use of the cash transfers.

By design, the asset transfer was made in two disbursements. In order to receive the first disbursement, participants were required to present their business plan, along with logistical steps (e.g. presenting appropriate paperwork for the transfer). Then, to receive the second disbursement, participants were asked to show receipts to demonstrate appropriate use of the first disbursement and proof of investment in the business (e.g., photos, invoices). However, there were operational delays in the delivery of the cash transfers due to strict regulations of passing money through the government.

In Sitionuevo, the transfer was made through Banco Agrario, the Colombian national bank, and each participant was required to show formal government identification (cedula) to receive the funds. This proved

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to be problematic because several participants had cédulas that were hard to read, expired or in poor condition, which is not uncommon in rural areas of Colombia. The banks were reluctant to accept them as an appropriate form of identification, and this caused delays. Many participants also had to travel multiple hours and long distances to go to the bank; when their cards were rejected, it was a setback for their businesses and the project in general.

Once the cash transfers were completed, the coaches accompanied the participants during the purchasing of the first round of business “inputs.” DPS, as a Colombian government agency, is bound by strict procurement and purchasing regulations around the use of government funds. Official receipts were required for all purchases made with funds from the cash transfer. Therefore, 10 temporary staff were hired at each pilot site for approximately three months to accompany the participants during the transactions (since the coaches were unable to accompany all 500 participants). The temporary staff helped to verify each purchase and ensure the required proof of purchase paperwork was provided to meet the government’s legal requirements.

Some asset purchases were delayed due to unavailability of funds. The participants created their life plan and business plans, but then had to wait for the capital to start their businesses. Another challenge was that some participants created their business plans around certain crops with

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Flor Marina, a participant from the San Luis pilot, worked as a day laborer in a nearby passion fruit farm before the project. With the first disbursement, Flor Marina bought 50 chickens and chicken feed and raised them for sale. With the second disbursement, she built a sturdier chicken coop to double the space to raise them. Over the course of the pilot, Flor Marina was able to sell her chickens in the local market; she also composted the chicken manure into organic fertilizer that she and her family used on their crops. Thanks to her chicken business, Flor Marina is now able to cover her household expenses and school expenses for her two children—one who is finishing culinary training in a nearby vocational high school and the other who is in middle school.

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specific planting seasons. As a result of the disbursement delay, some business plans had to be completely changed since the planting season had already passed by the time funds were received. Finally, the operational delay between the two disbursements caused some participants to have to dip into their piggy-bank savings to be able to invest in their businesses.

The project was based on a good-faith agreement among the implementing agencies and the participating families and community. During the pilot period, some participants did leave the program, with approximately 8 percent receiving money and then moving away before the end of the project. Others dropped out due to family problems. When possible, as a participant left the program, a dissolution document was signed by that former participant and DPS, in the same way that participants signed agreements at the beginning of the program committing to its completion. In the cases where a person left and was never heard from again, the neighbors and coach signed the dissolution document.

### LESSONS LEARNED: ASSET TRANSFER

- Disbursing the cash for the asset purchase in tranches decreases the risk of financial mismanagement. At the same time, this tranche structure can delay timely investment in productive assets.
- Providing cash, rather than in-kind transfers, builds participants' confidence and capacity for money management.
- A certain level of funds diversion is likely, particularly for vulnerable households in situations of extreme poverty.



*Herminia in the second pig pen she built with the asset transfer.*

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## Technical Skills Training

Technical skills training is another core component of the Graduation Approach. In the design phase, DPS intended to create alliances with universities and institutions so that technical assistance could be provided locally, including by students from regional universities who could provide assistance, for example, in animal husbandry or agricultural techniques. At each project site, DPS had wanted a formal agreement with a regional institution that would provide professional technical assistance and a consistent level of support and follow-up throughout the project, not just an initial consultation. However, DPS was unable to formalize a working agreement with such institutions, so participants were dependent on local, general assistance, rather than formal, specialized technical support.

In San Luis, many of the participants set aside some of their asset transfer funds to pay for technical assistance from a local veterinarian who was contracted to make three visits to each paying participant. The cost was approximately COP 50,000 (or about USD 20) for the visits. Unfortunately, participants reported that the technical assistance visits were very short—approximately 10 minutes or less—and the information provided was very general and not specific to the families' needs. The participants recalled frustration at



*Pig-raising was a popular business choice in San Luis.*

Consistent and relevant technical training and assistance is critical for the success of small business development. In San Luis, a virus killed many pigs that participating families had bought with the asset transfer funds. Due to limited veterinary technical assistance, the participants lacked knowledge about treatment options for their pigs. If technical assistance had been more consistent and relevant during the months of the pilot, fewer pigs would have been lost. Similarly, in Sitionuevo, one participant bought a large quantity of animal feed, as suggested by the local veterinarian. However, the feed was to be used across multiple months, and because of insufficient storage space, half the feed rotted.

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receiving a standard form outlining food and medicinal needs for pigs at certain weights, but participants had no way to weigh the animals. In the future, project implementers should design a verification process to ensure frequency, duration, and quality of technical assistance.

Along with the challenges, there were bright spots across the two years of experience with technical assistance provision. In Sitionuevo, DPS and Fundación Capital connected the participants with the National Learning Service Agency (*Servicio Nacional de Aprendizaje*, or *SENA*), a national institution that provides training and education to adults and youth. SENA made free courses available to pilot-program participants; those who enrolled gained valuable knowledge for their businesses. Enrollees also received a certificate from SENA, a point of pride because many had limited formal education and the certificate was a credential attesting to their professional and personal development. In addition, the mayor in Sitionuevo funded literacy classes during the pilot, a value-add to many participants who had limited (or no) reading and writing skills. Although SENA provided a certain level of technical support, even this was not the formal assistance that DPS and Fundación Capital originally envisioned for the participants.

### LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Partnering with national-level capacity-building programs can bolster the economic development capacity building provided by the program, though this can be very challenging to implement.
- Technical assistance should be provided over the course of the project, not just as participants are in start-up mode.
- A variety of appropriately skilled technical assistance providers should be formally engaged in the project in order to assess and meet the business needs of the participants.
- Businesses are more likely to succeed when they build on participants' existing skills, knowledge and resources. Coaches must provide guidance and encourage participants to focus on past experiences and knowledge (e.g., experience raising pigs), as well as existing assets and resources, to build out their businesses.
- A verification process to ensure both quantity and quality of technical assistance is important in order to ensure participants receive the help they need.

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## Life Skills Coaching

The aim of the life skills coaching in the Producing for My Future pilot was to build skills in communication, entrepreneurship and financial literacy. The majority of the coaching sessions took place during home visits, in addition to four group activities designed to build community and strengthen social ties among participants. For the home visits, Fundación Capital introduced an electronic tablet loaded with materials for each training module, including, for example, advice about how to manage accounting for a small enterprise and tips for saving. The tablet-enabled content was accompanied by a workbook that each participant received and which included additional learning material based on each module. The group activities included team-based activities to build trust and skills, including painting and decorating the piggy banks each participant was given to encourage at-home savings.

At the beginning of the project, each participant was asked to articulate three goals: one business-related goal, one family goal, and one personal goal. From the start, most had an idea about the type of business they wanted to pursue. Family goals often focused on ensuring educational opportunities for their children. Personal goals were the most difficult for participants to articulate—most had never been asked to think about their own goals and what they envisioned for themselves. The exercise proved to be important to help build their self-confidence and views of themselves as achievers.

The workbook in the pilot phase was quite dense with text. It proved to be an overwhelming challenge for many of the participants, especially given the high illiteracy rates and the low level of education among the participants. Fundación Capital made revisions to the workbook for the second phase of the program, and DPS suggested additional changes to create a third version. Unfortunately, implementing the changes was difficult due budget limitations and to the multiple layers and bureaucracy of decision-making. Government program budgets are reviewed annually, and once they are accepted, changes are nearly impossible to make.

As noted, in Colombia one of the adaptations to the original Graduation Approach was the integration of the electronic tablet to facilitate learning during the home visits. The digitized content loaded onto the tablets was intended to improve the consistency and quality of the delivery of the lessons. Each coach took the tablet on the home visits to review the relevant lesson with the participants. In general, the tablets were considered a useful tool for additional support for the coaching visits. They engaged the entire families, particularly the children, and represented something novel for many of the participants, particularly among the older generation, whose exposure to technology had been limited. (Some older participants would ask their family members to operate the tablet rather than doing it themselves, out of fear of damaging the tablet.) When asked later about the one-on-one coaching visits, many participants

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recalled the stories and fables included in the modules on the tablet, which indicated its effectiveness and importance for educational purposes. Most participants liked to watch the videos first and then have a follow-up conversation with the coach.

The tablet helps standardize the training and ensures a certain baseline of information will be conveyed to each participant regardless of the coach's training ability. However, all stakeholders noted that use of the tablet cannot, and should not, be conceived as replacing the role of the coach. The table is instead used as a tool to bolster the one-on-one meetings. Furthermore, this exposure to technology was an important secondary benefit, and particularly interesting to other potential Colombian government partners (e.g. the Ministry of Information Technology and Communication) who want to expand technology access and education to rural areas.

Collaboration and communications between neighbors improved as a result of the life-skills learning. Group activities are important for building social capital, so having the model include both individual and group sessions is positive. The lessons and stories contributed to a greater sense of community awareness. Participants learned how to help and support each other, and not just in their business ventures. The program helped build trust among neighbors and community members who provided economic, social and moral support. These socialization and community development effects are less tangible and harder to measure, but are nevertheless important outcomes.

## LESSONS LEARNED: LIFE SKILLS COACHING

- The one-on-one home visit is a critical component of life skills coaching.
- Technology (e.g., the tablets) can help standardize the consistency and quality of training, regardless of the coach's training ability.
- The tablets complement in-person coaching sessions and contribute to participants' learning and knowledge acquisition.
- Group activities strengthen both economic and social connections among participants through trust-building and cooperative activities.
- While exposure to technology is a secondary benefit for many, older participants may face challenges with the tablets because of limited education and technology use. Implementing partners must assess the options of using technology based on participants' skills and education.
- Participants may have limited experience or practice setting personal or professional goals, given the daily pressure to meet immediate needs such as food and clothing. Coaches must facilitate the process and encourage the participants to be creative and think about long-term goals.
- Training on the methodology and programmatic theory of change for coaches, implementing partners, technical assistance providers, and other government staff can strengthen the understanding and thus performance of all those working to deliver the program.

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## Monitoring

Coaches were responsible for monitoring participants' progress during the one-on-one visits. These bi-monthly sessions provided a chance for the coaches to track the economic activities of each participant, provide advice, help trouble-shoot challenges, and encourage the families to stay on track. The coaches were required to file reports on every visit to update economic progress using an Excel spreadsheet template. In the next phase of the project, the reports will be made through an online platform.

Regular project monitoring and staff meetings kept the pilot workplan on track and allowed for necessary adjustments along the way. The project operations manager and the site coordinators from San Luis and Sitionuevo had joint monthly meetings to review progress during the pilot program. The implementing partner (the Union Temporal Trabajando Unidos in Year 1, and Fundación Capital in Year 2) sent a formal monthly report to DPS, including a financial reconciliation of the project budget. During the monthly meetings, DPS and the implementing partner would review progress, problem-solve any issues, and review the financials. Representatives from DPS and Fundación Capital head offices carried out frequent in-person site visits. Initially, the Producing for My Future project manager from DPS went monthly to each site; later in the project, these site visits were conducted every few months. The project

operations manager attended more frequently and provided regular updates to the DPS project manager.

Coordinators met with their ten coaches each week to review the family visit plans and monitor progress. The coordinators worked with the coaches to address any project management or implementation issues during the week, such as business challenges or participant no-shows for the one-on-one home visits. As noted earlier, each coach was responsible for training and visiting 100 families. The suggested schedule was designed to cover the 100 in-person visits in two weeks, meaning the coaches would visit 50 per week (assuming a five-day work week and 10 family visits per day). However, at times the coaches ended up working on Saturdays if they were unable to complete all 50 weekly visits during the Monday-to-Friday work week.

The tablet onto which the modules' content was loaded also included a function that could record the log-in of each participant to each module. It would also record the time when the module was completed. This was designed to serve as a back-up monitoring tool to ensure all the coaches stayed on track. Unfortunately, there were some technological challenges with the log-in records, compromising their accuracy. Fundación Capital has already fixed this glitch for the next phase of the pilot.

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## LESSONS LEARNED: MONITORING

- Field monitoring visits are a critical part of project monitoring to ensure implementation of the program is on track, to assess any necessary changes, and to adjust the timeline and project activities accordingly.
- Monthly meetings are important for open and regular communication between DPS and the implementing partner, and between head office and field staff.
- As coaches and the participants get to know each other over the course of the project's implementation, visiting schedules may shift and the benchmark for number of visits per day may be harder to achieve. Monitoring plans should take this into account and adjust accordingly—either to factor in longer visits or to work with the coaches to set appropriate time-management goals for visits.



## Post-Graduation Program

### Initial results

Based on initial evaluations by Fundación Capital and in-person interviews with participants, the Producing for My Future pilot has made a positive impact on the lives of the majority of the participants in both Sitionuevo and San Luis. As part of its own institutional learning, Fundación Capital carried out an internal evaluation to gather initial results of the pilots. More formal evaluations are needed to draw out specific correlations and measure impact, but general trends are visible in terms of income generation, savings, financial/accounting skills, as well as “soft skills” like participant self-confidence levels and communication skills.

Based on a report<sup>10</sup> of preliminary observations and interviews with the participants, the following trends were observed:

- About half of the participants reported an increase in income, and on average, there has been a 65 percent increase in household earnings across the two sites.<sup>11</sup>
- The percentage of participants saving increased from under 10 percent to over 80 percent.
- Approximately 5 percent of participants kept

<sup>10</sup> Fundación Capital and the Department for Social Prosperity. March 2015. *Report on Evaluation of Concepts, Processes, and Results: Producing for My Future*. Bogotá: Fundación Capital.

<sup>11</sup> Based on a comparison of baseline data to data gathered at the end of the project by Fundación Capital (March 2015).

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accounting records prior to the project; at the pilot's conclusion, nearly 60 percent reported regular record-keeping.

- At the beginning, when asked where they would get USD 20 in an emergency, less than 3 percent of participants said they would be able to take it out of personal savings; just over 10 percent reported they would have to borrow from a high-interest money lender. At the end of the project, nearly 30 percent reported they would be able to use money from their savings, and fewer than 4 percent reported they would need to borrow from a money lender.
- Self-reported levels of confidence and self-esteem of participants have improved.
- Nearly 20 percent of participants who completed the program have reinvested their earnings to expand their initial business or start a new project.

### Plans for scaling up

In 2015 and 2016, DPS began working in three new locations (Atlántico, Nariño and Sucre) with the aim to reach 10,000 participants living in extreme poverty. By 2018, the program aims to reach 35,000 participants in sites across six locations (to be determined) across Colombia.

Mariana Escobar, former Deputy Director of DPS, noted that that for DPS, Producing for My Future is a pillar program for their Integrated Rural Initiatives



*Participant who used his asset transfer to strengthen his tilapia fish farm*

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strategy because it integrates multiple components DPS is interested in promoting: financial inclusion, small-farmer productivity, food security, water management, and rural housing. DPS sees an opportunity to link Producing for My Future with initiatives supported by the Ministry of Agriculture in order to further support rural households in the agriculture sector. One of the major challenges for achieving such a link is the difficulty of jointly planning and then operationalizing and budgeting for such an initiative. The ministries must find ways to partner and combine their budgets, which has been a challenge due to internal financial silos and bureaucratic sign-off processes.

DPS has also noted the potential contribution of Producing for My Future to Colombia's post-conflict development process. According to DPS, Producing for My Future can help with the transformation of rural territory into more productive land and crop systems. The agency is also interested in reducing socioeconomic disparities between rural and urban populations and in better meeting the needs of rural populations in Colombia. The methodology used in Producing for My Future—which promotes self-sufficiency, empowered families, and productive rural populations—can be an important complement to other DPS-supported programs focused on the well-being of vulnerable populations, including indigenous and Afro-Caribbean populations (IRACA), as well as Families on their Land (*Familias en Su Tierra*), which provides psychosocial

support to displaced populations who are victims of Colombia's internal conflict. A portfolio approach that includes all of these programs can help DPS achieve its mission of eradicating extreme poverty and contributing to social inclusion and reconciliation. DPS thus has an institutional interest and commitment to scaling the program in an integrated manner.

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In Sitionuevo, one participant said that prior to joining Producing for My Future, she had never before received any type of business training or coaching. She was reluctant to take on day-to-day management responsibilities in the family business—a small store that sells food staples and household items. After gaining business skills during the pilot, she now works full-time to manage the store with her husband (who also benefitted from training in the pilot), and the store now has a more consistent and accurate accounting system.

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## Scaling with government implementers

Several members of the DPS team, including one of its key managers, made several pertinent observations about the challenges and advantages of coordinating implementation across several agencies.

Government-implemented scale ups of social programs can help facilitate access to, and leveraging of, other government resources and capture significant efficiency gains compared to other potential actors (e.g., nongovernmental organizations). For example, the national government gathers data that can be leveraged to guide the targeting of communities and households. Existing social protection programs, such as conditional cash transfers, can serve as the foundation for other, more development-focused efforts. In addition, governments have the organization and infrastructure to reach a large population. They also have the mandate to serve their citizens, and are able to allocate human and financial resources, as well as intellectual and political muscle to programs that improve the well-being of communities.

But government-scaled programs also face challenges. Government programs are inherently restrictive in certain ways. For example, the program in Colombia faced limitations with shifting budget priorities between the first and second years. The DPS and Fundación

Capital teams had to work to find alternative ways to implement the cash-based asset transfer because of the challenges associated with opening official bank accounts. In addition, the legal requirements for the purchase of business supplies with Colombian government funds caused delays for the participants. While a certain level of structure was helpful to keep a project on track, at times there was a rigidity that hindered project implementation because of bureaucracy and administrative requirements.

Changes in government administrations or senior staff can mean that programmatic priorities and funding streams shift, too. Projects whose objectives and budgets are negotiated on a year-to-year basis risk facing cuts or changes in direction or objectives if key ministers or senior staff change from one year to the next. A DPS manager recommends that if a project with the government is designed for two or three years, then the budgets and objectives should be negotiated for life of the program (rather than on an annual basis) to mitigate this risk.

The decision was made not to expand the Producing for My Future program's second phase into San Luis and Sitionuevo; three new regions of Colombia were chosen instead. This is likely a result of DPS needing to respond to certain presidential commitments to reach additional municipalities in other regions of Colombia.

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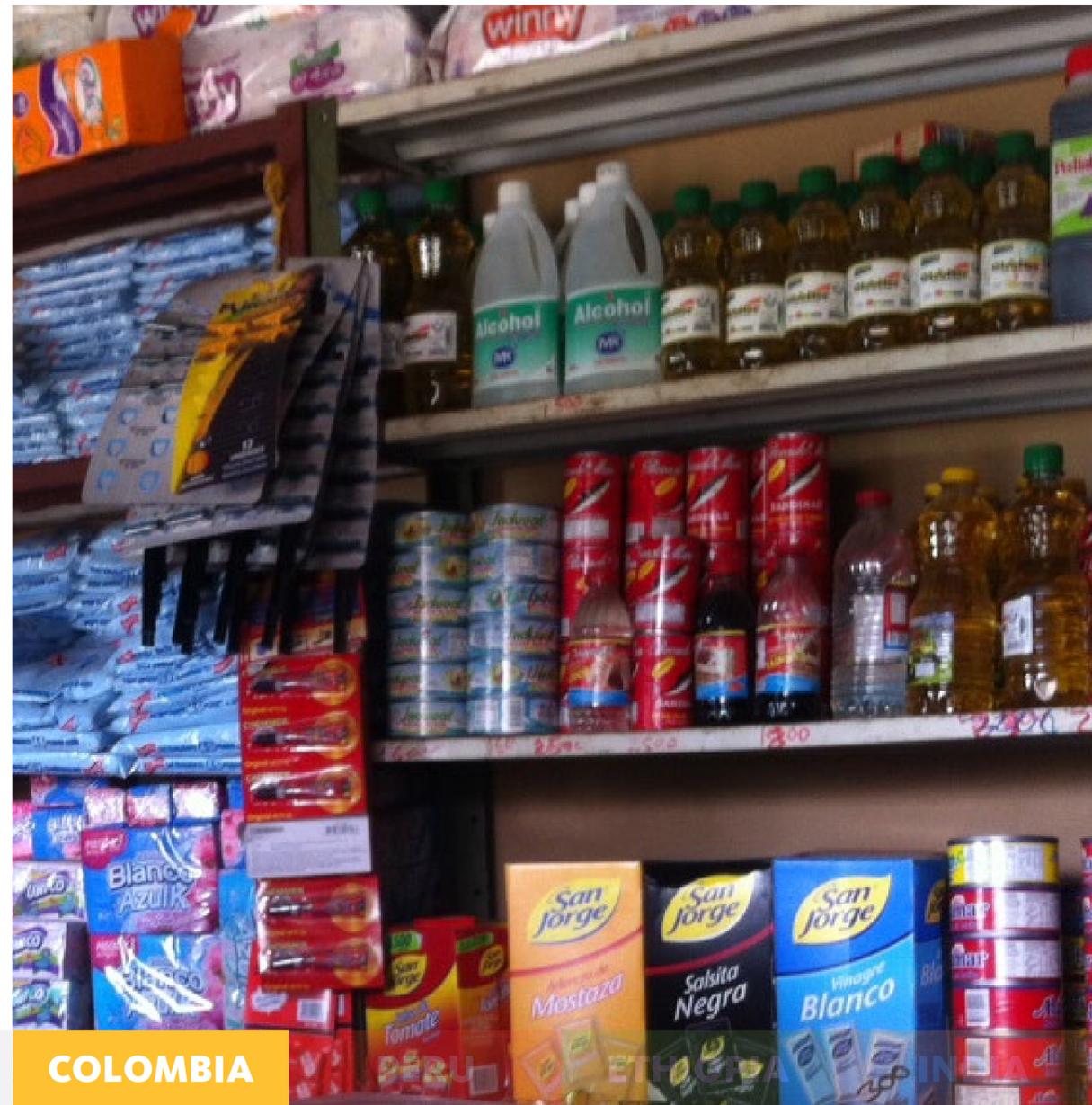


In addition, DPS wants to integrate the Producing for My Future program into its “*intervenciones rurales integrales*” (integrated rural interventions) which has targeted municipalities which do not include San Luis or Sitionuevo. This decision has certain trade-offs. On one hand, more communities and regions will benefit from the program; on the other hand, the momentum built around the pilot in San Luis and Sitionuevo may not be sustained or scaled without continued attention and funding from the government.

Government programs generally have more rigid targets linked to public policy priorities and financial commitments. This can be a limiting factor because it excludes certain needy populations who may not fit within those parameters. A nongovernmental organization may have the flexibility to work with a broader and more diverse population. Representatives from both DPS and Fundación Capital said that flexibility from the government in terms of who could participate in certain social programs, as well as the government’s ability to make certain exceptions for needy families (who may not meet certain government-set parameters for participation), could increase impact and broaden the reach of DPS social programs to a broader range of at-need populations.

The Graduation Approach must be formally connected to public policy focused on poverty alleviation. To achieve maximum impact, the integration of pilot

programs like Producing for My Future needs financial and political support. In addition, the Graduation Approach should be a complementary program to other economic development programs (i.e., not the sole economic development option for the rural poor). DPS program managers recommend that it be integrated as one element in a broader set of social protection and production-oriented economic development



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policies. After completing the Producing for My Future program, participants themselves, the coaches, and the implementing team identified an increase in productive abilities, business understanding, and self-esteem of the participants. The opportunity to transition to a complementary program, such as productive cooperation and commercialization, would be a natural and beneficial progression for many Graduation participants. Governments assessing adopting the Graduation Approach as part of a portfolio of social impact programs for extremely poor and vulnerable populations should consider connecting it to other programs, policies, and budgets that can sustain and expand its impact over time.

### Impact studies

Fundación Capital has partnered with the University of the Andes in Bogotá, Colombia, to carry out additional evaluations. As a first step, they are carrying out a process evaluation to understand and compare what was expected versus what actually happened during implementation, including where operational bottlenecks occurred and why. The process evaluation also will review the tools (including an online training course developed by Fundación Capital to facilitate orientation for new coaches, a support manual for the coaches, the participant workbooks, and the tablet-enabled modules), and provide feedback for continuous improvement. The process evaluation will focus on the next Graduation

program in Colombia, to include 10,000 participants at the three expansion sites (Atlántico, Nariño, and Sucre) mentioned earlier. Over the 18-month project implementation timeline (which runs through December 2016), information will be gathered at critical junctures through interviews with coaches, participants, DPS and other government stakeholders, and other program implementing partners. The final report from the process evaluation is scheduled to be completed in February 2017.

After the process evaluation, Fundación Capital plans to carry out a results evaluation starting in 2017 with the anticipated new group of 25,000 participants across Colombia. The results evaluation aims to identify general impact trends.

To expand their learning, Fundación Capital also has plans to carry out process and results evaluations of government-implemented Graduation programs in Paraguay,<sup>12</sup> Mexico, Honduras and Brazil. This work, supported by the Ford Foundation and IDRC Canada, will contribute to a regional learning and evaluation platform, using indicators that were used in previous randomized control trials from the CGAP/Ford Graduation pilot projects.

<sup>12</sup> A more sophisticated randomized control trial is planned in Paraguay only.

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Costs

The total cost of the pilot program was approximately COP 234,000 (or USD 1,170) per participant for the 24-month project. This included funds for the assets transfers (about USD 500 per participant) and all staffing and materials costs, though not the consumption support (which was provided through the separate Más Familias en Acción conditional cash transfer program, which, as noted, about 60 percent of Producing for My Future households received).

In the next phase of implementation, DPS is looking for ways to make the program and its varied services more cost-efficient. For example, DPS has discussed the possibility of creating an integrated fund to channel support for vulnerable families who belong to multiple government-supported safety-net programs in order to streamline resource distribution. Thus, for example, families participating in Producing for My Future and also Más Familias en Acción could receive support more efficiently, and record-keeping for DPS would also be streamlined.



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## Key Lesson Learned

This case study found several key learnings and next steps to be addressed in order to scale this kind of government-administered Graduation program effectively and efficiently. The key Lessons Learned, previously summarized at the end of each section in this document, are recapped in the bulleted list that follows, and then elaborated in narrative form.

### LESSONS LEARNED: TARGETING AND SELECTING PARTICIPANTS

- Selecting participants from the national government (Sisbén) database provided a comparable list of eligible households as the participatory mapping exercise but was more cost-effective.
- The government has to keep the national database up-to-date, however, if those records are to provide reliable information for this type of participant identification exercise.
- In-person visits to verify household eligibility provides added assurance that the target population is being reached.
- Including more elderly participants can help ensure that the poorest and most vulnerable are indeed participating, but an upper age-limit may be needed for the program's resources to be most effectively and efficiently deployed.

### LESSONS LEARNED: STAFFING

- Bi-monthly in-person visits are critical to build trust between coaches and participants and to ensure participants stay on track with their business development and the associated activities.
- Institutional memory is difficult to maintain because staff turns over at all levels. Government agencies and implementing partners must develop training strategies and tools, tips, and guides to help ensure smooth transitions and efficient and effective on-boarding of new staff.
- Time-management training for the coaches is essential to help them meet their coaching session responsibilities.
- Hiring local coaches has trade-offs (professional criteria and education levels versus local knowledge of the area and population).
- Ongoing communication among key implementing partners (e.g., between Fundación Capital and DPS) facilitated successful pilot implementation.

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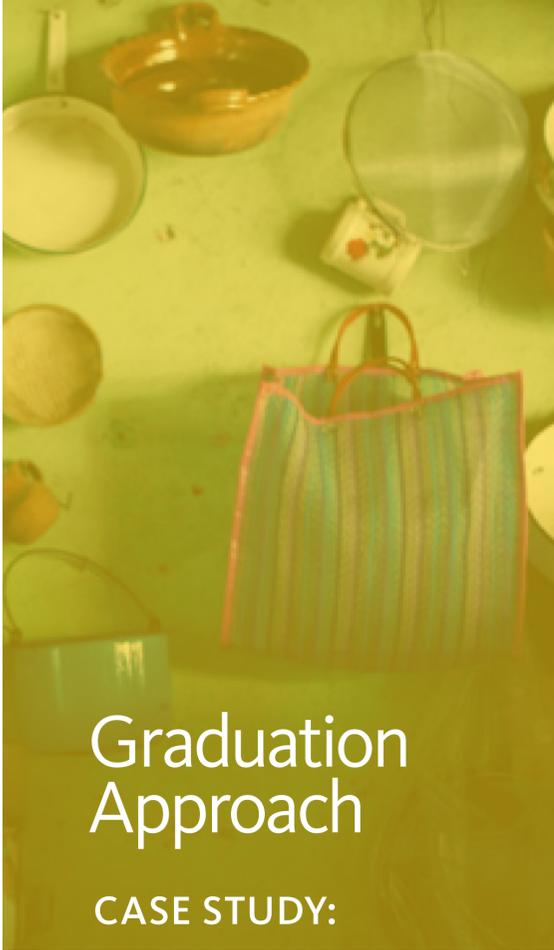
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### LESSONS LEARNED: GRADUATION CRITERIA

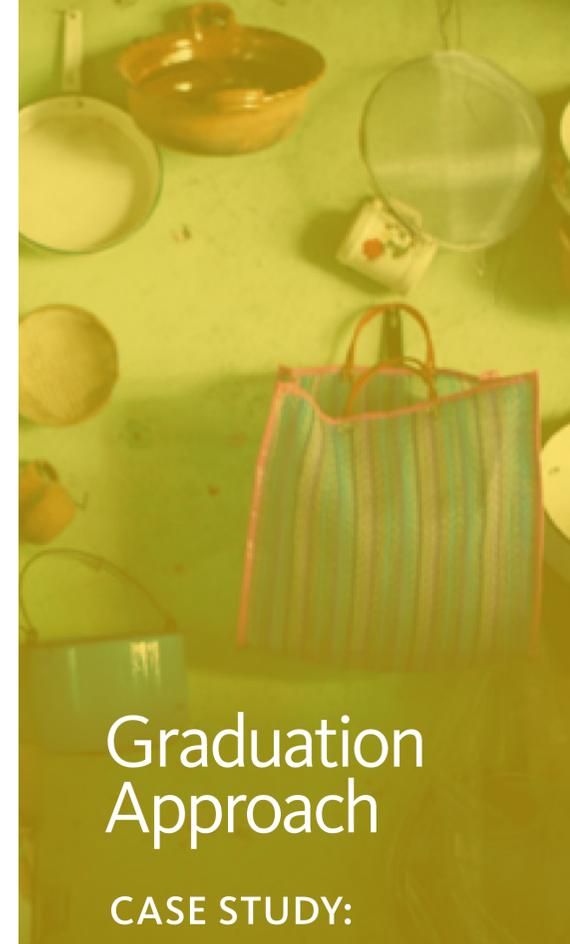
- Participants are expected to attend all coaching sessions and group activities in order to successfully complete the program.
- If a participant is unable to attend a one-on-one or group session, a family member should attend instead and complete the module and lesson with the coach, being sure to convey the relevant information.
- Although participants commit to full participation in the program, sometimes external factors make it impossible for a participant/family to complete the program.
- A certain level of attrition or diversion of funds is likely due to the vulnerable population targeted by the project, but participants should not be expected to pay back any asset transfer funds that may have been diverted to another purpose.

### LESSONS LEARNED: CONSUMPTION SUPPORT

- Leveraging existing consumption support programs is a cost-efficient way to integrate new initiatives such as the Graduation Approach without duplicating efforts and resources.
- However, not all families participating in the Graduation program may receive full consumption support because of differing eligibility criteria between the two programs.
- A potential long-term study question should compare the well-being of families who received consumption support from *Más Familias en Acción* with that of families who participated only in Producing for My Future (and therefore received no consumption support).

### LESSONS LEARNED: SAVINGS

- Basic savings training is valuable for extremely poor and vulnerable populations. Establishing the discipline of setting aside money for emergencies and for long-term goals provides important security for participants. Savings, through groups or other methods, should be introduced as early as possible in the program cycle.
- Participants felt pride in their savings, particularly with their piggy banks.
- Trust and experience working together are the foundation for successful savings groups.
- During the first few months, savings groups need consistent guidance and support from the coaches and operational partner (Fundación Capital, in this case).
- Encouraging participants to save in formal financial institutions proved more challenging than anticipated, given issues at the pilot sites of access, familiarity, and trust.



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### LESSONS LEARNED: MARKET ANALYSIS

- Investing sufficient time in each participant’s business plan helps ensure a higher success rate. While the training modules teach general concepts related to upfront costs, revenues, and expenses of a small business, more planning and projection work is necessary to ensure participants are taking a longer-term vision of their entrepreneurial investments.
- Businesses succeed when they build on participants’ existing skills, knowledge and resources, as long as there are sufficient markets for their products. Coaches must provide guidance and encourage participants to focus on past experiences and knowledge (e.g., experience raising pigs), as well as existing assets and resources, to build out their businesses.
- If a comprehensive market analysis is not possible, efforts should be made to help participants diversify the range of economic activities undertaken, based on an understanding of the existing landscape of businesses, including potential opportunities and competition.

### LESSONS LEARNED: ASSET TRANSFER

- Disbursing the cash for the asset purchase in tranches decreases the risk of financial mismanagement. At the same time, this tranche structure can delay timely investment in productive assets.
- Providing cash, rather than in-kind transfers, builds participants’ confidence and capacity for money management.
- A certain level of funds diversion is likely, particularly for vulnerable households in situations of extreme poverty.

### LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Partnering with national-level capacity-building programs can bolster the economic development capacity building provided by the program, though this can be very challenging to implement.
- Technical assistance should be provided over the course of the project, not just as participants are in start-up mode.
- A variety of appropriately skilled technical assistance providers should be formally engaged in the project in order to assess and meet the business needs of the participants.
- Businesses are more likely to succeed when they build on participants’ existing skills, knowledge and resources. Coaches must provide guidance and encourage participants to focus on past experiences and knowledge (e.g., experience raising pigs), as well as existing assets and resources, to build out their businesses.
- A verification process to ensure both quantity and quality of technical assistance is important in order to ensure participants receive the help they need.

### LESSONS LEARNED: LIFE SKILLS COACHING

- The one-on-one home visit is a critical component of life skills coaching.
- Technology (e.g., the tablets) can help standardize the consistency and quality of training, regardless of the coach's training ability.
- The tablets complement in-person coaching sessions and contribute to participants' learning and knowledge acquisition.
- Group activities strengthen both economic and social connections among participants through trust-building and cooperative activities.
- While exposure to technology is a secondary benefit for many, older participants may face challenges with the tablets because of limited education and technology use. Implementing partners must assess the options of using technology based on participants' skills and education.
- Participants may have limited experience or practice setting personal or professional goals, given the daily pressure to meet immediate needs such as food and clothing. Coaches must facilitate the process and encourage the participants to be creative and think about long-term goals.
- Training on the methodology and programmatic theory of change for coaches, implementing partners, technical assistance providers, and other government staff can strengthen the understanding and thus performance of all those working to deliver the program.

### LESSONS LEARNED: MONITORING

- Field monitoring visits are a critical part of project monitoring to ensure implementation of the program is on track, to assess any necessary changes, and to adjust the timeline and project activities accordingly.
- Monthly meetings are important for open and regular communication between DPS and the implementing partner, and between head office and field staff.
- As coaches and the participants get to know each other over the course of the project's implementation, visiting schedules may shift and the benchmark for number of visits per day may be harder to achieve. Monitoring plans should take this into account and adjust accordingly—either to factor in longer visits or to work with the coaches to set appropriate time-management goals for visits.



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## Targeting and selecting participants

*Selecting participants from an up-to-date government database is effective and cost-efficient.* When project implementers did a cross-referencing exercise to compare participant selection of the government database versus the participatory mapping, they found the two approaches yielded comparable results—both methods identified families of similar poverty levels as potential participants. This was an important learning because the participatory mapping option is significantly more costly and more time- and labor-intensive. It is important to note, however, that a database must be kept up to date by the government if it is to be relied upon for accurate information for this type of participant identification exercise.

*Verification visits to potential participants' homes is key.* In future phases of the program, after the families are identified (by the Sisbén database) an in-person visit to the participants' households should take place to verify the socioeconomic situation of the family and to ensure they do in fact fit the criteria and target population parameters of the program. It is also recommended that the implementing partner and DPS have additional strategies to involve other needy families—particularly those who do not receive other types of government support and therefore may be overlooked by the database. For example, a mapping exercise or focus groups with households not identified by the Sisbén

indicators could be carried out to corroborate the participant list and expand the household list, as desirable, to ensure the neediest families are targeted by the program.

*Take into account the age of participants.* One recommendation DPS has already adopted is to set an upper age limit of 65 for participants. This is due to education levels of the target population, as well as the ability of an older person to manage the demands of an entrepreneurial business. Attrition is another unfortunate reality; ten participants died of old age during the two-year project. In general, as the Graduation project expands, the age factor is one element that should be considered, but criteria should be developed that take age-related limitations into account but still do not exclude someone who may be older but who nevertheless has a strong entrepreneurial spirit and the ability to manage a small business.

## Staffing

*Meeting the requirements of the coaching schedule requires time-management skills.* Training to help coaches realistically plan their visits, as well as manage any needed changes in the visiting schedule, should be addressed in future iterations of the program. In some cases, participant families are in very rural areas; travel time thus became a serious issue in an already-demanding schedule. One coach in San Luis

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traveled at least an hour on motorcycle from her home to reach the nearest families under her supervision. These factors must be assessed when putting together an implementation plan to ensure viability of the schedules, both for project execution as well as for the safety and morale of the coaches. DPS has set a target of 60 participants per coach for the next expansion phase.

*Local coaches with strong credentials and experience may be hard to find.* During the pilot, coaches were hired locally, a strategy to help build the participants' trust in their coaches (who knew the area and local culture, and had the same accent). However, due to the rural nature of the pilot sites, finding qualified people (to meet the requirements of education level and work experience) among the relatively small population pool was a challenge.

For phase two of the project, which launched in 2016 in the regions of Nariño, Sucre and Atlántico, the coaches were evaluated in a refined hiring process that included a request for a more comprehensive resume, and a group interview with five or six coaches (as well as an individual interview). The group interviews were added to assess the problem-solving and teamwork skills which had been identified as critical “soft skills.”

In addition, Fundación Capital broadened the candidate search to people outside the project's target

municipality (but still from the same region). This was an effort to find candidates with higher educational levels and relevant work experience. This represented a trade-off: although they may have more educational or professional experience, coaches from beyond the target municipalities likely have less local knowledge. On the other hand, coaches who have no prior direct connection to their work territory could also mitigate situations in which locally recruited coaches may be tempted to cut corners during the one-on-one visit by, for example, combining a work visit with a social visit, or consolidating individual visits into a group visit. During the pilot, the implementing team faced some of these challenges and had to address the poor job performance of one coach whose contract was not renewed. These and other trade-offs must be considered when hiring the coaches.

*Strategies to capture lessons learned and to transfer institutional memory are critical.* Staff turnover makes this issue both more important and more challenging to achieve. Turnover among government and implementing partner staff was quite high over the course of the pilot and in the subsequent phases of the project. Thus the project's institutional memory—what worked well initially, improvements, and what constitutes best practices for implementation—has been hard to maintain. This reality must be taken into consideration as scaling plans are made. One



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way to help mitigate institutional memory loss is to develop a detailed explanation of the program theory of change and lesson sequencing to give partners and new staff the best tools for orientation. For example, the implementation plan could be refined to be easily adapted to different contexts (e.g. flexible enough for different environments and realities) but with enough specific instructions that new staff can implement the program even with limited background knowledge. Similarly, the online orientation course that Fundación Capital has developed provides new staff with a standardized and accessible learning platform. These types of tools will help ensure the program continues to grow strategically, rather than duplicating past efforts that proved less successful each time a new team takes over implementation.

### Consumption Support

*Leverage other consumption support programs if possible.* Leveraging existing consumption support programs is a cost-efficient way to integrate new initiatives without duplicating efforts and resources. A potential long-term study question would be to compare the well-being of families who received Producing for My Future programmatic support and consumption support from *Más Familias en Acción* against the well-being of families who only received programmatic support from Producing for My Future with no consumption support.

### Savings

*Promote individual and groups savings strategies.* Basic savings training is valuable for extremely poor and vulnerable populations. Establishing the discipline of setting aside money for emergencies and other long-term goals provides important security for participants.

Trust-building facilitates savings group success. Lack of trust and experience working cooperatively, particularly around sharing finances, has been a major challenge for the longevity of the savings groups. In spite of neighborly relationships among participants, collaborating around financial issues continued to be a major step for many. Additional trust- and skill-building activities and exercises should be introduced before the savings groups are formed.

DPS has prioritized the savings groups for the project's next phase and will begin capacity-building with the groups earlier in the implementation process. The savings groups will again be voluntary, but coaches will spend more time helping establish the groups, and providing mentoring and guidance to ensure their sustainability.

### Market Analysis

*Link business plans with current skills.* To fully understand their potential business opportunities, participants would benefit from additional guidance about how to build on their existing skill set and resources. Coaches

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must encourage participants to focus on past experience and refine the skills and knowledge they already possess. This type of guidance also helps participants understand their existing assets and resources that could be leveraged to successfully grow a small business.

*Invest more time in the business plan.* While the methodology teaches general concepts related to upfront costs, revenues, and expenses of a small business, more planning and projection work is necessary to ensure participants are taking a long-term view. The aim of the program is to build capacity in the participants, training them to understand and anticipate business costs, how to manage a simple accounting system, and other practical tools. To create successful business owners, more focus needs to be placed on specific and necessary behaviors related to daily activities (such as business planning and bookkeeping) to build fundamental business capacity in participants.

*Perform a fuller market analysis.* A fuller market study is recommended for future phases of the project. During the pilot, no detailed market analysis was carried out to inform the participants of their potential business opportunities or market risks. While a formal and comprehensive market analysis may be beyond the budget, it is important to have a better general understanding of the types of businesses that already exist in the municipalities, as well as the opportunities to introduce new businesses or build on established markets.

## Asset Transfer

In the Colombia pilot, the asset transfer was a cash transfer. In Sitionuevo, the cash was transferred by the government through Banco Agrario; in San Luis it was done through the DaviPlata digital platform using a correspondent agent.



*Transfer the cash-equivalent of the asset through a bank account and provide training on how to withdraw the transfer.* When possible, cash transfers should be made using a bank to bolster participants' experience with formal banking systems. However, a digital transfer system, such as DaviPlata, is a good alternative if banks do not have a strong presence in the selected communities. In both cases, participants should be given training on how to withdraw the money (e.g., having the correct identification documents and understanding the steps for receiving a digital transfer). For some, the

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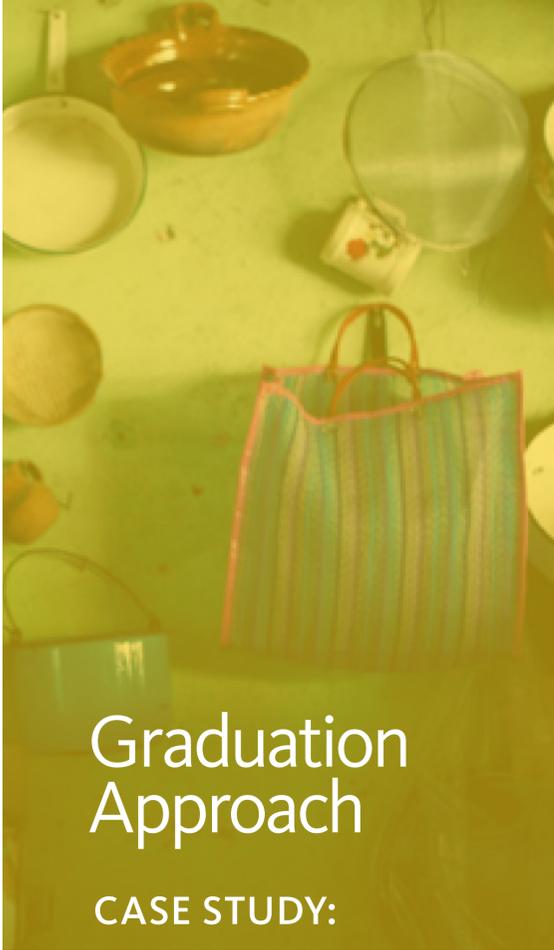
financial transfer was difficult during the pilot, particularly for those who had never received a digital wire transfer before and for those who were illiterate. They had to ask for help from their coach, family members, or neighbors to access the transfer, which in most cases worked well.

Future phases of project implementation should consider the technology limitations of participants, especially if a cash transfer will be made using an unfamiliar method such as a digital transfer. A cash withdrawal verification system is recommended to ensure the cash transfer is successfully received by the participant (especially when they need help in getting the money) and limit the potential diversion of funds. Upon reflection about the cash transfer during the pilot phase, a DPS program manager recommended establishing a personalized account with a debit card for each participant. The government should have responsibility to manage this relationship with the banks in order to make the transfers (if the government is providing the funding). This helps build poor families' confidence and trust in the formal banking system, which may eventually lead to their improved financial literacy and increased financial services in poor communities.

*If the asset transfer takes the form of cash, disburse it in two tranches.* Nearly all participants interviewed noted that they liked the two tranches, even though that approach often delayed their ability to launch their small businesses. The majority of participants were unaccustomed to managing large sums of money, and many were nervous about it

being stolen and about resisting their own temptation to spend it on non-business needs. DPS and Fundación Capital noted that two disbursements mitigate the risk of diversion of funds and allow participants a second chance if their business falters after the first disbursement. That said, one recommendation from the implementing team was to change the percentage of each disbursement – for example, instead of using a 50/50 split, a split of 80/20 might be better to give businesses a sufficient level of start-up capital.

*Increase the asset transfer amount for livelihood and economic development activities.* COP 1 million (approximately USD 500)—the total amount of the asset transfer cash disbursement—was often insufficient to help pull families out of extreme poverty. For the next phase, DPS has increased the amount of the asset transfer to USD 750 to help ensure that the small business ventures have sufficient start-up capital and so that participants may be able to see profits sooner. Some participants also would have benefitted from receiving a larger asset transfer based on their business idea and the funds required to launch that business. However, paying different amounts for the asset transfer to participants based on their business plans may cause tension and be seen as unfair, particularly for those participants who may receive less (even if that smaller amount is based on a more modest business plan and needs). This is something for other programs to consider in the future.



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*Improve market connections and cooperation among participants.* The Graduation approach is focused on building individual skills. But for small business owners to succeed, they need to optimize market access and work with others in order to save on common business expenses. For future phases, the program is assessing how to emphasize the importance and benefits of cooperation among participants, including creating alliances to make asset purchases, sales, and even technical assistance more cost-effective. Another suggestion is for the program to provide incentives for participants to work together and include components and skill-building for cooperative production.

### **Technical Skills Training**

*Increase technical assistance to participants.* One shortcoming identified during the pilot was the unmet demand for specific technical assistance during business development, launch, and ongoing operations. This includes specific agricultural support to ensure participants understand how to grow healthy crops, veterinary support for families raising chickens or pigs, and more consistent support across the course of the project.

### **Life Skills Coaching**

*In-person coaching sessions are critical to the participants' success.* The participants, coaches, and representatives from Fundación Capital and DPS all confirmed that the role of the coach is critical to the success of the participants. The bi-monthly visits were key to strengthening the self-esteem, confidence, and motivation of the participants. Having the consistent attention and reliable follow-up helped ensure that participants stayed on track and motivated with their business plans. The time a coach spends with each family helps build trust. But a prolonged visit to any one family can create delays that cascade through a coach's already very demanding schedule.

*Multiple forms of teaching and capacity-building are critical since learning styles and education levels of participants are so varied.* Combining the lessons on the tablets with exercises in the workbooks reinforces the key messages and helps ensure that participants learn the lessons. Based on feedback from the participants, the life-skills modules were adjusted to reflect a more relatable situation for the participants in the pilot sites. As Fundación Capital expands the program, they have taken this lesson into account and designed the modules for Paraguay using Guaraní, the local language, to help the rural target populations to identify with the videos in the modules.

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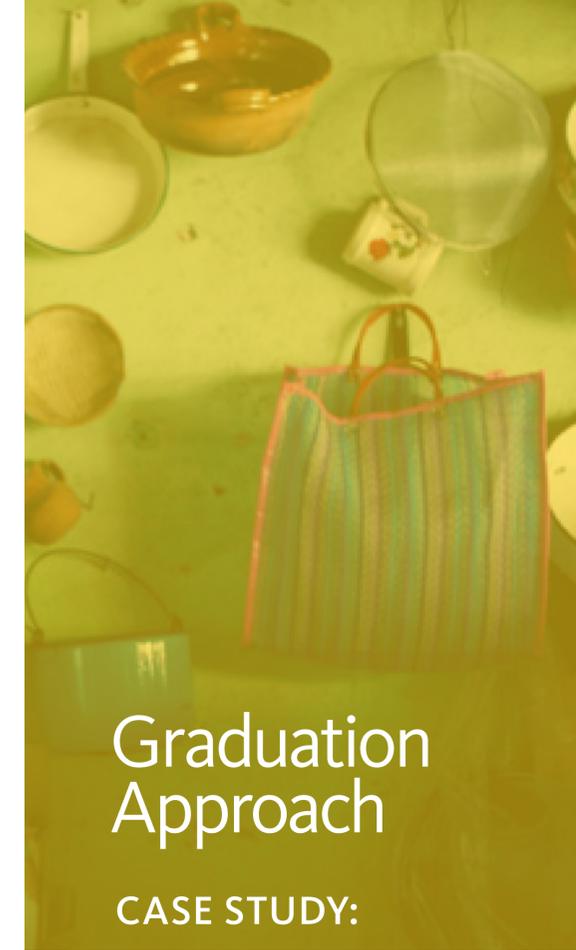
For the next phase of the program, Fundación Capital has made the following updates to the tablets of the life skills coaching modules:

- Improve the technology to minimize any glitches.
- Include more interactive activities and stories, based on the feedback and observations of “what sticks” with the participants.
- Include the story of one person who makes the metaphoric journey with the participants — this helps personalize the experience and improves the relatability of the modules.

### Monitoring

*Create a follow-up monitoring plan.* In addition to a robust monitoring system throughout the implementation of the program, all stakeholders identified the need for a follow-up plan after the participants graduate from the program. This follow-up plan could be administered by DPS itself, or by other government ministries providing productive or economic development support. Follow-up support will also facilitate the gathering of information about the impact of the program on the graduated participants over time. The necessary resources, both human and financial, for this follow-up can be built into the project timeline and budget.

Producing for My Future changed the lives of many in San Luis and Sitionuevo. The participants who possessed entrepreneurial skills and a clear vision for their business were, in general, able to use the asset transfer more successfully, as well as the knowledge and capacity-building elements of the program, to bolster their household economic situation. The incentive provided by the asset transfer, however modest, provided a much-needed capital infusion for the participants to build their businesses. In combination with the development of savings discipline and access to technical training and life skills coaching, participants experienced significant improvements in income, assets, and self-confidence. As one program manager emphasized, Producing for My Future may not necessarily pull families fully out of extreme poverty; rather, the real impact of the program is that it marks the first step to move a family forward along the spectrum of sustainable livelihoods. The program sparked an attitude change for many. After years of only seeing themselves as poor and with little ability to change their circumstances, Producing for My Future boosted self-esteem and instilled a sense of hope. It provided participants not only the opportunity to achieve small gains in their family well-being—but to see themselves on a pathway to economic stability. ■



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*Chicken coop built in Sitionuevo with the cash asset transfer*



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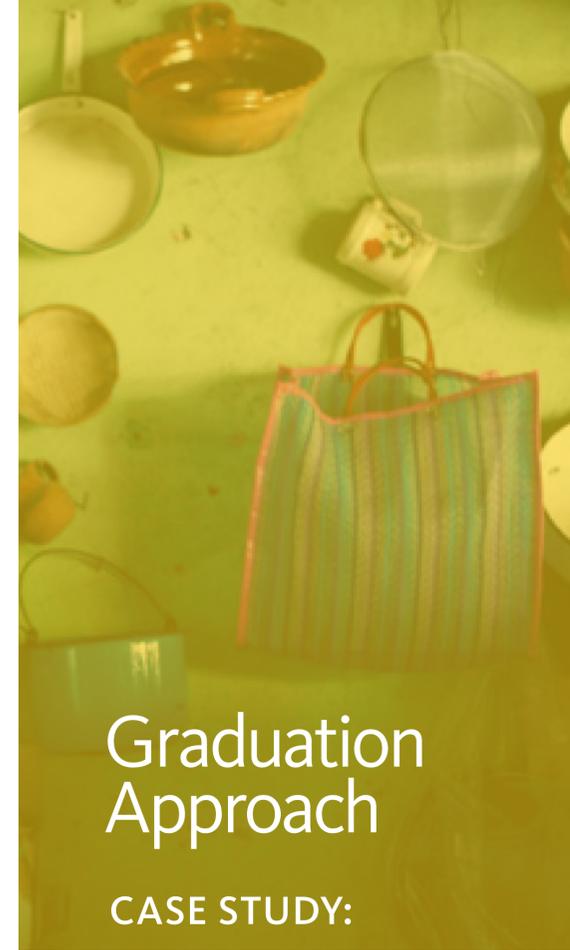
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## ABOUT THE AUTHOR

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*All photos were taken by the author during field research conducted for the preparation of this case study, and are used with permission, with the exception of the front cover photo (stock photography).*





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The author and editor are also grateful to all those implementers and scholars whose published work has advanced the understanding and state of practice of the Graduation Approach. Where possible, we have provided URLs where interested readers can download the works cited in this report. Please note that URLs were valid at the time of writing. We regret that we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge.

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Preserving the Essence,  
Adapting for Reach:

# Early Lessons from Large-Scale Implementations of the Graduation Approach

PERU Case Study  
by Lucy Conger

Series Editor: Tony Sheldon



FORD  
FOUNDATION

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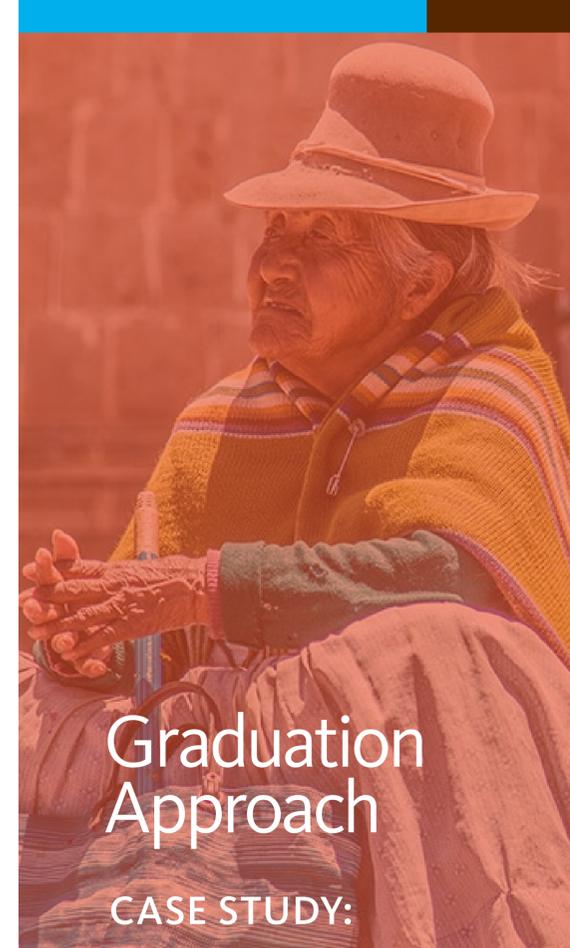
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# GLOSSARY

<b>BRAC</b>	A Bangladeshi development organization dedicated to alleviating poverty by empowering the poor. BRAC developed the Graduation Approach to address the multi-faceted barriers faced by the ultra-poor.
<b>CCT</b>	Conditional Cash Transfer. Cash stipends given by the government to the extremely poor and other targeted populations (such as mothers of school-age children) to provide an incentive for them to engage in specific productive behaviors (such as keeping children in school).
<b>Centro Poblado</b>	A Peruvian administrative term meaning an inhabited settlement where under 400 people reside. <i>Centros poblados</i> may be found in urban areas, but the term usually refers to small, more isolated, hamlets, villages, or mining camps.
<b>CGAP</b>	Consultative Group to Assist the Poor, a division of the World Bank focused on financial services for the poor.
<b>Chacra</b>	Peruvian (Quechuan) term for a farmer's plot or parcel of land.
<b>CLAR</b>	<i>Comité Local de Asignación de Recursos</i> . A committee of local leaders, the CLAR studies proposals for inclusive rural businesses and decides which ones will receive the prize money from FONCODES (see below) to be used for technical assistance and buying equipment to start a rural business.
<b>Department</b>	Peruvian term for the jurisdiction called "state" in other countries. Peru's territory is divided into 26 departments.
<b>FONCODES</b>	<i>Fondo de Cooperación para el Desarrollo Social</i> (Fund for Cooperation for Social Development). FONCODES is a division of the Ministry of Development and Social Inclusion (MIDIS), and is the agency that implements the Haku Wiñay program for the extreme poor in rural areas.
<b>FONIE</b>	<i>Fondo Nacional de Inclusión Económica</i> (Fund for Economic Inclusion). This fund is responsible for building rural roads, water and sewage facilities, and telecommunications installations in rural areas.
<b>GRADE</b>	<i>Grupo de Análisis para el Desarrollo</i> (Analysis Group for Development). A Lima-based research center focused on public policies for development.
<b>Haku Wiñay</b>	Program implemented by FONCODES which is focused on the extreme poor in rural areas and offers a package of consumption support, asset transfers, skills training, and promotes healthy housing and inclusive rural businesses.
<b>Juntos</b>	Peru's CCT program. Juntos provides cash stipends to more than 700,000 poor mothers of school-age children.
<b>MIDIS</b>	<i>Ministerio de Desarrollo e Inclusión Social</i> (Ministry of Development and Social Inclusion). The Ministry in charge of Haku Wiñay and other programs directed at serving poor people in Peru at all stages of the life cycle.
<b>NGO</b>	Non-governmental organization.
<b>SEJPRO</b>	<i>Seguimiento a la Ejecución de los Proyectos</i> (Follow-up to Project Execution), a project monitoring system of MIDIS.
<b>UGOE</b>	<i>Unidad de Generación de Oportunidades Económicas</i> (Unit for Generation of Economic Opportunities), a team in FONCODES that supervises Haku Wiñay operations.



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### Background on the Graduation Approach in Peru

After Ollanta Humala took office as president of Peru in July 2011, he created the Ministry of Development and Social Inclusion (referred to in this document by its Spanish-language acronym MIDIS) to focus on excluded populations. MIDIS implements the National Strategy for Social Inclusion called Include to Grow (*Incluir para Crecer*), a set of social programs that covers the entire life cycle of vulnerable populations, providing services that range from infant nutrition through pensions and specialized care for the elderly.

One of the most vulnerable segments of the population are the extreme poor in Peru's isolated rural areas. So when the Peruvian government set out to create a national program to address the issue of rural poverty, its leaders took inspiration from previous successful programs. Two programs operating in Peru at the time offered promising paths to take. As noted above, the "Graduation Approach" had originally been developed by BRAC in Bangladesh and then adapted by CGAP and the Ford Foundation at 10 sites in eight countries from 2006 – 2015, including in Peru. The other relevant model was a recently created agricultural program called *Mi*



*Igilio Chilihuy stands outside his house below the painted sign announcing that he sells organic lettuce, celery, spinach, beets and other vegetables. He produces the vegetables in a low-cost greenhouse that Haku Wiñay farmer-trainers taught him to build.*

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*Chacra Productiva*, or My Productive Farm. Both programs deployed diverse strategies to address extreme poverty. The essential elements of the Graduation Approach are consumption support (that is, direct food relief or money with which to buy sufficient food), livelihood skills training, a transfer of productive assets, mobilization of savings, and life skills coaching. My Productive Farm focused on developing agricultural production skills and improving food security by providing a standard package of assets and training for all beneficiaries.

Based on these and other programs, the Peruvian government designed *Mi Chacra Emprendedora*, or My Entrepreneurial Farm, which offered a flexible menu of assets and technical training. Following successful testing in 2012, My Entrepreneurial Farm was launched in 2013 as Haku Wiñay, a nationwide program to promote social and economic inclusion of extremely poor rural families. *Haku Wiñay* means “We are going to grow” in the Andean Quechua language; in jungle regions the program is called *Noa Jayatai*, which means “We are going to grow” in the Shipibo language. (This case study will refer to the program as Haku Wiñay.)

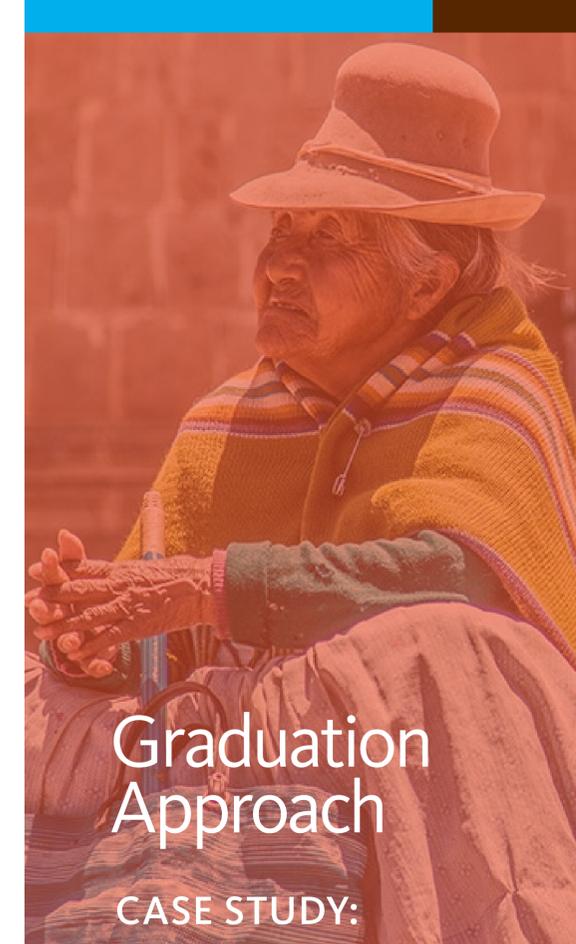
The three-year Haku Wiñay program has four objectives:

- improving productivity of family farms
- upgrading sanitation and health practices in homes
- promoting rural businesses
- strengthening financial literacy

Haku Wiñay focuses on subsistence farmers aged 18 to 65. It strives to increase their productivity so they can generate the additional income needed to improve food security and deal with shocks such as drought.

**“Nothing (about Haku Wiñay) was invented from scratch. Everything was very much something that had been proven to work.”**

Carolina Trivelli  
*(former Minister of Development  
and Social Inclusion)*



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## HAKU WIÑAY: AT A GLANCE

**Project sites:** 20 departments (municipalities), primarily in the mountainous sierra highlands and in the jungle areas, as of 2015.

**Project duration:** 2012 to present.

**Participants:** Approximately 90,000 families, as of 2015.

**Project leadership:** MIDIS (the Peruvian Ministry of Development and Social Inclusion).

**Implementing partners:** FONCODES (the Cooperation Fund for Social Development, a division of MIDIS).

**Other support:** GIZ (German development agency), for the cook-stove modernization component.

**Unique features:** “Healthy Housing” (cook-stove upgrades and home-skills training in safety and sanitation) and “Inclusive Rural Businesses” (competition to promote small business start-ups).

**Costs:** PEN 3,800 (approx. USD 1,100) per family.

**Initial findings:** 63 percent of respondents had increased annual incomes by approx. USD 300. Program-attributed increase in respondents’ asset values estimated at 30 percent. Consumption of meat, leafy-green vegetables and other vegetables increased 50 percent. Self-reported increases in confidence and negotiating skills.

**Next Steps:** 20 percent planned expansion by end of 2016, for total outreach > 120,000 families.

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The central insight guiding the Graduation Approach in Peru is a recognition that extreme poverty requires more than cash transfers. A decade before creating Haku Wiñay, Peru began distributing conditional cash transfers (CCTs) to the extreme poor through the Juntos (Spanish for “Together”) program. Juntos delivers a stipend of about USD 70 every two months to poor mothers in rural areas to help them buy more food to improve family health and well-being. In return, the women are required to keep their children in school and take them to regular health check-ups. But policymakers recognized that the transfers alone were insufficient to spark the significant changes ultimately necessary to address extreme poverty.

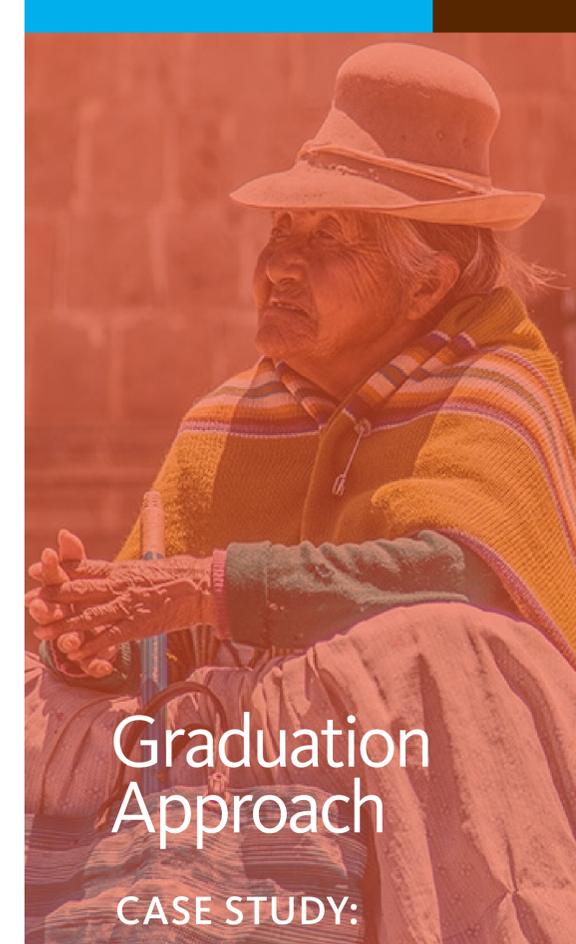
From 2011 to 2013, Arawiwa, a Peruvian microfinance institution, and the Peru office of the NGO PLAN International partnered in the implementation of one of the 10 CGAP-Ford Foundation Graduation pilot programs. The pilot reached 800 households in the Cusco region with the full complement of Graduation services, with participants launching livelihoods in livestock, agriculture, and small trade. The success of the pilot, as noted in the randomized control trial study conducted by Innovations for Poverty Action, led to strong interest from the government of Peru in adapting and scaling the Graduation Approach.

Carolina Trivelli, who was the Minister for Development and Social Inclusion (the lead agency responsible for creation of Haku Wiñay) when the program was

launched, noted that Peruvian policymakers recognized the need for the additional skills-building services that a Graduation Approach provides. Poverty experts in Peru (and elsewhere) are generally realistic about the capacity of any one intervention to “graduate” anyone from poverty permanently. Ms. Trivelli described the power of the Approach as one that gives participants hope and a sense that they are embarking on a different, more purposeful way of life.

My Productive Farm was another important model for Haku Wiñay. The Cooperation Fund for Social Development (FONCODES), a division of the Ministry for Development and Social Inclusion (MIDIS), administered My Productive Farm, a program under which farm families were trained by peers (other small farmers living in the area), learning a standard set of ten technologies to diversify and upgrade agricultural production. An evaluation conducted by Swisscontact in 2012 found that 85 percent of the participating families increased their agricultural production by at least 50 percent, the number of households using irrigation more than quadrupled, and health and nutrition practices improved. Based on these findings, the evaluation recommended that My Productive Farm be scaled up.<sup>1</sup>

<sup>1</sup>FONCODES. August 29, 2012. “85% de usuarios de “Mi Chacra Productiva” aumentaron su producción agropecuaria.” Press Bulletin



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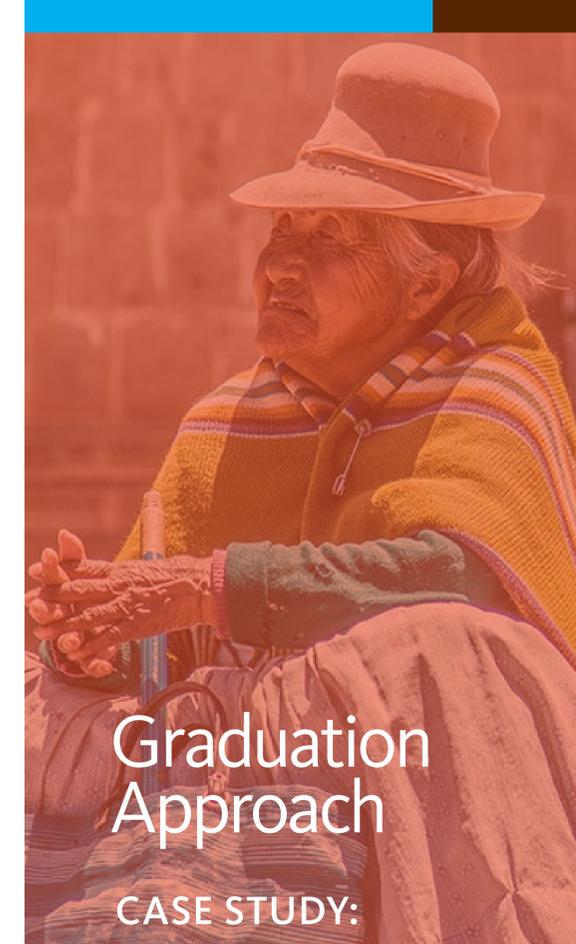
Government officials and advisors added new elements, building on My Productive Farm, the Graduation pilot, and other Peruvian development initiatives, to create My Entrepreneurial Farm, the program that eventually became Haku Wiñay. One important innovation that the program designers made to the “classic” Graduation Approach model was to have the skills training conducted by peer trainers, as had been done with such positive results during My Productive Farm. (As will be discussed extensively throughout this document, those peer trainers, called *Yachachiqs* [Quechua for “teachers”], would become one of the most important elements of My Entrepreneurial Farm and, later, of Haku Wiñay.) The program was expanded to include training in sustainable agricultural technologies, household sanitation, and financial education. This program, as noted, became the immediate precursor of Haku Wiñay.

My Entrepreneurial Farm launched during 2012 as a pilot program of FONCODES, coordinated with the Juntos cash transfer program. It served 930 farming families in the highland region (or department) of Ayacucho. An evaluation found the incomes of participating families increased considerably, by about USD 500 per year. Their stock of small farm animals and production of vegetables rose and food consumption increased. Families reported

an increase in their well-being, empowerment, and ability to conduct market transactions.<sup>2</sup>

As noted, the successful My Entrepreneurial Farm pilot was rolled out in 2012 under its new name, Haku Wiñay, launching in Ayacucho and expanding by the end of that year to three more highland departments. In 2013, the program was scaled up to reach 22,000 families in 11 departments, including two in the jungle. In 2014, a total of 35,528 families were served in 17 departments. Federal funding increased ten-fold from 2012 to 2014 to reach a total of USD 77.4 million. Scaling up has continued. By 2015 the program had covered 20 departments, and reached 90,000 families, according to María Peña Wong, executive director of FONCODES. Crucially, the program built in a strong monitoring program from the beginning; the MIDIS Monitoring and Evaluation Division issues reports every month on its programs for vulnerable groups, including Haku Wiñay, and presents the results of the social inclusion strategy annually to Congress. (See also the *Monitoring* section below.)

<sup>2</sup> Escobal, Javier, Carmen Ponce, Mauricio Espinoza, and Cynthia Paz. October 2014. “Primeros resultados de la evaluación de impacto del Proyecto Haku Wiñay (mi Chacra Emprendedora) en usuarios de JUNTOS.” GRADE (PowerPoint presentation); and Escobal, Javier, and Carmen Ponce. 2015. “Combining Social Protection with Economic Opportunities in Rural Peru: Haku Wiñay,” *Policy in Focus*, Vol. 32. Brasilia: IPC-IG. (p. 24-5).



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## Country Facts

Peru has made significant recent progress in reducing poverty. The economy expanded rapidly during the past 10 years as annual growth averaged 5.9 percent.<sup>3</sup> This environment allowed employment and incomes to rise, and poverty was reduced from 55.6 percent to 21.8 percent between 2005 and 2015.<sup>4</sup> The extremely poor make up 4.3 percent of the population.<sup>5</sup> Encouraging as Peru’s poverty reduction has been, millions of Peruvians still lack basic services such as water, sewers, health care, and electricity, and also lack access to formal education or financial services.

Poverty in Peru is concentrated in the rural areas where, in 2014, 46 percent of all inhabitants were poor.<sup>6</sup>

The government’s anti-poverty programs operate predominantly in the highlands (*sierra*) and also in the Amazon Basin jungle region (*selva*) and serve families whose small plots of land typically range from one to three hectares (about 2.5 to 7.5 acres).

<sup>3</sup> World Bank. Peru Country Overview. <http://www.worldbank.org/en/country/peru/overview>

<sup>4</sup> Ibid.

<sup>5</sup> Instituto Nacional de Estadística e Informática (INIE). April 2015. *Evolución de la Pobreza Monetaria 2009-2014*. Lima: INIE. Informe Técnico (p. 33, p. 39) and Ministry of Development and Social Inclusion (MIDIS). December 2014. *National Strategy for Development and Social Inclusion “Include to Grow.”* Lima: MIDIS. (p. 19).

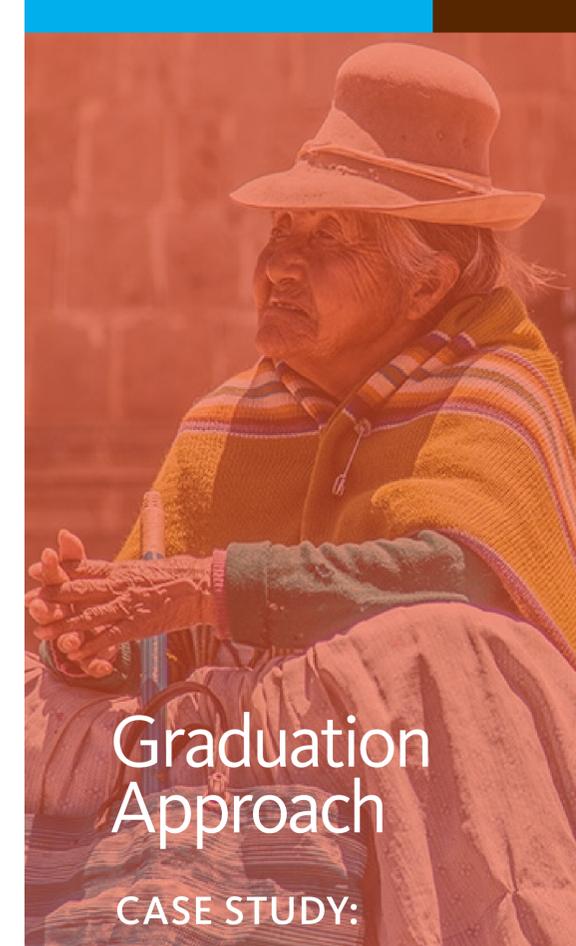
<sup>6</sup> INIE 2015.

## Regions and Towns Selected for the Graduation Project

In order to focus on areas with a high incidence of poverty, Haku Wiñay centers its efforts on areas where Juntos operates. In these settlements, at least 75 percent of the homes lack at least one basic necessity — water, sanitation, electricity, or telecommunications. By these criteria, a total of 3,414 small communities, mostly in the highlands, qualify for intervention by Haku Wiñay.<sup>7</sup>

Many of these settlements are located two to eight hours by road from a mid-sized city or district center. In jungle regions, Haku Wiñay operates in areas where communities are located several hours by boat from a district center. The remoteness of the locations was a deliberate choice, according to Luz Urbina, chief of the FONCODES Unit for Generating Economic Opportunities, one intended to ensure that Haku Wiñay would reach the least-served populations.

<sup>7</sup> MIDIS. December 2014 (p. 15)



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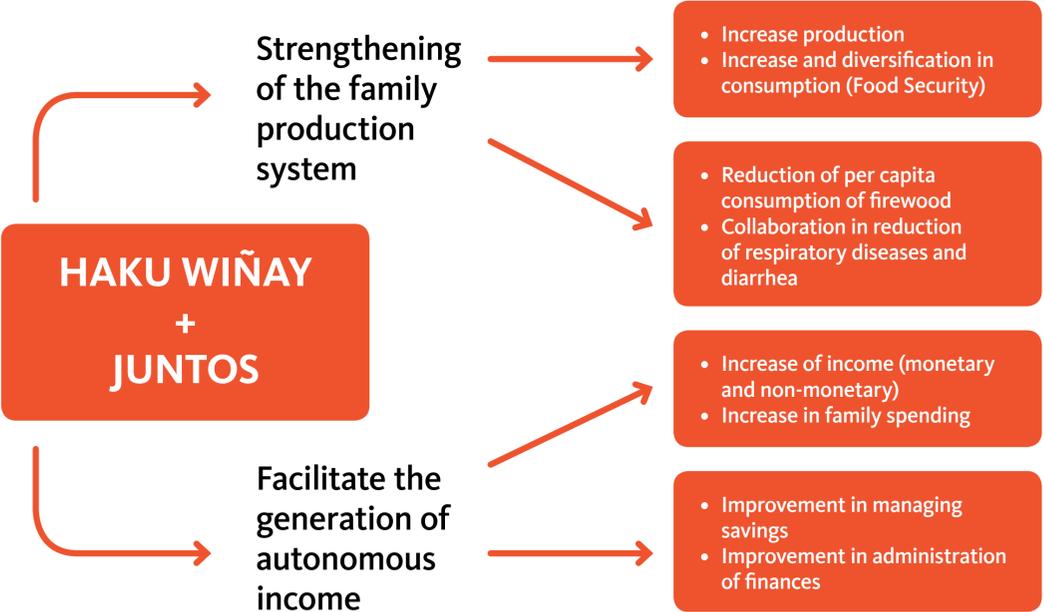


# GRADUATION PROJECT

## Program Objectives and Theory of Change

The theory of change underlying Haku Wiñay is that people in extreme poverty suffer multiple deprivations, so their needs must be addressed with a range of tools combined in a bundled response. According to Norma Vidal, MIDIS vice minister for social benefits, the Peruvian government deliberately channels several assistance programs to the same extremely poor areas, such as Juntos combined with Haku Wiñay. The interaction of Haku Wiñay and Juntos in promoting economic inclusion is seen in the following chart.

**TABLE 1: Objectives of Haku Wiñay and Juntos**

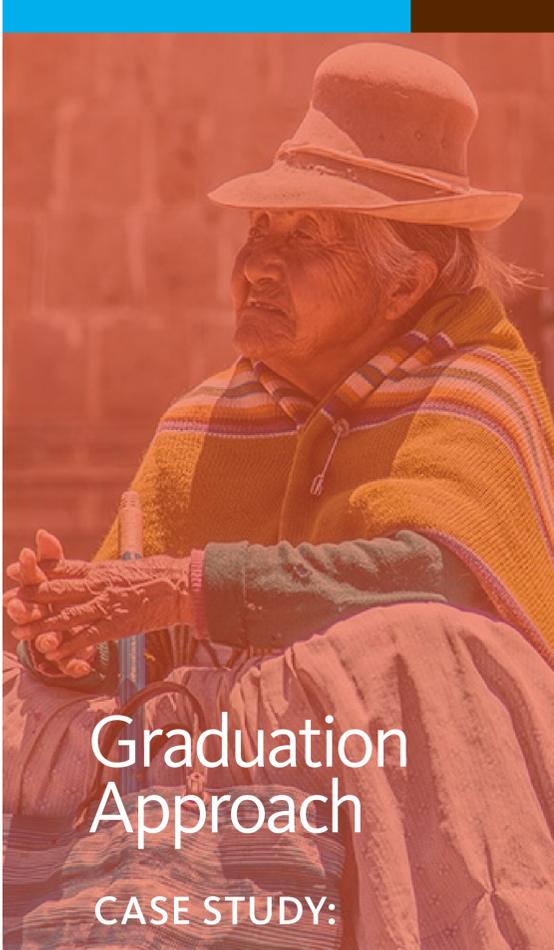


Source: Escobal, Javier, Carmen, Pance, Maurício, Espinoza and Cynthia Paz. GRADE (Grupo de Análisis para el Desarrollo). "Primeros resultados de la evaluación de impacto del Proyecto Haku Wiñay (Mi Chacra Emprendedora) en usuarios de Juntos", Ppt. Oct. 2014.

As a reminder, the classic Graduation Approach leads with consumption support, based on the insight that people cannot focus on longer-term goals until their urgent needs for food and other basics have first been met. Eighty percent of the Haku Wiñay families received consumption support through Juntos, so that initial step in the Graduation Approach had already been addressed, leaving Haku Wiñay to focus on the other Graduation Approach elements of asset transfers, skills training, savings mobilization, and life skills coaching. (Most of the 20 percent of Haku Wiñay participants who do not qualify for stipends from Juntos do not have school-age children, a key eligibility criterion for the CCT.)

With the exception of the consumption support (which as noted was delivered by Juntos rather than Haku Wiñay itself), Haku Wiñay covered most of the same activities as the “classic” Graduation Approach: skills training (for farming, in Haku Wiñay’s case), transfer of assets (again, Haku Wiñay’s focused on assets to boost agricultural production), and financial education and promotion of savings.

Unlike other Graduation programs, Haku Wiñay does not include a separate life skills coaching component. Several aspects of the program design, however, do reflect alternative ways to provide the goal-setting and regular follow up, and to embed many of the other key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from



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the local communities and creating local decision-making structures (both discussed in detail below) are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component of the Graduation Approach.

Haku Wiñay also includes two components that are not included in the classic Graduation Approach: training in sanitation practices (called “healthy housing”) and promotion of small rural businesses, rather than only microenterprises. (These are discussed further below under *Unique Aspects of Haku Wiñay*.)

Finally, the bundled-services philosophy underpinning Haku Wiñay’s own theory of change is also the general philosophy of MIDIS, the Peruvian government ministry responsible for launching Haku Wiñay. Former minister Carolina Trivelli explicitly noted that families could escape poverty more quickly if they had complementary non-economic services such as better infrastructure and connectivity. By channeling diverse interventions to the rural poor, Trivelli writes, “participating families will not leave poverty immediately, but they will develop abilities to do so gradually, and they will do so more quickly if they have other services, more and better infrastructure, with more connectivity.”<sup>8</sup>

MIDIS works to reduce rural poverty on a regional level through multiple interventions. Its Fund for Economic

<sup>8</sup> Trivelli, Carolina. March 2016. “Bien por ‘Haku Wiñay’, creciendo juntos.” Perú 21 (online edition).

Inclusion in Rural Areas (FONIE) complements Haku Wiñay by financing construction of rural roads, water and sewage systems, schools, health centers, and electricity and telecommunications infrastructure in impoverished areas to improve services and linkages with markets.

## Target Participants, Scale of Program

In addition to living in isolated rural villages, the extremely poor families eligible for Haku Wiñay have incomes so low that they are unable to afford a basket of basic foodstuffs.<sup>9</sup>

Haku Wiñay has expanded rapidly to a nationwide effort that now reaches a significant percentage of the extreme poor in rural areas. Haku Wiñay is projected to serve more than 120,000 households in 2,100 settlements by the end of 2016.<sup>10</sup>

## Implementation

### Structure and staffing

The chart on the following page depicts Haku Wiñay’s staffing structure. Ultimate responsibility for the program rests with MIDIS. MIDIS and FONCODES officials based at the headquarters in Lima and staff from the regional offices are responsible for directing and supervising

<sup>9</sup> MIDIS. December 2014. (p. 14)

<sup>10</sup> FONCODES. October 2013. *Reporte de Seguimiento a “Haku Wiñay,” Número 1*. Lima: MIDIS. (p. 7)

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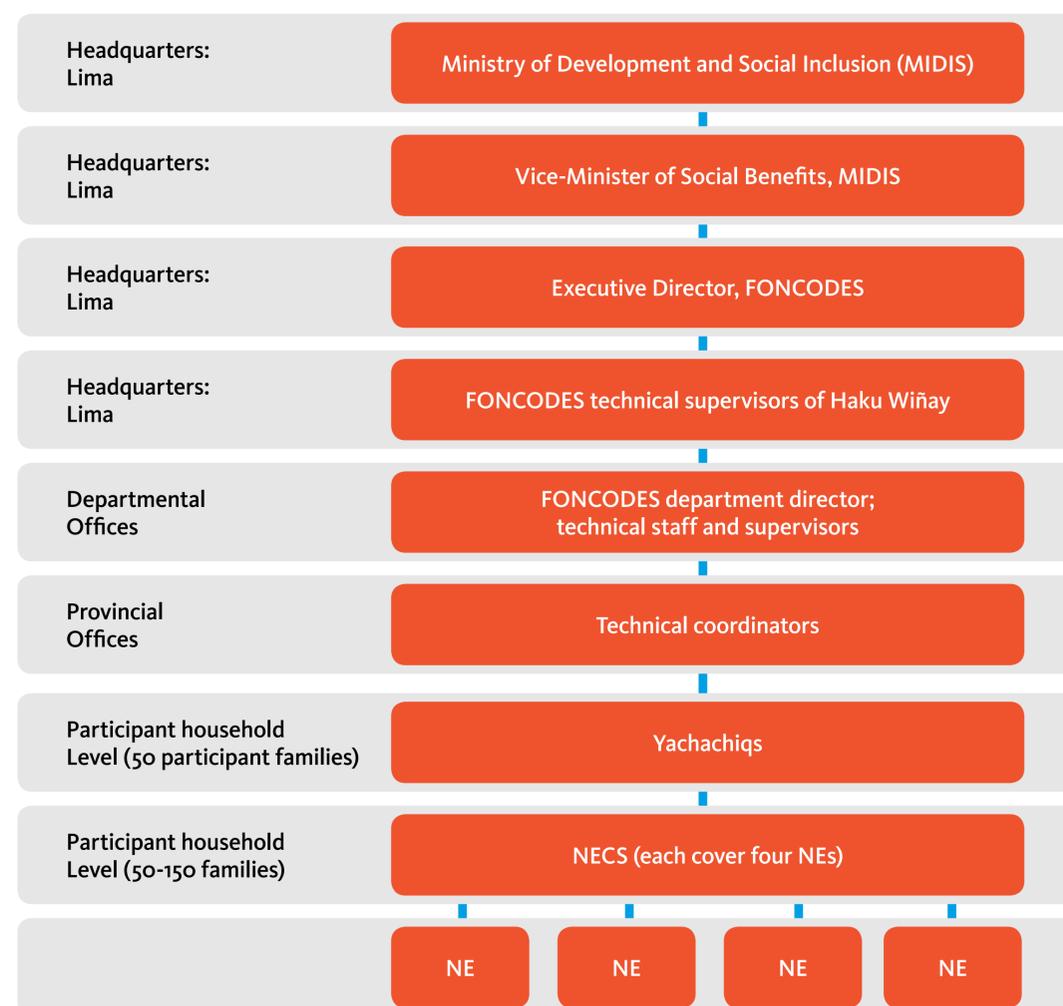
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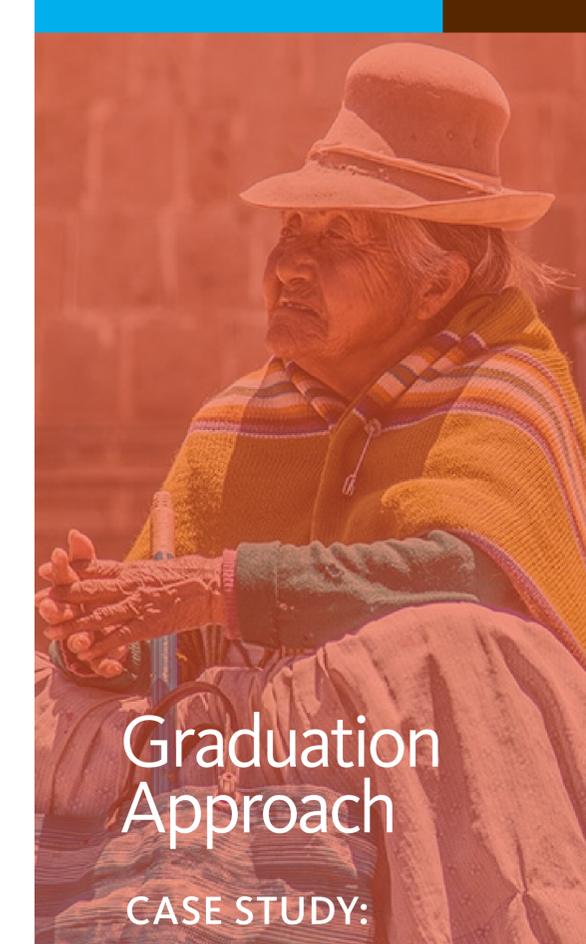
the program. Any adjustments in program design are decided by senior officials of MIDIS and the Lima-based team of FONCODES technicians who make up the Unit for Generation of Economic Opportunities (known by its Spanish acronym of UGOE). Technical coordinators, usually based in larger towns, offer support and guidance to field operations across several provinces or districts. Finally, the *Yachachiqs*, the local people contracted to provide training for production or financial education, are peers who live in the communities where the program is carried out and cover the nearby area, making bi-monthly visits to between 35 and 50 families.

It is important to note that community leaders, elected representatives, members of local organizations and farmers based in extremely poor rural districts are also part of the staffing structure of Haku Wiñay. People selected from these groups of local residents carry out functions that are vital to program operations. Their activities underscore the participatory nature of Haku Wiñay and its potential for empowerment of the rural poor.

**Table 2: ORGANIZATION CHART of Haku Wiñay.**



*Note: This organization chart is not official*



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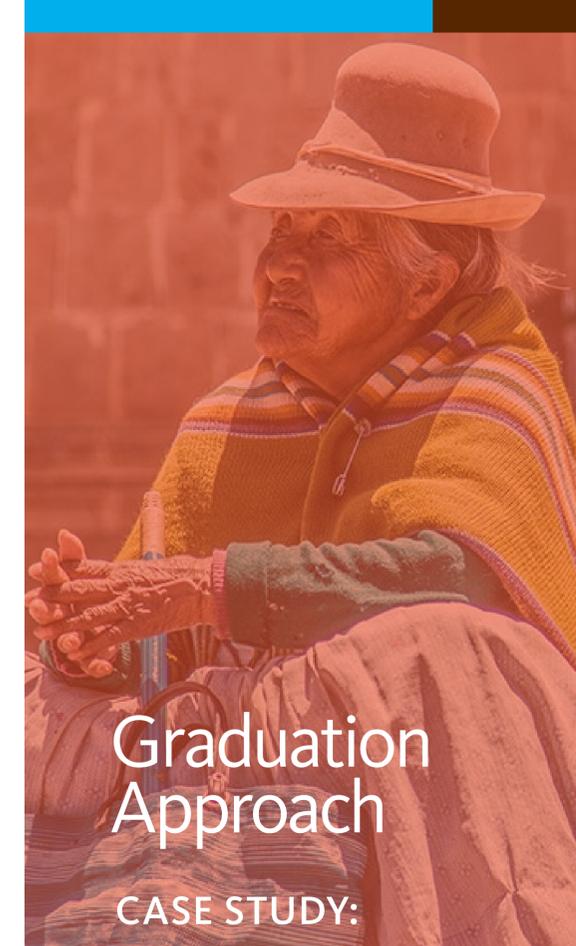


*Yachachiqs*, or trainers, are selected from among farmers living in communities served by the program; Haku Wiñay program designers, technical staff and evaluators all underscore the benefits of peer training. Barriers to communication are minimized by having local farmers provide technical training to program participants in the local dialect. Selected for their knowledge, the *Yachachiqs* who provide technical training for farm production are familiar with local customs, agricultural techniques, and the ecosystem. A different group of *Yachachiqs* provides the financial education component of the program. Those *Yachachiqs* are also drawn from Haku Wiñay communities, and receive training to prepare them as peer trainers specialized in the financial system.

The local implementing group, called “executing nucleus” (NE, or *núcleo ejecutor* in Spanish), is elected by community members. The NE is responsible to the community for administering certain FONCODES funds and for hiring the *Yachachiqs*. Each NE oversees Haku Wiñay activities for an area that covers about 100 participating families, and a central implementing group, known by its Spanish acronym of NEC, supervises the operations of four NEs, contracts regional technicians, and supervises *Yachachiqs* in the area covered by the NEC. The NE/NEC structure is not unique to Haku Wiñay: it has a history of implementing government programs at the grassroots level in rural Peru for more than 20 years.

### LESSONS LEARNED: STAFFING

- Haku Wiñay has a clearly delineated staffing structure, combining a central oversight body of the responsible government ministry (MIDIS and its FONCODES division) with decentralized field operations that incorporate long-standing grassroots governance structures and recruitment of local people for delivering technical support.
- The frequent contact of FONCODES technicians based in regional offices with Haku Wiñay communities provides technical support to field staff and participating farmers, as well as monitoring of program progress.
- The mechanism of peer training, i.e., the contracting of local farmers (known as *Yachachiqs*) to train participating farmers is considered a key to the success of Haku Wiñay. The use of peer trainers reduces barriers to communication to a minimum and builds trust.



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## Key partners

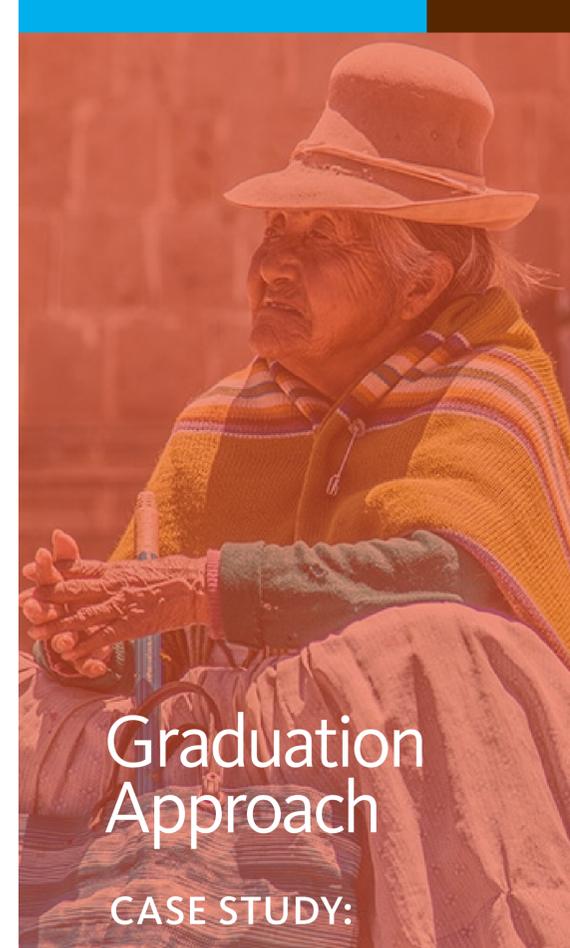
Haku Wiñay activities are supported by partnerships between MIDIS and other federal government agencies, as well as with municipal governments, bilateral aid organizations, development-focused non-governmental organizations, and coalitions and citizen groups. The program is implemented through a formal agreement between MIDIS-FONCODES, municipal governments, and the NEs (see above), the implementing groups made up of elected representatives from the communities served. The program delegates responsibilities and autonomy to community representatives who manage purchasing and make field staffing decisions.

FONCODES provides funding, technical assistance, and program supervision for Haku Wiñay, and municipal governments contribute financial and in-kind (e.g., transportation, office space) support. Municipal governments also convene local authorities and leaders from within Haku Wiñay communities to lay the groundwork for program implementation. The municipal government selects the members of the Local Committee of Resource Allocation (known by its Spanish-language acronym CLAR). The CLARs consist of civil society leaders and representatives, and they act as judges to decide the winners of grants for setting up small rural enterprises (discussed below under *Unique Aspects of Haku Wiñay*).

Peruvian and international nongovernmental organizations and bilateral aid agencies provide technical assistance and funding that support specific Haku Wiñay activities and strengthen the skills of *Yachachiqs* and technical coordinators. For example, the German Cooperation Agency (“GIZ”) provides funding for improved cook stoves in participants’ homes. An environmental consortium of government agencies and NGOs called PACC Peru works with Haku Wiñay on projects for adaptation to climate change. The Instituto de Investigaciones de la Amazonía Peruana research institute provides technical support to Haku Wiñay in the jungle region.

### LESSONS LEARNED: KEY PARTNERS

- Haku Wiñay is supported by a broad array of partnerships with local, national, and international organizations and agencies that help provide funding, technical assistance, and in-kind support.
- These partnerships increase Haku Wiñay’s capacity in intangible as well as tangible ways, strengthening connections between the remote villages it serves with technical expertise drawn from local, national and international sources.



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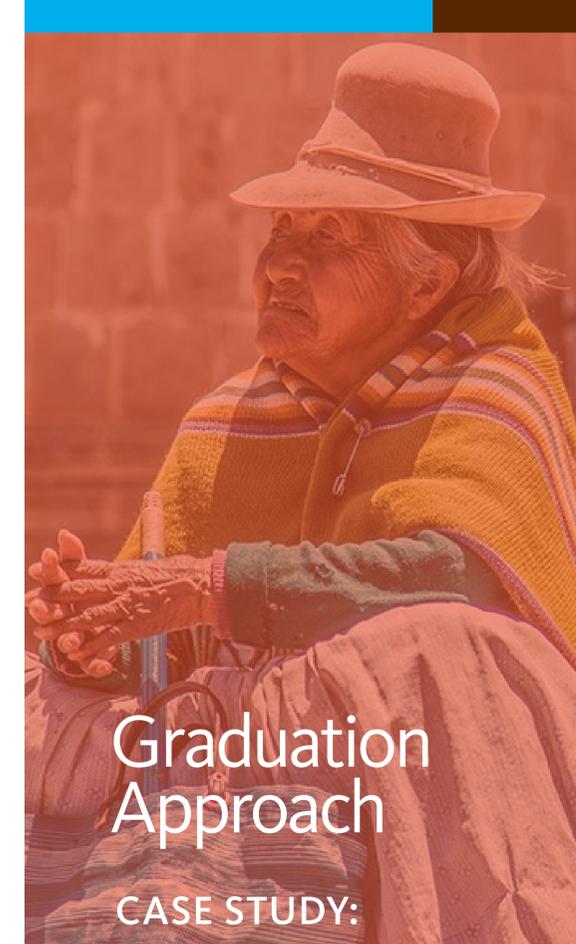
## Graduation criteria

The vision for Haku Wiñay is that, by the time the extremely poor complete the program, they will have more diversified sources of income, be better planners, hold savings, and make use of other financial services. The skills learned from Haku Wiñay are meant to set extremely poor families on a path that allows them to build up their assets and income and reduce their vulnerability. Participants who win funds to set up rural enterprises (about which more below) should, by the end of three years, be operating viable businesses that are poised to grow, increase non-farm income, and enhance the resilience of the partners in the enterprise.

The indicators FONCODES developed for evaluating Haku Wiñay appear in the following chart, but the overarching goal is to contribute to economic inclusion of rural families with subsistence incomes. The evaluation design that is being developed by MIDIS now includes more extensive indicators that will be measured by the UGOE.

**Table 3: Haku Wiñay Evaluation Indicators**

Level of objective	Name of Indicator
<b>Final Result</b> Contribute to economic inclusion of rural households with subsistence economies	Annual change in per capita income and average spending in households in Haku Wiñay communities
	Change in total value of agricultural production destined to sales to families living in Haku Wiñay communities
<b>Specific result</b>	% of households that have increased their income relative to total households that received technical assistance for developing rural businesses
	% of homes that have applied technologies relative to total households served in the community
<b>Product 1</b> Program participants receiving technical assistance and training for developing productive skills	% of households that have developed productive skills relative to total households served in the community
	% of enterprises operating relative to number of enterprises launched
<b>Product 2</b> Program participants receiving technical assistance, training and a portfolio of assets for operating rural enterprises	% of households that have increased their income relative to the total number of households that received technical assistance for operating small rural enterprises



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## Consumption support

Consumption support underpins Haku Wiñay. Over 80 percent of Haku Wiñay families receive conditional cash transfers (CCTs) distributed by Juntos. Eligible families receive the CCTs throughout Haku Wiñay's three-year duration. This ensures that extremely poor families have subsistence support while they are learning new skills and working to create more value from the assets received from Haku Wiñay. Participation in and completion of the Haku Wiñay program in no way jeopardizes a family's right to continue to receive Juntos support.

Juntos and Haku Wiñay work alongside each other since so many families are served by both programs. MIDIS deputy minister Vidal predicts that the two programs will be even more closely coordinated in the future.

As noted earlier, the 20 percent of Haku Wiñay participants not eligible for Juntos do not receive any consumption support, as they are considered by the government to be not as poor as the Juntos families.

### LESSONS LEARNED: CONSUMPTION SUPPORT

- Haku Wiñay leverages the consumption support already available to extremely poor families, building on existing government programs serving the same population.
- Participation in (or completion of) Haku Wiñay does not disqualify families from ongoing access to CCTs or other government social protection programs.



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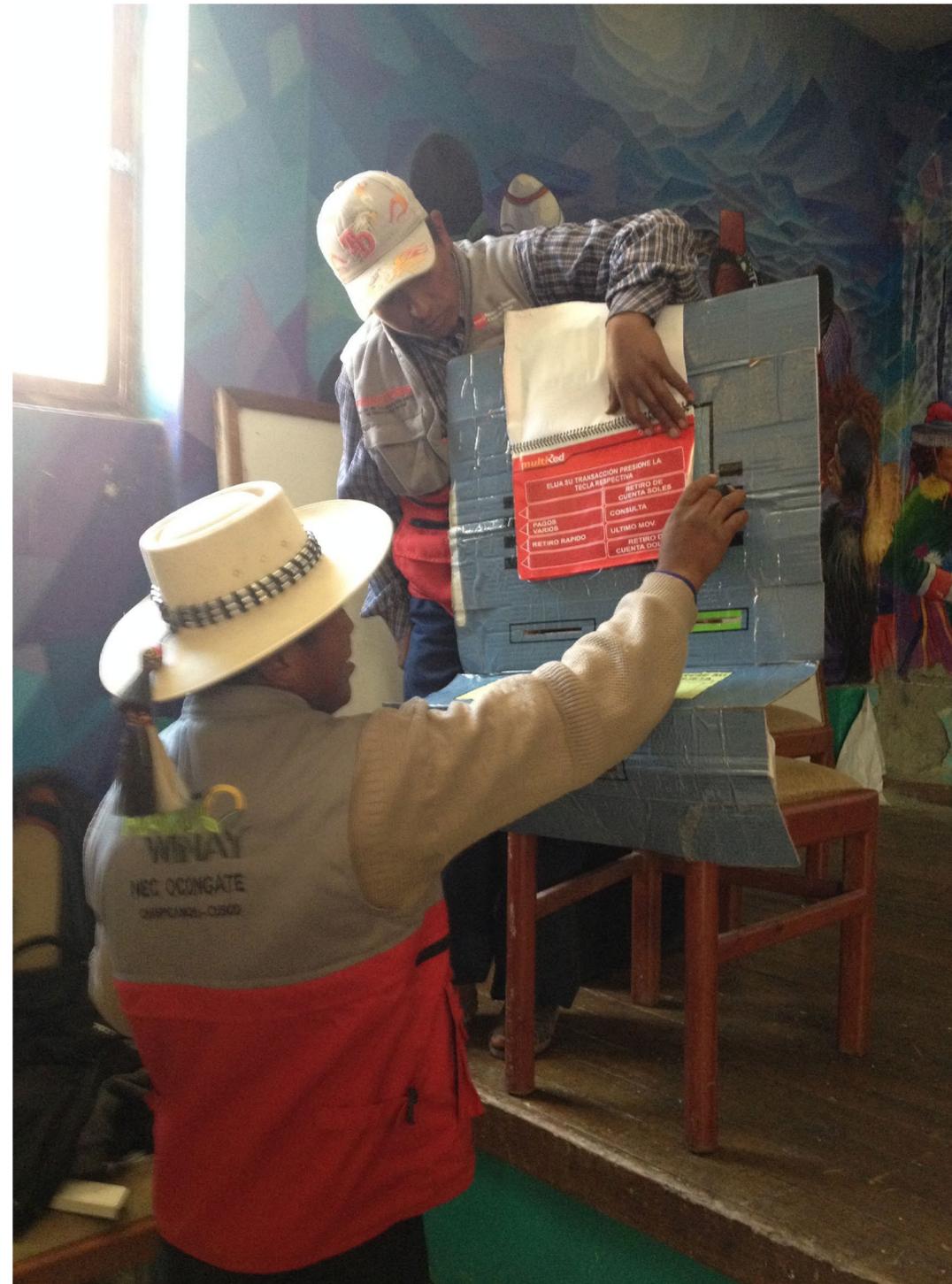
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## Savings

Financial education is a structured component of Haku Wiñay. It is led by financial *Yachachiqs*, peer trainers who have received instruction in the information they are to present to program participants. MIDIS provides the financial *Yachachiqs* with a set of teaching modules describing the financial system and financial products and services, including insured deposit accounts, responsible credit, inclusive insurance, and how to use a debit card. The modules include teaching aids such as a large chart that displays typical sources of family income and expenses (to illustrate how to budget and plan for savings) and an oversized cardboard likeness of an ATM machine.



*A demonstration of how to use an ATM as taught by financial Yachachiqs.*

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More than 28,800 program participants have received this basic training about the financial system and have learned about financial services, including how to save formally. Haku Wiñay has succeeded in helping participants develop confidence in the financial system: FONCODES reports that from 2012 to September 2015, 22 percent of participants (or about 16,000 families) used formal financial services, including passbook savings accounts, time deposits, microloans, and insurance. Some 6,700 participants have opened savings accounts.<sup>11</sup> Compared to a control group of Juntos beneficiaries, an additional 14 percent of Haku Wiñay users express a preference for saving in a financial institution.<sup>12</sup> Nearly 400 program participants requested loans for financing their economic enterprises.<sup>13</sup> Despite this progress, it is important to remember that a number of factors, such as illiteracy and the cost and risks of travel from remote villages to financial institutions, could continue to be constraints against higher usage of banks.

Poverty experts and government officials, such as MIDIS vice minister Vidal, point to a significant change of mentality produced by the program that could help promote the savings habit among participants.



*Trígida Aranda Garagati, a settler in the Chinchao Alto jungle region, proudly shows off her savings.*

<sup>11</sup> FONCODES content from [Proyectos Haku Wiñay/ Noa Jayatai](#) (landing page on [foncodes.gob.pe](#)) and personal correspondence dated November 6, 2015 between Carlos Herrera and the author.

<sup>12</sup> Escobal, Javier. Preliminary notes (unpublished) from Escobal, Javier and Carmen Ponce (editors). May 2016. [Combinando protección social con generación de oportunidades económicas: Una evaluación de los avances del programa Haku Wiñay](#). Lima: GRADE and the Ford Foundation.

<sup>13</sup> FONCODES. [Proyectos Haku Wiñay/ Noa Jayatai](#).

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### LESSONS LEARNED: SAVINGS

- Haku Wiñay’s financial education uses standardized modules taught by peer trainers to expand knowledge of financial services and increase confidence in using the financial system.
- The training modules are carefully designed to be relevant and meaningful to program participants.

**“Access to the financial system opens up an outlook of managing money over time ... the main thing is to open the possibility of planning, budgeting, making small investments.”**

Carolina Trivelli  
Former minister, MIDIS

### Market analysis

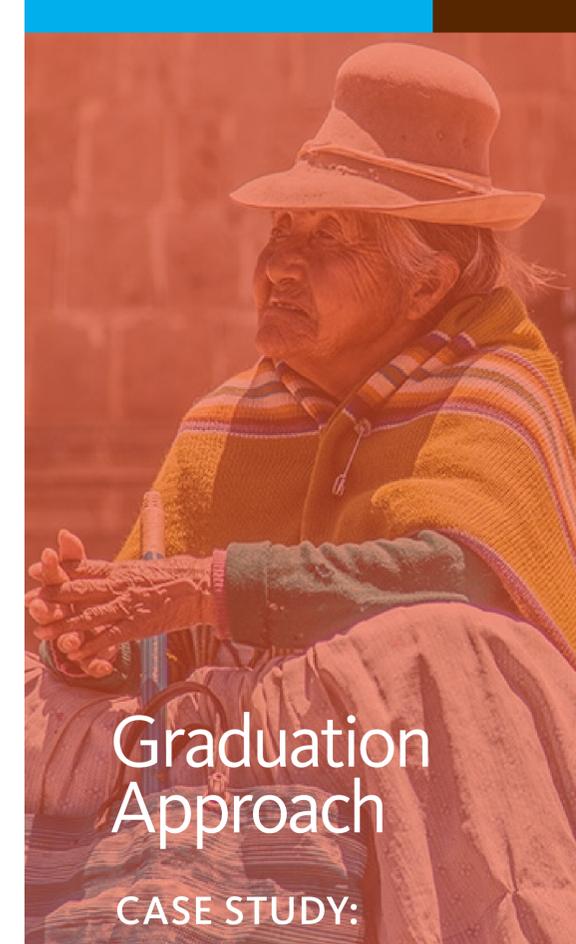
Haku Wiñay does not carry out market analysis based on value chains. In general, knowledge of markets for rural products is lacking in Peru, a longstanding issue according to MIDIS vice minister Vidal. Research organizations or consulting firms specialized in this field are also lacking.

*Yachachiqs* offer some limited market advice to Haku Wiñay participants who may be generating a surplus from

farm production. The standard advice seems to be to sell excess produce or livestock to neighbors, schoolteachers, and other professionals who serve the communities, and in local and regional fairs.

As a marketing strategy, Haku Wiñay encourages participants to form groups to pool production and sell jointly. This strategy has been especially successful in the jungle where producer groups hired small boats for shipping their goods directly to market, increasing their incomes three- or four-fold, according to FONCODES executive director Peña.

Haku Wiñay’s greatest focus on marketing plans occurs with the component of rural businesses (also discussed in more detail under *Unique Aspects of Haku Wiñay*). *Yachachiqs* and technical coordinators provide guidance about identifying a local or regional market for enterprise products to the small partnerships of rural businesses. The CLAR (Local Committee of Resource Allocation) panel acts as a filter to discard unfeasible business ideas that will not have a market. These judgments are informed opinions, but are not equivalent to a market study. Once a business wins prize money, its partners are given more specific marketing advice from the technical advisor hired by the partners. Marketing strategies focus primarily on local and regional markets. The technicians of FONCODES have their sights set on moving Haku Wiñay products up the value chain into international



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markets and specialty niches such as organic and certified food products. Penetrating these higher value markets will require deeper market analysis as well as increased technical support to meet international standards.

### LESSONS LEARNED: MARKET ANALYSIS

- Market analysis as conventionally understood has not been a part of Haku Wiñay program activities. This lack of market analysis is not specific to the program but rather is characteristic of Peru generally. Senior officials and field staff alike recognize that there is a lack of information for identifying markets for participants' products and for understanding how to link farmers with markets.
- During the initial stage, the surplus produced has been small and can be sold mostly to neighbors and in local fairs.
- Stronger expertise in value chains that can link rural areas with larger markets should be developed as part of the Haku Wiñay expansion.

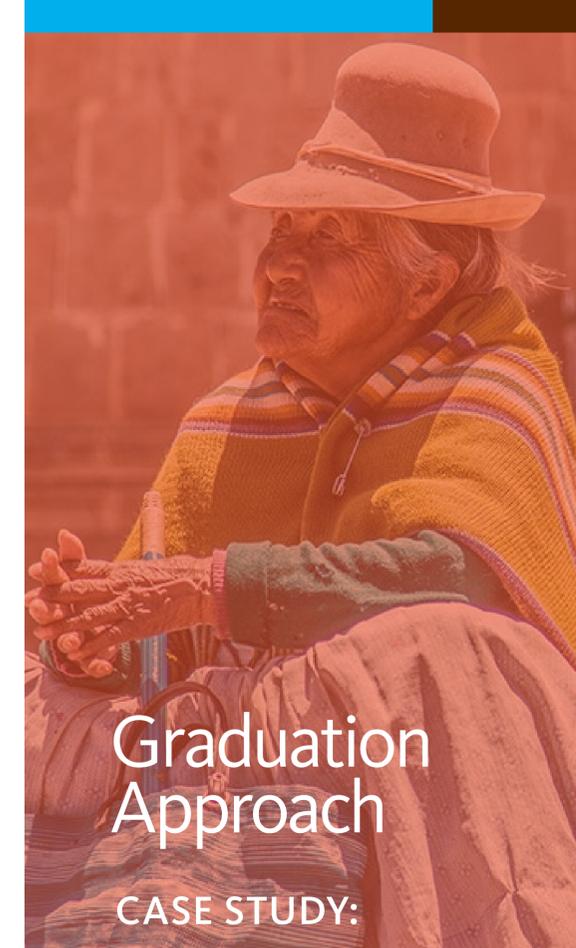
### Asset transfer

Graduation Approach initiatives may provide participants with assets in-kind or give the participants the cash to purchase the asset themselves. There are advantages and drawbacks to both approaches but in the Haku Wiñay program, assets are always given to families in-kind. Families receive a modest bundle of assets—a few chickens or guinea pigs, improved seeds, coffee bushes, stevia plants, and the like, depending on what product is appropriate for the ecosystem and fits the needs of participant farmers. By transferring in-kind assets, Haku Wiñay aims to avoid one of the biggest drawbacks to cash transfers—the diversion of funds to non-productive uses.<sup>14</sup>

The asset package varies greatly with the geographical location of participants. Eating *cuyes* (guinea pigs) is culturally ingrained among indigenous groups living in the highlands, so demand to receive *cuyes* as assets is widespread across the sierra, and highland farmers will find a market for the *cuy* meat they produce. In the high and low jungle, chicken is a widely preferred dish, and Haku Wiñay families request chicks for their asset transfers.

Demand for seeds or plants differs between the highland and jungle regions, and also varies according to the

<sup>14</sup>There are also advantages to cash-based asset transfers, such as eliminating the additional step of the program having to manage the asset purchases and distribution and the opportunity for participants to manage the cash. These are explored in the Colombia case study.



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micro-climates found at various altitudes in the sierra. Coffee is viable only in the high jungle, bananas grow across a range of altitudes in the tropics, and quinoa is traditionally popular among sierra natives living at altitudes as high as 13,000 feet. The availability of resources such as water for irrigation also affects the viability of certain crops or forage plants. This wide variation explains why Haku Wiñay is designed as a standardized program that can nevertheless be adapted to specific contexts.

*Yachachiqs* discuss with farmers what crops or animals they wish to raise, and the needs (for water, feed, on-going care) associated with those particular assets determine the goods ultimately transferred to the families. In the case of equipment, such as irrigation sprinklers, the asset transfer is always less than what is needed to cover the entire family plot, FONCODES officials explain. In other words, farm families must contribute with their own resources to obtain a full complement of agricultural technology.

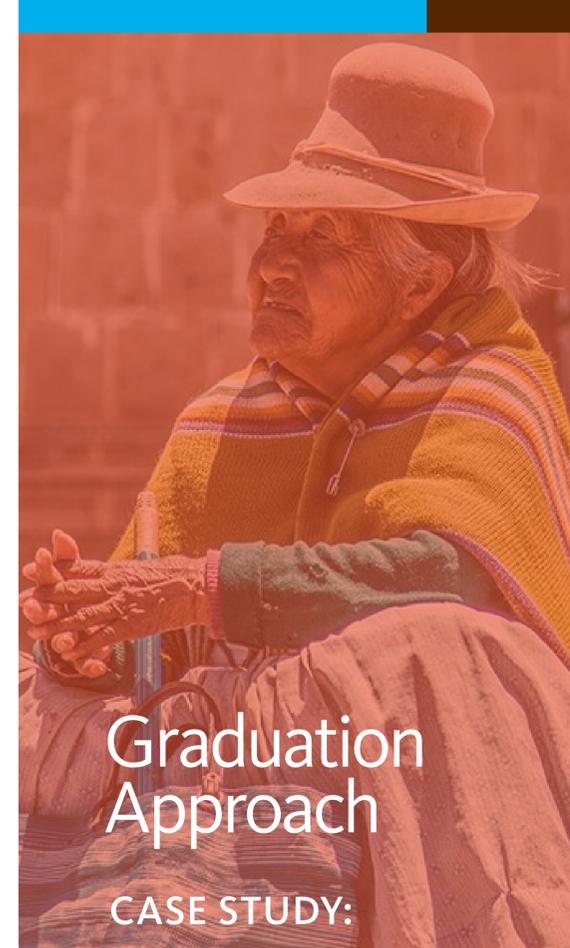
The purchase and delivery of assets is managed by the NEs (local implementing groups) which act as middlemen. These elected representatives of farm communities obtain three price quotes before purchasing the assets and then see they are distributed among Haku Wiñay farmers.

The partnership of Haku Wiñay with NEs and NECs (central implementing group that supervises the operations of four NEs) is the mechanism that facilitates the process of asset transfer. The NEs and NECs are made up of local citizens and they administer government (FONCODES) funds for the asset transfers. The NE offers direct contact, representation, and engagement of grassroots communities with the national government and its anti-poverty program.

The cost of asset transfer, including technical assistance (described below), was PEN 2,689.60 per household in 2015, the equivalent of about USD 800.

#### LESSONS LEARNED: ASSET TRANSFER

- Haku Wiñay uses a demand-driven in-kind asset transfer to increase the likelihood that assets will be used productively by farmers and will be suitable for the local ecosystem.
- Haku Wiñay successfully built on more than two decades of experience in Peru with local implementing committees of elected farmers administering government funds. The purchase of assets and their transfer to families is managed by community representatives, an efficient structure for delivering assets on a national scale that also enhances local participation and empowerment.



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## Technical skills training

Haku Wiñay participants receive the agricultural assets they prefer and are then taught improved means of cultivating them (e.g., better animal husbandry or crop-growing techniques) by their local *Yachachiqs*. (All agricultural practices and technologies introduced by Haku Wiñay are eco-friendly.) The first two years of skills training are the most intensive, with the third year meant to focus mainly on follow-up. In addition to home visits, *Yachachiqs* also offer training workshops that are open to anyone in the community.

A FONCODES report (covering the period January 2012 through April 2015) offers an example from the Huánuco region about the intensity of the Haku Wiñay skills training component. More than 13,000 sprinkler irrigation systems are in use, over 30,000 families raise vegetables on their plots, some 16,000 families raise *cuyes*, and 18,900 households had statistically significant increases in the cultivation of fruits, vegetables, and pasture crops, production of eggs, and the sale of vegetables. The users of irrigation more than doubled. Diets became diversified and nutrition improved: consumption of animal protein, grains, tubers, and vegetables expanded significantly. Families now spend 33 percent less on food, a statistically significant improvement attributable to Haku Wiñay. An evaluation by a GRADE team<sup>15</sup> confirms that Haku Wiñay families, compared to those receiving only Juntos transfers, achieve increases in agricultural production, earnings, and consumption.

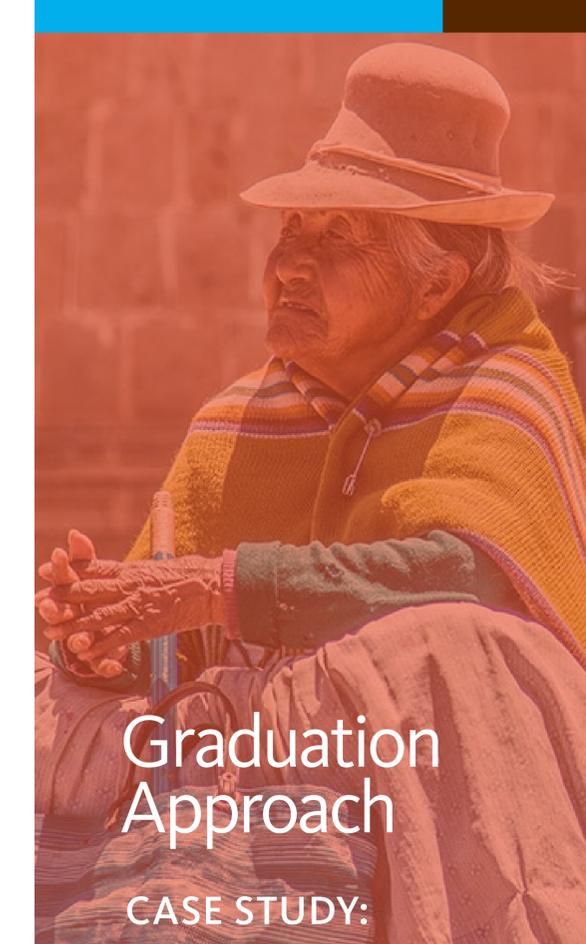
Results from Haku Wiñay in the Huánuco region are summarized in Table 4.

<sup>15</sup> Escobar, Javier. Preliminary notes (unpublished) from Escobar, Javier and Carmen Ponce (eds). May 2016.

**Table 4**

Representative results of Haku Wiñay: Huánuco Region. 2012-October 2015	
Practice introduced	Results Number of Households
<b>Entrepreneurial Farm:</b>	
Sprinkler irrigation	2,700
Mini plots of grains	6,668
Vegetable gardens	4,247
Forestry/fruit trees	4,033
Organic fertilizer	3,842
Raising small animals	4,895
<b>Healthy housing</b>	
Improved stoves installed	2,600
Boiling and storing clean drinking water	6,659
<b>Financial literacy</b>	
Financial workshops	749
Number of people trained	25,812
Financial transactions conducted by participants*	4,732
<b>Inclusive Rural Businesses</b>	
Rural businesses operating	226
Lines of businesses	87
Contests for business grants	169

Source: FONCODES Regional Office of Huánuco  
\*Includes deposits and withdrawals from savings accounts as well as loans.



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The Haku Wiñay model of demand-based training promotes autonomy and enterprise among participants. The GRADE evaluation of Haku Wiñay participants found statistically significant differences in their perception of their own abilities to negotiate transactions. Program participants report an improvement in their ability to negotiate the price of their products or services. They ranked themselves as having greater capacity to obtain lower prices for inputs and to calculate the costs of their production while also having gained more control over where their products are sold. Participants also report improvements in their capacity to earn money and reduce their vulnerability to external shocks.

***“(Haku Wiñay participants) have initiative—no one is telling them what they have to do. The state (is sending the message that) ‘with your effort, your own plan, you will get ahead’—this is an enormous change in expectations both for them and for the state.”***

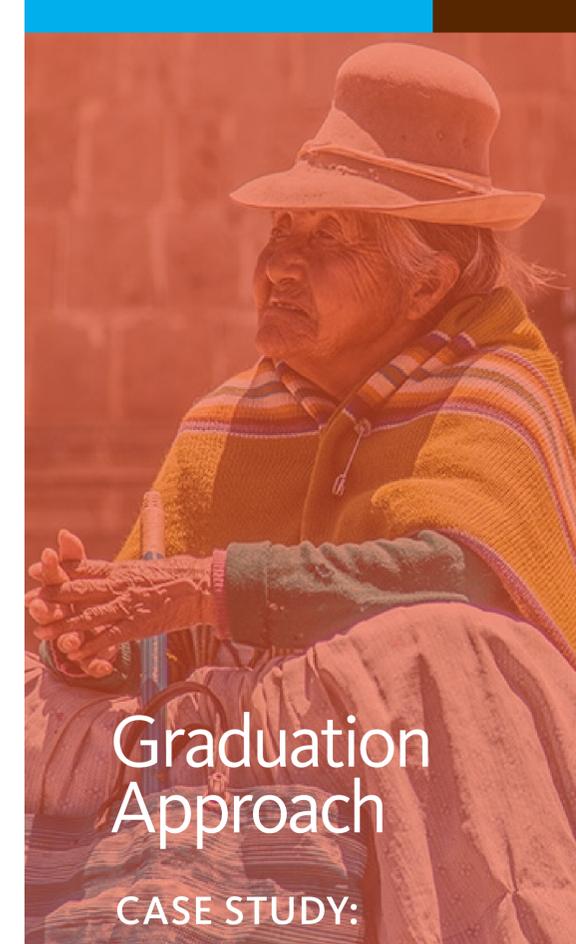
Carolina Trivelli  
former MIDIS minister

### LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Skills training is flexible, based on the demand and production plans of participants.
- Agricultural skills training offers only ecological methods of cultivation and production to promote adaptation to climate change. This makes farming more sustainable over time.
- Asset transfer and skills training will have a greater impact if complemented with government efforts to strengthen infrastructure (e.g., roads and telecommunications). If the settlements of Haku Wiñay participants become less isolated, they will have greater access to information and markets and gain more leverage for market transactions.

### Life skills coaching

Life skills coaching as conventionally understood in Graduation programs is not a component of Haku Wiñay. However, participants receive steady attention and technical training through the bi-monthly on-site visits and the workshops conducted by *Yachachiqs*, and the periodic visits by local and regional technicians. These activities are similar to the process of life skills coaching. Interactions with technical-skills *Yachachiqs* begin in the first year and continue throughout the three-year program period. In the early years of Haku Wiñay,



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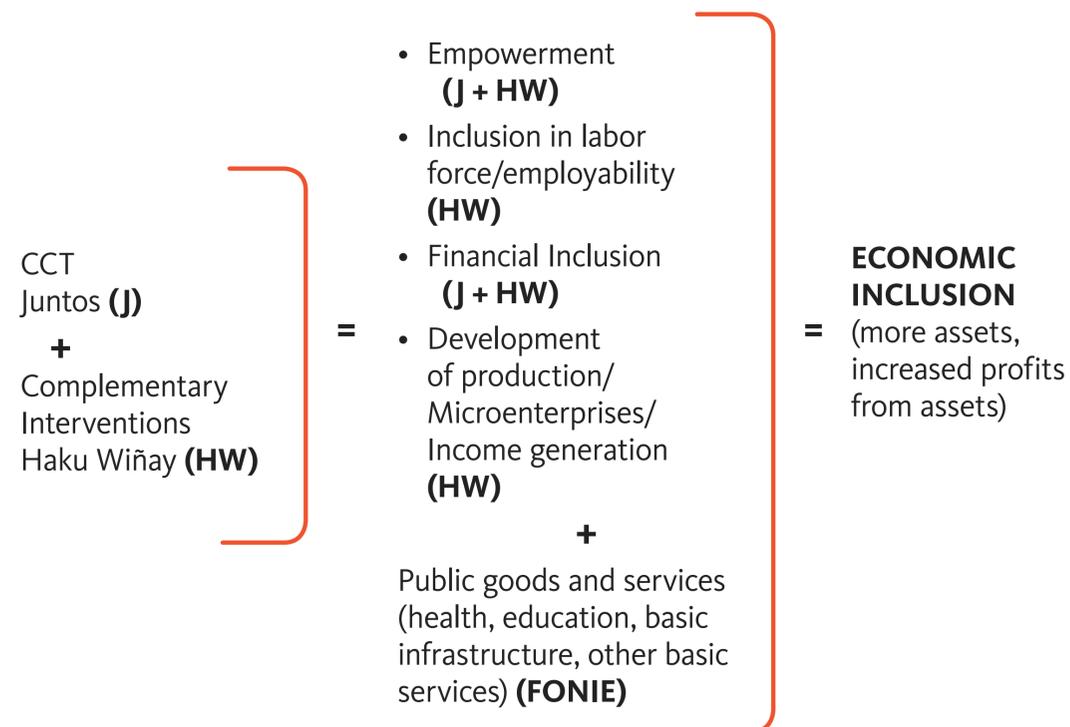
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financial education began only after some time delay, but once in place, the training by financial *Yachachiqs* is ongoing.

There is some evidence to suggest that the farming and financial skills learned from *Yachachiqs* and the interactions with FONCODES technical staff and supervisors do produce changes in outlook and attitudes similar to the results achieved with life skills coaching. The GRADE evaluation found that participants build skills for market transactions and reinforce their confidence.<sup>16</sup>

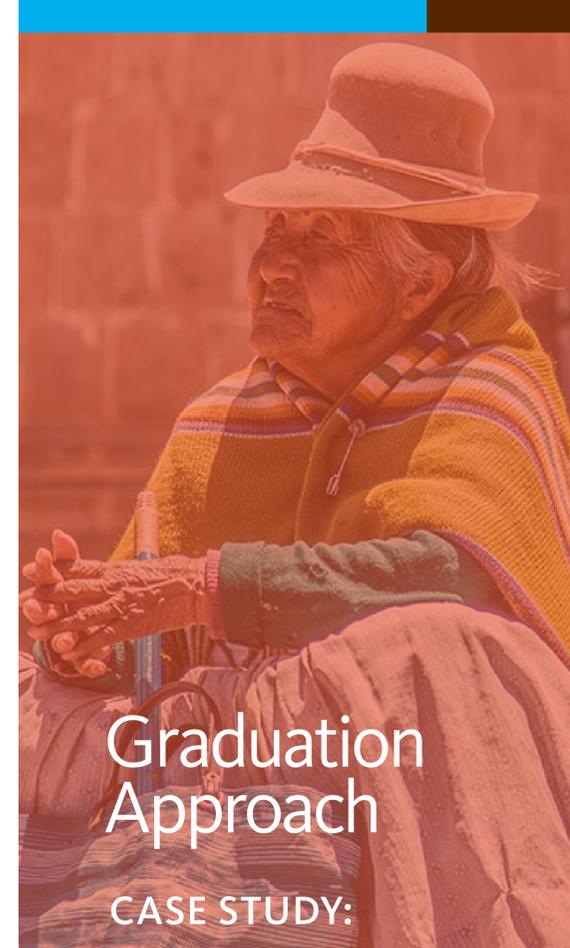
**TABLE 5: Economic Inclusion Based on the MIDIS “Graduation” Model of Coordination**



<sup>16</sup> Ibid.

### LESSONS LEARNED: LIFE SKILLS COACHING

- Haku Wiñay does not include a separate life skills coaching component. Instead, the program’s design includes alternative ways to embed many of the key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from the local communities and creating local decision-making structures are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component.
- Participants receive ongoing attention through bi-monthly on-site visits by the local technical and financial trainers, as well as direct engagement in the governance and decision-making processes of the program through participation in local implementing committees.
- Program participants have the experience of being involved with groups at group training sessions offered by financial *Yachachiqs* or through being elected to represent their community in the local implementing committees.



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## Monitoring

FONCODES monitors Haku Wiñay’s ongoing progress through several mechanisms. The SEJPRO (*Seguimiento a la Ejecución de los Proyectos* or “Follow-up to Project Execution”) system captures data on project implementation and financials based on monthly reports from offices in the departments. Those reports, in turn, are prepared by technical specialists at FONCODES headquarters based on data provided from technicians in regional offices, technical coordinators at the field level, and *Yachachiqs*. Progress on the program nationwide is posted monthly to MIDIS and FONCODES websites.<sup>17</sup>

In the future, a mobile module will be deployed to allow FONCODES staff or *Yachachiqs* to capture information about project implementation and participants’ gains in technical capacity in real time, while they make on-site visits, decreasing paperwork and increasing timeliness of the data.

As noted earlier, robust monitoring is an integral part of the entire national social inclusion strategy, not just for Haku Wiñay. The full range of MIDIS’s extensive social programs is monitored to identify effective interventions, to foster accountability, and to facilitate alliances with other government agencies carrying out programs that could complement MIDIS efforts.<sup>18</sup>

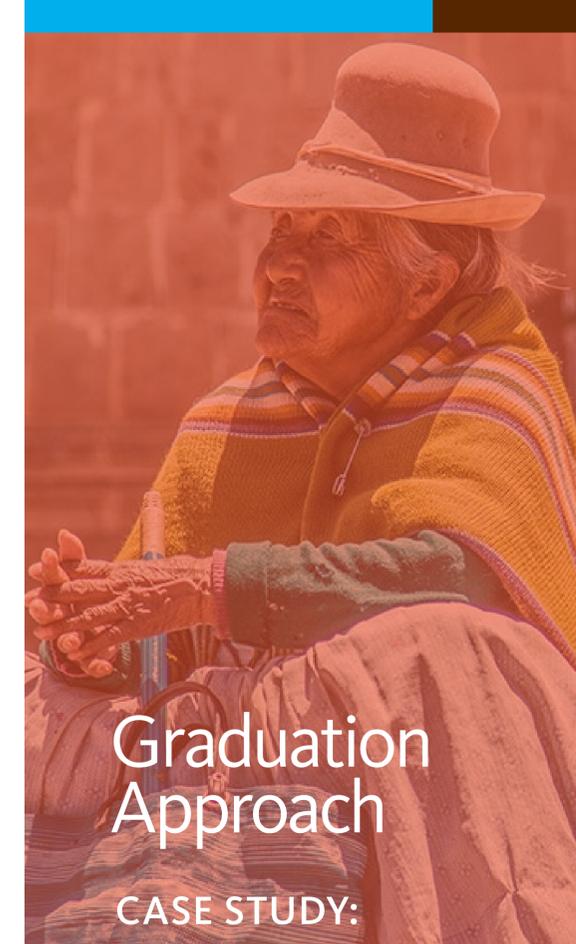
<sup>17</sup> MIDIS and FONCODES report the progress every month of Haku Wiñay coverage at: <http://www.midis.gob.pe/mapas/infomidis/>

<sup>18</sup> MIDIS. December 2014. (p. 20).

MIDIS is developing a “Knowledge for Inclusion” strategy that aims to create a continuous learning process. Peru has recently created its first-ever national registry of users of social programs.

### LESSONS LEARNED: MONITORING

- Monitoring of coverage, scaling up, and implementation of program activities has been included in Haku Wiñay since the pilot was launched, so the program’s advance over time can be tracked.
- The monitoring records provide accountability for the use of government funds and demonstration of effective implementation that can help Haku Wiñay maintain or expand its allocation in the federal budget.
- The data gathered in monitoring create baseline information that is essential for impact evaluations.
- Using mobile devices during on-site visits to capture information about project implementation and participants’ gains should increase monitoring efficiency.



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## Unique Aspects of Haku Wiñay

Haku Wiñay includes two unique components, distinct from the standard Graduation Approach: sanitation practices (called “healthy housing”) and promotion of small rural businesses rather than microenterprises exclusively. The healthy housing component consists of on-site training by *Yachachiqs* in the installation and use of more efficient, cleaner-burning stoves (an initiative supported by the German development agency GIZ, as noted earlier), boiling water for drinking, and management of solid wastes. To promote inclusive rural businesses, Haku Wiñay provides technical assistance from *Yachachiqs* to groups of four to six people who develop small businesses that respond to local demand. These are described below.

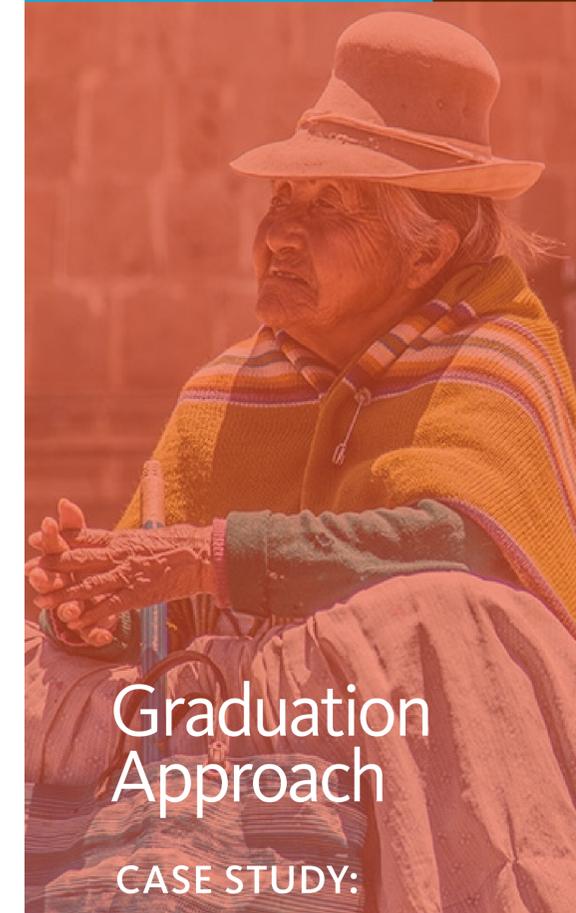
### Healthy housing

The healthy housing component of Haku Wiñay teaches hygienic practices to improve sanitation and health in the home. Families are also encouraged to adopt ecological practices by learning how to reduce their use of firewood, recycle solid waste, and make compost.



*Hilario Ayra stands beside the improved stove in her kitchen.*

Haku Wiñay has installed better stoves in more than 20,000 homes. The new stoves reduce smoke inside the kitchen and reduce the use of firewood by cooking faster, with the aim of lowering the incidence of respiratory illnesses as well as reducing carbon emissions and preserving trees. Improved stoves are used in 75 percent of homes and have reduced the weekly consumption of firewood by nearly 10 percent since the beginning of the program. An additional 48,000 improved stoves were slated for installation during 2015.



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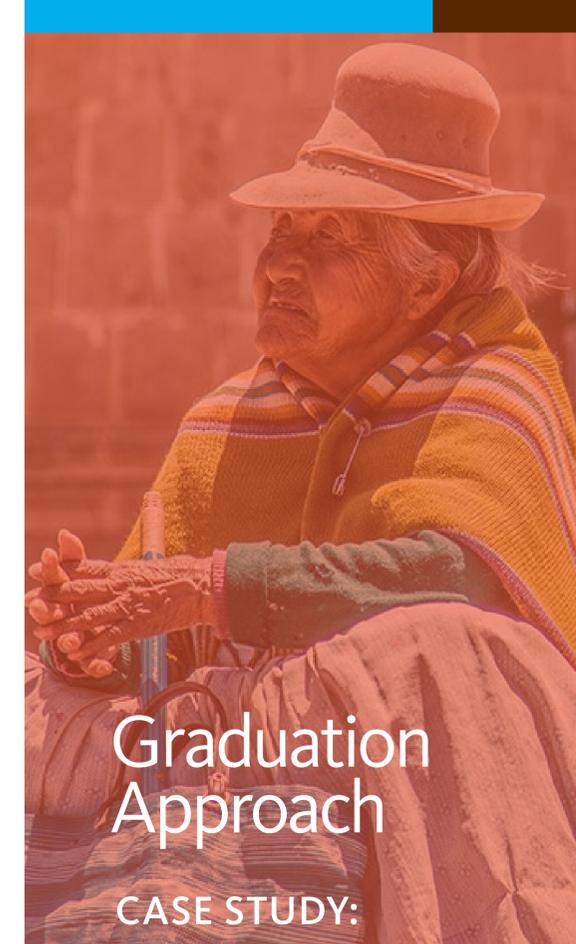
The healthy housing component successfully teaches and persuades families to change a host of old habits. Most Haku Wiñay participants no longer throw trash on their land, cook in smoky kitchens where farm animals run free, or drink untreated water. Training produces statistically significant results in reducing consumption of firewood, improving solid waste management, and upgrading hygiene, according to the GRADE evaluation. The number of program users who produce compost nearly doubled and an additional 27 percent of participants began washing their hands between the beginning and ending of the program. A total of 26,000 families now consume safe water after being taught to boil and store it.

Much of the home-skills training involves responsibilities traditionally handled by women. The fact that women have changed ingrained customs and adopted new practices and technologies suggests the effectiveness of peer training and frequent household visits as an alternative to classroom-based workshops or lectures (to which women, who are less likely on average than men to have attended school, may be less receptive). A number of women participants said they are no longer ashamed of their home as in the past and they show off their clean and well organized homes with pride. This attitude seems to reflect a new sense of confidence in their ability to manage the home and care for their children's health.

### Inclusive rural businesses

Creation of group-based rural businesses is an integral part of Haku Wiñay. *Yachachiqs* promote rural businesses by encouraging participants to form groups of four to six partners interested in working together to develop a business idea. *Yachachiqs* provide guidance about how to produce and market the goods or services the group has in mind, then each group prepares three business proposals and pitches the plans to the CLAR panels. The panels in turn decide which businesses are the most feasible and award each winner the equivalent of about USD 2,500 in start-up funding provided by FONCODES. The business typically spends roughly half the grant money on equipment purchases and the other half on technicians to teach necessary skills.

In judging business plans, CLARs make a preliminary market analysis, though this does not include formal market studies (formal market studies being, as noted earlier, an underdeveloped capacity in Peru in general). Market potential is gauged informally by the opinions of *Yachachiqs*, FONCODES technical coordinators, and the CLAR panels. Once the business is running, the partners receive help connecting with markets from their contracted technical advisor and from Haku Wiñay coordinating technicians. The partners receive training in business bookkeeping and profit sharing, and in how to make expansion decisions.



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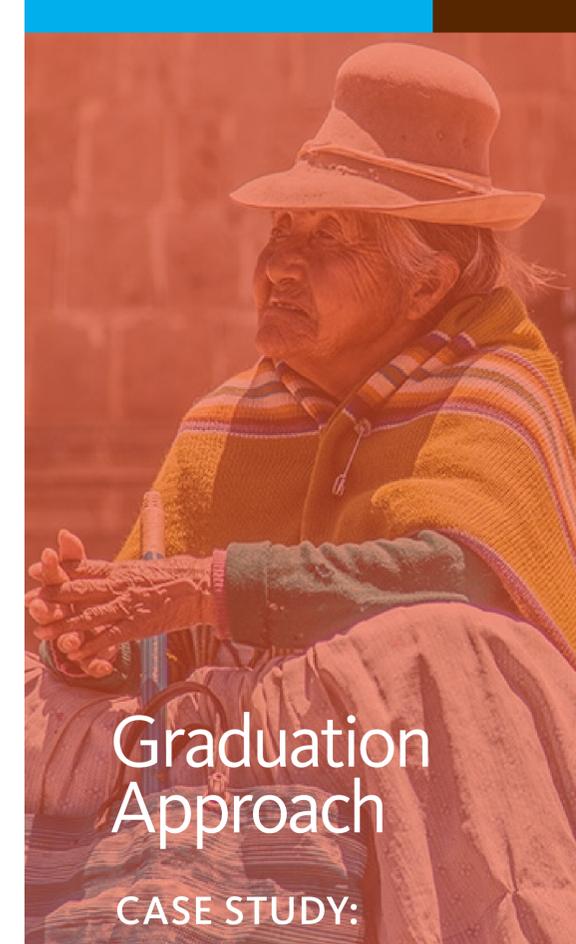


Haku Wiñay's rural business promotion component has expanded rapidly: as of 2015, about 2,000 enterprises were up and running, providing jobs for more than 7,500 people. The businesses range from animal husbandry and agricultural production to handcrafts, food processing and packaging, beauty salons, and car washes. In some cases, producers market their products jointly to secure a better price.

The Haku Wiñay experience demonstrates that it is possible to create small businesses even in remote rural areas where severe poverty prevails. The decision to make the application for start-up funding a competition fosters in contestants the business mentality that will be an indispensable ingredient for future success. And the diversity of the enterprises also suggests the potential for meaningful economic development which can make local communities more lively and vibrant while reducing their collective dependence on mono-product (i.e., agricultural) sources of income.

Although, as noted above, the number of the businesses in operation has grown rapidly, those businesses have been operating for only one or two years. It is too early to tell whether they are solid and capable of expanding, or are vulnerable and may fail or require special assistance. Because, as noted, no formal market study is performed before the grants are made, the businesses launch with at best a loose sense of how to link into the value chain. The prospects for success would likely be improved if market analysis and information about the value chain and national and specialized markets were developed for Haku Wiñay overall and for each region, sector, or business line.

The business environment for enterprises could also improve if telecommunications services were more widely available to facilitate access to pricing information and market opportunities. Better roads would also expand market opportunities. FONIE can play a role in strengthening the potential for success of rural enterprises.



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*A partner in the Samae unisex beauty salon cuts a customer`s hair.*



*Darwin Fabián, head of a coffee roasting business, inspects the roaster bought with funds won in a contest organized by Haku Wiñay.*

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## Post-Graduation Program

### Initial results

Haku Wiñay completes its three-year cycle during 2016, so it is too early to know the lasting impact of the program on participants' lives. A study released just as this case was going to press, however, offers clues about future trends.<sup>19</sup>

GRADE surveyed families who both receive consumption support from Juntos and are Haku Wiñay participants. As of September 2015, 63 percent of participants had increased their annual income by nearly USD 300 as a result of the program. The growth in income has led participant families to shift their labor to salaried activities that offer better pay.<sup>20</sup> The value of participants' assets increased by 30 percent, a result which the report's author believes can reasonably be causally attributed to the program.

The skills training and healthy home components appear likely to remain effective post-graduation. As noted, research found that participants' diets improved notably. The number of times per year that family members eat leafy green vegetables, orange vegetables, and red meats increased by 50 percent or more. The more

<sup>19</sup> Escobal, Javier and Carmen Ponce (editors). May 2016. *Combinando protección social con generación de oportunidades económicas: Una evaluación de los avances del programa Haku Wiñay*. Lima: GRADE and the Ford Foundation.

<sup>20</sup> Escobal, Javier. Preliminary notes (unpublished) from Escobal, Javier and Carmen Ponce (eds), May 2016.

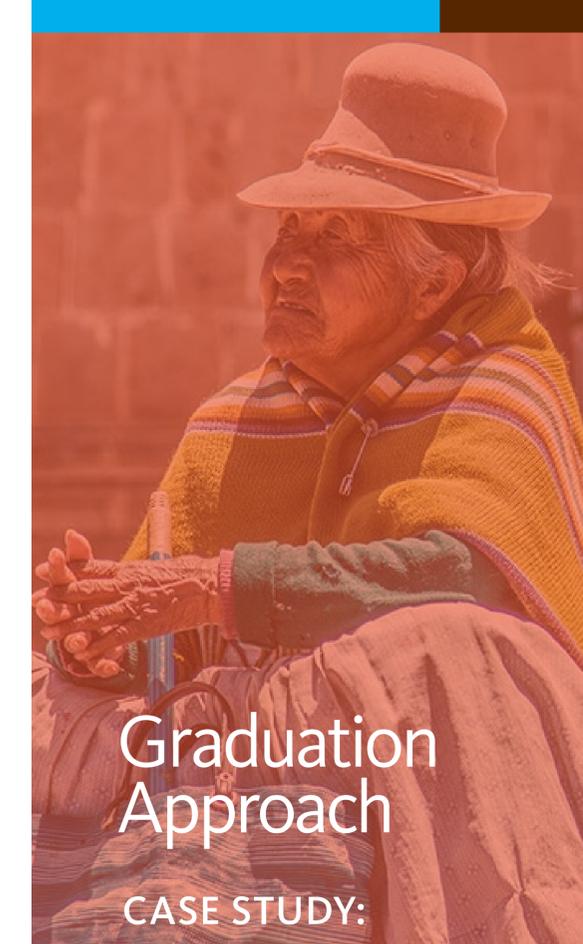
efficient stoves are permanent fixtures, as is the lower consumption of firewood associated with them, so this efficiency may ensure that families continue to boil their drinking water post-graduation and also continue to benefit from a reduction of respiratory illnesses.

Participants' self-confidence for doing business is enhanced to a degree that is statistically significant, GRADE finds. Haku Wiñay users perceive themselves to be more knowledgeable about business and to have improved negotiating skills.

### Plans for scaling up and next steps

Haku Wiñay is expected to expand its coverage by about 20 percent by the end of 2016. An additional 20,000 families will be included, mainly in new regions, bringing the total number of participant households to over 120,000. Plans for scaling the program up even further will be decided during 2016 discussions between FONCODES with the Ministry of Economy and Finance.

Current and former officials of Haku Wiñay are optimistic about the program's future notwithstanding Peru's July 2016 transition to a newly elected government. FONCODES administrators believe that Haku Wiñay's manageable costs, its innovative approach, its focus on the poorest rural families, and of course its documented successes make a compelling argument for continued funding.



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MIDIS officials are studying an adjustment in the current sequencing of Haku Wiñay’s program components. Deputy minister Norma Vidal believes that the rural business promotion component and the financial training should be developed more forcefully from the outset. She believes the program’s effectiveness will be enhanced if all components (skills training, asset transfer, rural business promotion, financial training, healthy homes) are given equal weight throughout the three-year program cycle.

Implementation of the program has been more problematic in some areas than in others. Some local governments that came to power after Haku Wiñay was underway are reluctant to fulfill commitments made to the program by their predecessors. The current model for assuring continuity of Haku Wiñay activities will be altered because it is not operating well in those locations.

### Impact studies

No formal impact study has been carried out on Haku Wiñay but the earlier (2006-2014) round of ten Graduation Approach pilots led by CGAP and the Ford Foundation had included a program in Peru. That pilot, implemented in Peru’s Cusco region by Arawiwa (a Peruvian microfinance institution) and the local office of PLAN (an international NGO) was found to be successful by a randomized control trial study conducted by the Innovations for Poverty Action Lab.

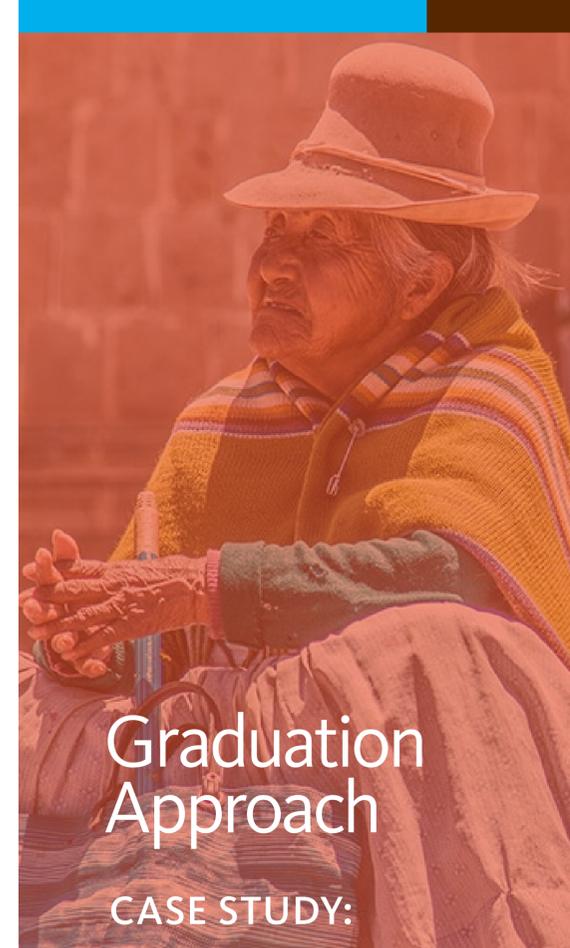
After the program concluded, the randomized trial found statistically significant impacts on per capita consumption, household assets, and food security in the six Graduation programs studied. In Peru as elsewhere, the Graduation program caused participants’ income to rise by a significant amount. The substantial gains in consumption were found to remain in place one year after the program ended. The Peruvian program was cost-effective. The report noted that even in Peru, where we see gains on fewer variables than in other countries, the gains in food expenditures per capita, assets, livestock revenues, physical health, and mental health are all positive and significant.<sup>21</sup>

Within the operating structure of Haku Wiñay, MIDIS is responsible for conducting impact evaluations. The economic opportunities division of FONCODES will carry out surveys to measure Haku Wiñay outcomes. Research centers, such as GRADE, have conducted impact evaluations and can be expected to do so in the future.

### Costs

The cost of Haku Wiñay is PEN 3,800 per family (about USD 1,100, depending on the rate of exchange) over the three-year intervention. The distribution of program costs is shown in the chart below.

<sup>21</sup> Banerjee, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, et al. “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12.



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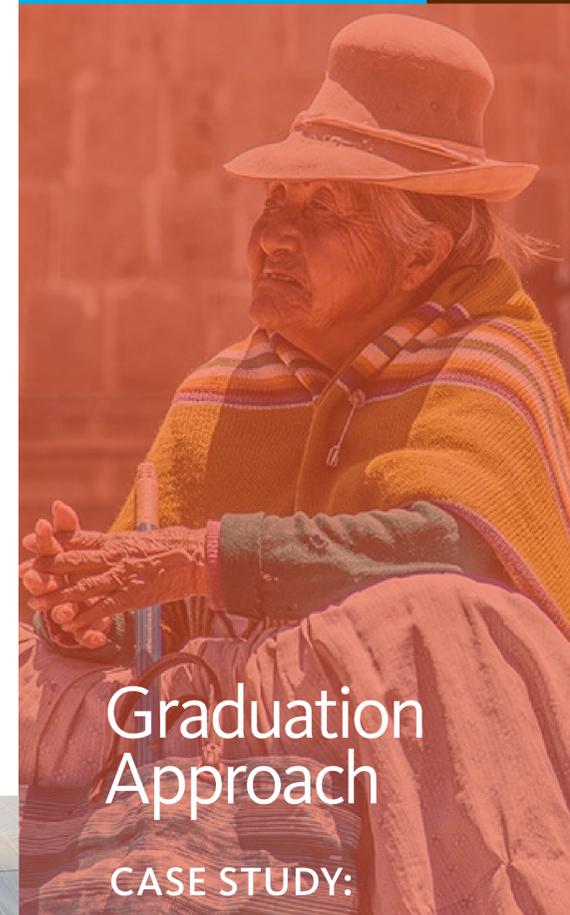


**Table 6:**

OPERATING COSTS OF HAKU WIÑAY: 2015				
Item	Total Cost	Cost Paid FONCODES	Cost Paid by Municipal Government	Cost per Household
<b>Development of Productive Capacities - Entrepreneurial Farms</b>				
Promotion of NECs and Nes	S/.	--	--	--
Design Technical Assistance and training*	12,240.00	12,240.00	--	122.40
Implement Technical Assistance and Asset Transfer+	284,010.00	268,960.00	15,050.00	2,689.60
(Sub-total: Productive Capacities)	296,250.00	281,200.00	15,050.00	2,812.00
<b>Development of Rural Businesses**</b>				
Promotion of contests	2,250.00	2,250.00	--	22.50
Implementation of Specialized Technical Assistance and Grants for Businesses	91,740.00	89,940.00	1,800.00	899.40
(Sub-total: Rural Businesses)	107,201.00	98,800.00	8,410.00	965.50
<b>GRAND TOTAL: HAKU WIÑAY</b>	<b>403,460.00</b>	<b>380,000.00</b>	<b>23,460.00</b>	<b>3,777.50</b>

Source: FONCODES.  
 Note: Average exchange rate of the Peruvian New Sol to the Dollar for 2015: US\$1.00 = s/. 3,17 per <http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates>  
 \*Includes honoraria of project design technician and modest expenses of NECs to manage development of design of training.  
 +Includes honoraria, transportation, and insurance of NEC coordinators, farmer-to-farmer training (honoraria, transportation, and insurance of Yachachiqs for three years, skills training in use of technologies); field trips to train Yachachiqs; installation of productive technologies on family farms; transportation and per diem of NEs and NECs, and administrative support.  
 \*\*Includes technical assistance, training, and funding to promote inclusive rural businesses.

The Haku Wiñay budget does not include the consumption support that Juntos provided to 80 percent of Haku Wiñay households. The Juntos stipend totaled approximately USD 1,260 per family during the three-year duration of Haku Wiñay. (Juntos funds are managed separately from those of Haku Wiñay in the government budget.) FONCODES finances 94 percent of Haku Wiñay’s costs; the remaining six percent is funded by municipal governments.



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## Key Lessons Learned

### LESSONS LEARNED: STAFFING

- Haku Wiñay has a clearly delineated staffing structure, combining a central oversight body of the responsible government ministry (MIDIS and its FONCODES division) with decentralized field operations that incorporate long-standing grassroots governance structures and recruitment of local people for delivering technical support.
- The frequent contact of FONCODES technicians based in regional offices with Haku Wiñay communities provides technical support to field staff and participating farmers, as well as monitoring of program progress.
- The mechanism of peer training, i.e., the contracting of local farmers (known as *Yachachiqs*) to train participating farmers is considered a key to the success of Haku Wiñay. The use of peer trainers reduces barriers to communications to a minimum and builds trust.

### LESSONS LEARNED: KEY PARTNERS

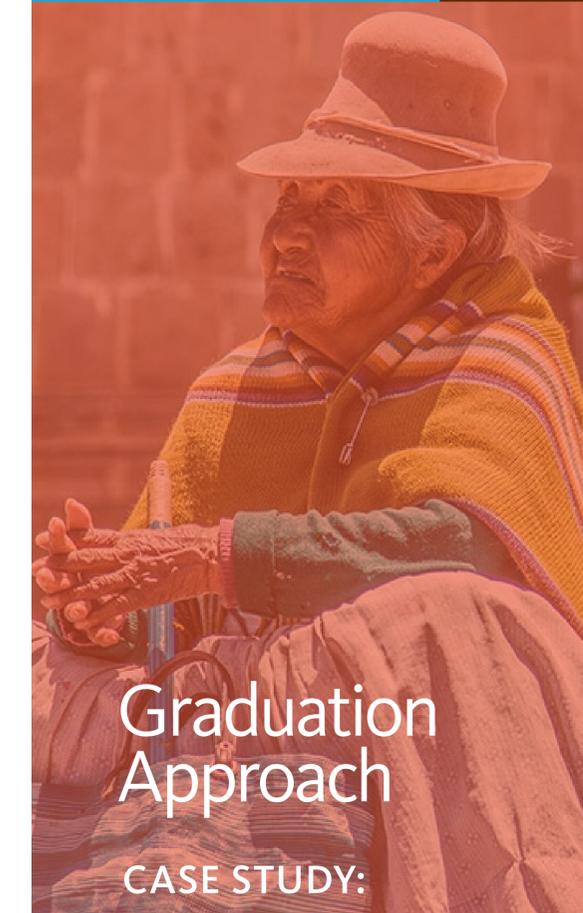
- Haku Wiñay is supported by a broad array of partnerships with local, national, and international organizations and agencies that help provide funding, technical assistance, and in-kind support.
- These partnerships increase Haku Wiñay's capacity in intangible as well as tangible ways, strengthening connections between the remote villages it serves with technical expertise drawn from local, national and international sources.

### LESSONS LEARNED: CONSUMPTION SUPPORT

- Haku Wiñay leverages the consumption support already available to extremely poor families, building on existing government programs serving the same population.
- Participation in (or completion of) Haku Wiñay does not disqualify families from ongoing access to CCTs or other government social protection programs.

### LESSONS LEARNED: SAVINGS

- Haku Wiñay's financial education uses standardized modules taught by peer trainers to expand knowledge of financial services and increase confidence in using the financial system.
- The training modules are carefully designed to be relevant and meaningful to program participants.



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### LESSONS LEARNED: MARKET ANALYSIS

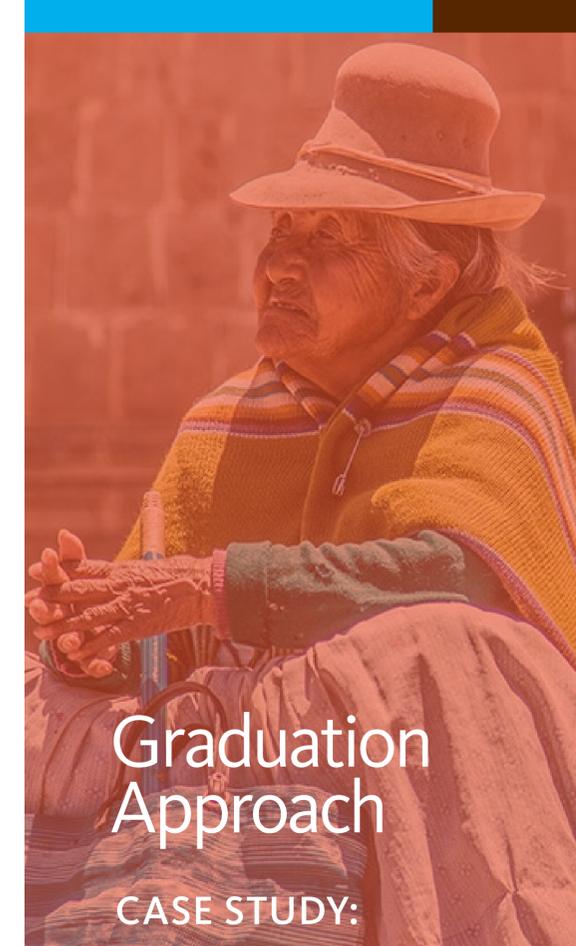
- Market analysis as conventionally understood has not been a part of Haku Wiñay program activities. This lack of market analysis is not specific to the program but rather is characteristic of Peru generally. Senior officials and field staff alike recognize that there is a lack of information for identifying markets for participants' products and for understanding how to link farmers with markets.
- During the initial stage, the surplus produced has been small and can be sold mostly to neighbors and in local fairs.
- Stronger expertise in value chains that can link rural areas with larger markets should be developed as part of the Haku Wiñay expansion.

### LESSONS LEARNED: ASSET TRANSFER

- Haku Wiñay uses a demand-driven in-kind asset transfer to increase the likelihood that assets will be used productively by farmers and will be suitable for the local ecosystem.
- Haku Wiñay successfully built on more than two decades of experience in Peru with local implementing committees of elected farmers administering government funds. The purchase of assets and their transfer to families is managed by community representatives, an efficient structure for delivering assets on a national scale that also enhances local participation and empowerment.

### LESSONS LEARNED: TECHNICAL SKILLS TRAINING

- Skills training is flexible, based on the demand and production plans of participants.
- Agricultural skills training offers only ecological methods of cultivation and production to promote adaptation to climate change. This makes farming more sustainable over time.
- Asset transfer and skills training will have a greater impact if complemented with government efforts to strengthen infrastructure (e.g., roads and telecommunications). If the settlements of Haku Wiñay participants become less isolated, they will have greater access to information and markets and gain more leverage for market transactions.



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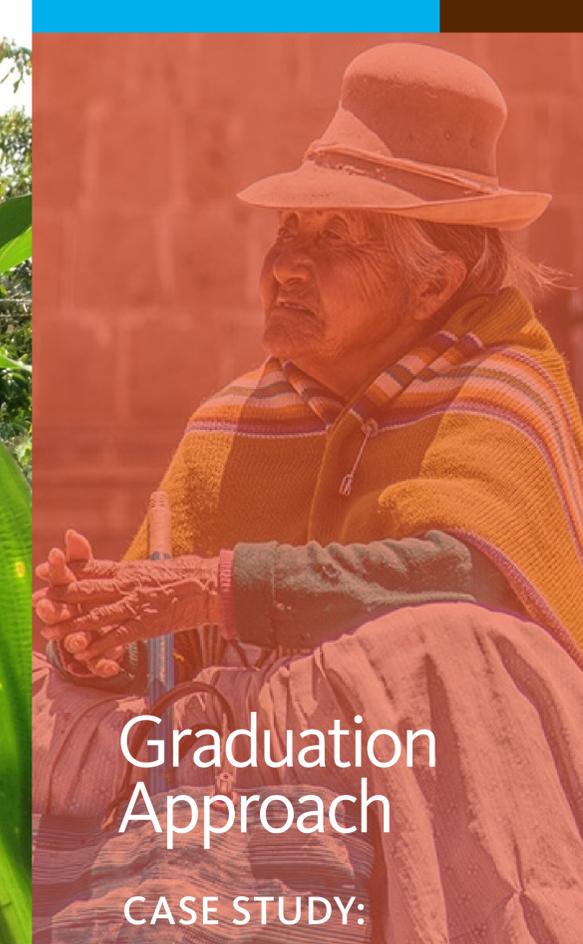


## LESSONS LEARNED: LIFE SKILLS COACHING

- Haku Wiñay does not include a separate life skills coaching component. Instead, the program's design includes alternative ways to embed many of the key goals of life skills coaching, such as developing self-confidence and building social capital. Recruiting trainers/coaches from the local communities and creating local decision-making structures are among the ways that Haku Wiñay addresses the softer skills and social development goals generally included in the life skills coaching component.
- Participants receive ongoing attention through bi-monthly on-site visits by the local technical and financial trainers, as well as direct engagement in the governance and decision-making processes of the program through participation in local implementing committees.
- Program participants have the experience of being involved with groups at group training sessions offered by financial *Yachachiqs* or through being elected to represent their community in the local implementing committees.

## LESSONS LEARNED: MONITORING

- Monitoring of coverage, scaling up, and implementation of program activities has been included in Haku Wiñay since the pilot was launched, so the program's advance over time can be tracked.
- The monitoring records provide accountability for the use of government funds and demonstration of effective implementation that can help Haku Wiñay maintain or expand its allocation in the federal budget.
- The data gathered in monitoring create baseline information that is essential for impact evaluations.
- Using mobile devices during on-site visits to capture information about project implementation and participants' gains should increase monitoring efficiency.



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## CONCLUSIONS AND IMPLICATIONS > KEY LESSONS LEARNED >

Haku Wiñay is a groundbreaking program for Peru, the first to combine peer training with a transition from subsistence- to market-focused farming—and to take it to nationwide scale, according to César Sotomayor, director of FONCODES at the time Haku Wiñay was launched. Haku Wiñay is also a young program, and MIDIS, the ministry responsible for its implementation, is a relatively new agency. But the MIDIS leadership was committed to finding effective responses to extreme poverty, and the impact of Haku Wiñay on the rural extreme poor, on family farms, and in rural communities has been demonstrated to be positive and significant.

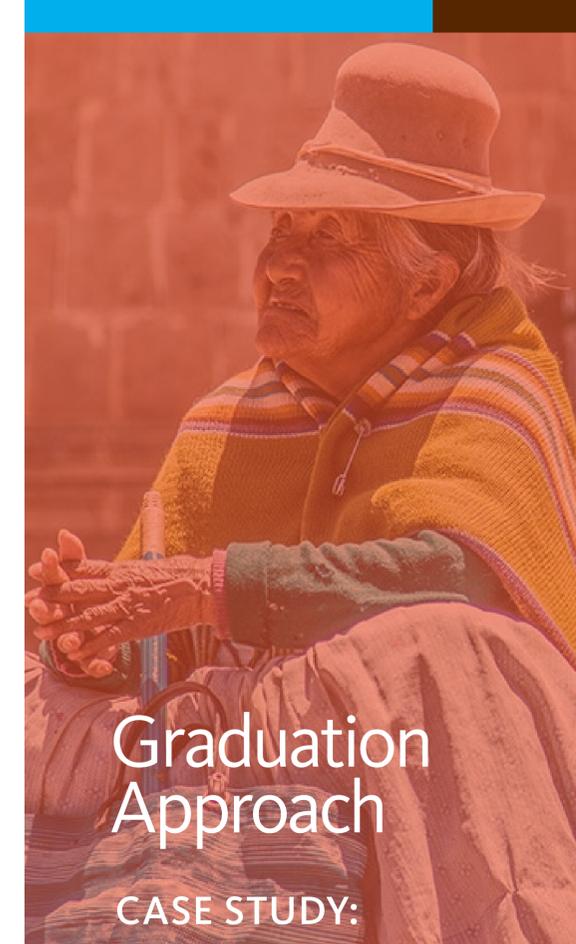
The lesson from Haku Wiñay is that Graduation programs that are adapted to local circumstances and include additional programmatic innovations (e.g., the healthy houses and rural business promotion components) can work well and achieve the desired outcomes. Important benefits also come from adapting asset transfers to the context and needs of program participants.

Flexibility is a hallmark of Haku Wiñay, and deserves a closer look. The supervising agency, MIDIS, is mandated to work across sectors—dealing with areas including agriculture, health, sanitation, and education—for the purpose of combating poverty and promoting social inclusion. FONCODES is also flexible because it is able to work across sectors in implementing Haku Wiñay. FONIE, the rural infrastructure fund, is flexible because it, too,

works across sectors including transportation, education, health, and telecommunications. The components of the Haku Wiñay program itself are also flexible: asset transfers and the associated training are demand-driven, by market conditions and the circumstances of the individual participants.

Several elements of Haku Wiñay implementation empower program participants. The local implementing group (*Núcleo Ejecutor*) structure gives power to the grassroots, elected representatives of rural communities, to administer government funds. The *Yachachiqs* empower program users because they are themselves farmers drawn from the same rural communities where Haku Wiñay operates. Haku Wiñay has produced positive results in empowerment, reducing vulnerability, and increasing participants' ability to identify market opportunities and negotiate business transactions.

Haku Wiñay achieved these increases in participant empowerment and confidence without including life skills coaching as a distinct component, as earlier Graduation Approach programs have done. An important success factor is the peer-to-peer training. Apparently, participants “identify in” with the *Yachachiqs*, who are themselves members of the community, in a way that enhances confidence and empowerment along with achieving the actual transfer of knowledge.



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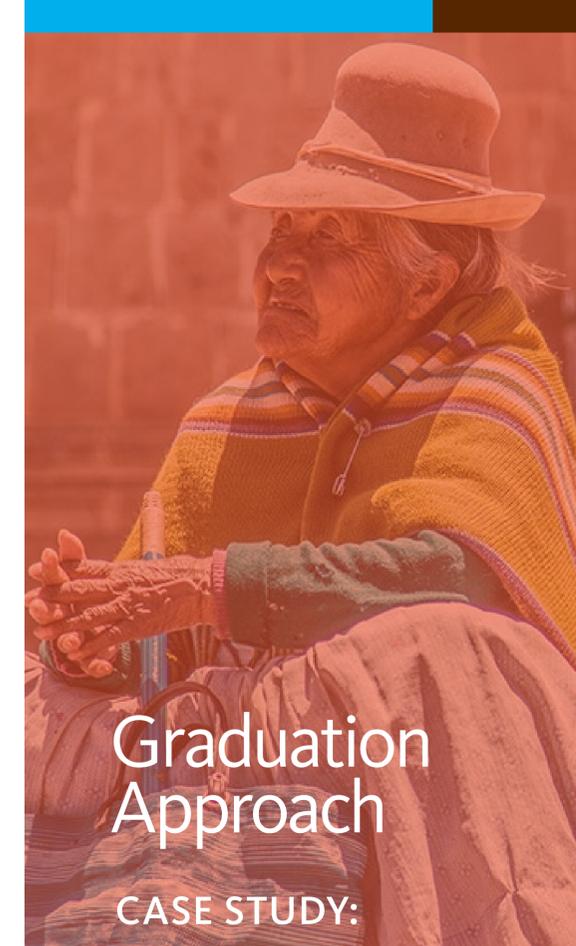
Haku Wiñay’s effect on participants’ self-esteem is especially important to the extremely poor in the highlands (sierra). The identity traditionally attributed to these people was that of “impoverished” and “peasant.” The public policies and demand-driven model at the heart of Haku Wiñay facilitate the transition—mental as well as logistical—from subsistence farmers to agricultural entrepreneurs.

Haku Wiñay faces several challenges as the program evolves. Coordination between Haku Wiñay and Juntos (the government’s conditional cash transfer program), especially the capacity-building aspects of each program, must be tightened so the two programs are linked from the time Haku Wiñay launches in an area.

Scaling up Haku Wiñay will also require more staffing at all levels. Senior officials are concerned about the ability of the program to recruit and retain *Yachachiqs*. The pool of local people with whom the participants can comfortably identify, yet who are skilled enough to impart knowledge the participants need, is limited. Deputy minister Norma Vidal has identified the recruitment and training of additional *Yachachiqs* as a top priority for Haku Wiñay’s expansion.

About 40 percent of the entrepreneurs operating rural businesses are women. The impact on women is ambiguous, however, because the program can give women new roles—operating sprinkler irrigation systems, running a business—but does not work to change the role of men in the family. Also, some of the changes in women’s roles are due to cash transfers from Juntos and thus cannot be attributed exclusively to Haku Wiñay.

As noted earlier, preliminary evaluations of Haku Wiñay do show significant positive changes across an array of indicators. Program participants improve the conditions of their households, increase food security through raising a greater variety of crops and livestock and harvesting them all year long, and some participants launch new businesses. The most significant shift, however—and the one most likely to determine Haku Wiñay’s ultimate prospects for success—is the change in participants’ sense of personal agency. All stakeholders have remarked on the noticeable shift in participant attitudes toward planning for a future over which they believe they have some control, setting goals, working to achieve them, and taking pride when those goals are achieved. To the extent that this sense of empowerment becomes permanent, the beneficial practical effects that empowerment makes possible may become permanent as well.



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***“The state is in the role of facilitator . . . (FONCODES) listens to the initiatives of communities or individuals, and (supports) those initiatives through the transfer of funds.”***

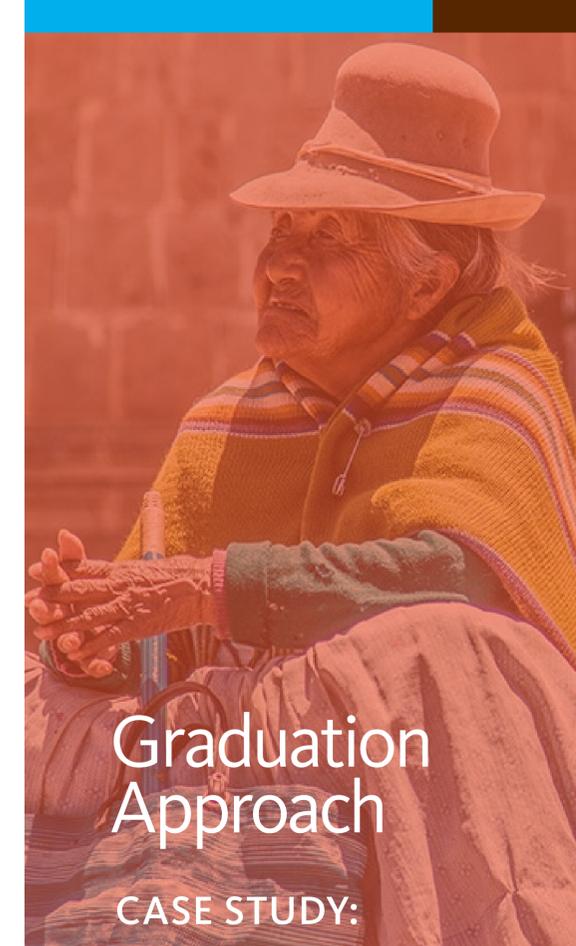
César Sotomayor,  
director of FONCODES at Haku Wiñay’s launch

***“Haku Wiñay’s use of the Yachachiqs means that it retrieves the knowledge and culture of the local community. Local farm families become the drivers of their community’s development.”***

César Sotomayor,  
director of FONCODES at Haku Wiñay’s launch

***“People begin to think in a new way. They focus on their advancement, their place in society, their living conditions. They have a better quality of life, and can feed themselves. They are planning and putting their lives in order.”***

Norma Vidal  
MIDIS vice minister



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## ABOUT THE AUTHOR

Lucy Conger is a journalist who has reported on finance, economics, and development issues from Peru and elsewhere in Latin America for 25 years. She co-authored, with Richard Webb and Patricia Inga, *The Mustard Tree: A History of Microfinance in Peru*, and a recent study of Mexico's economic reforms and economic competitiveness, *A Mandate for Mexico*, supported by the Mexico Institute of the Wilson Center. She holds a master's degree in international relations with a concentration in development economics from The George Washington University and a bachelor of arts in history from the University of Pennsylvania.

*With the exception of the front cover photograph from stock, all photos were taken by the author during field research conducted for this case study and are used with permission.*

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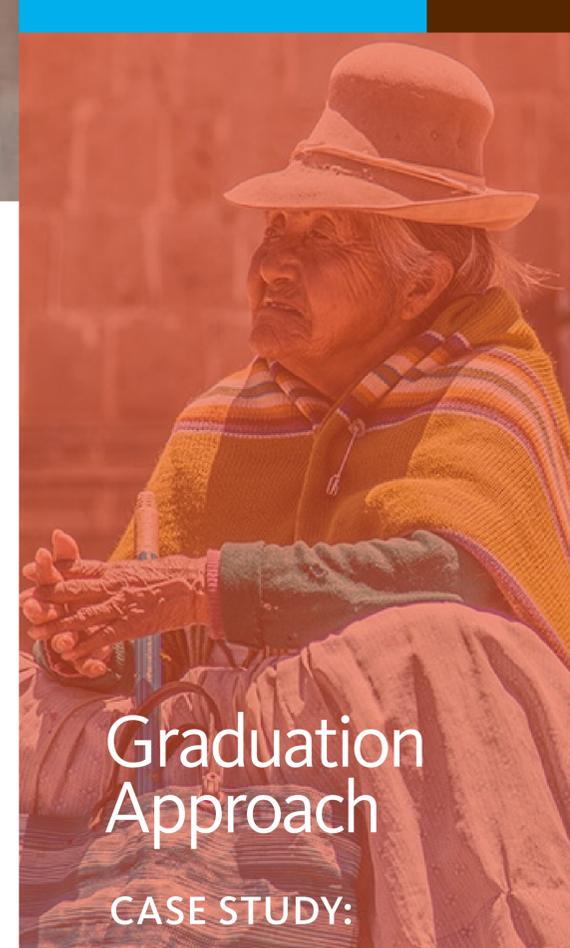
## ACKNOWLEDGMENTS

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FONCODES supervisors, regional directors, and staff members of Huánuco and Cusco also shared their time and experiences, and arranged for the author to visit and speak with participants in villages and towns in Chinchao Alta, Huánuco, Ocongate, and Cusco. Special thanks to: Alejandro Pozo, director, Foncodes regional unit, Cusco; Pedro Alarcón, Foncodes-Lima representative for Cusco office; Juan Pablo Ochoa, director, Foncodes regional unit, Huánuco; Joel Pomahuali, field supervisor, Foncodes regional unit, Huánuco.

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The author and editor are also grateful to all those implementers and scholars whose published work has advanced the understanding and state of practice of the Graduation Approach. Where possible, we have provided URLs where interested readers can download the works cited in this report. Please note that URLs were valid at the time of writing. We regret that we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge.



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Preserving the Essence,  
Adapting for Reach:

# Early Lessons from Large-Scale Implementations of the Graduation Approach

ETHIOPIA Case Study  
by Omar Mahmood



Series Editor: Tony Sheldon



FORD  
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ADA – Amhara Development Association  
BOLSA – Bureau of Labor and Social Affairs  
CFSTF – Community Food Security Task Force  
CGAP – Consultative Group to Assist the Poor  
DA – Development Agent  
DECSI – Dedebit Credit and Saving Institution SC  
FSP – Food Security Program  
GoE – Government of Ethiopia  
GPS – Graduation Prediction System  
GTP – Growth and Transformation Plan  
HABP – Household Asset Building Program  
*Kebele* – ward  
MSE – Micro and Small Enterprise Agency  
OFSP – Other Food Security Program  
PSNP – Productive Safety Net Program  
REMEDA – Regional Micro Credit and Small Enterprise Development Agency  
REST – Relief Society of Tigray  
RRM – Rapid Response Mechanism  
TVET – Technical Vocational Education and Training  
VSLA – Village Saving and Loan Associations  
WOLSA – Woreda Office for Labor and Social Affairs  
*Woreda* – District

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# BACKGROUND ON THE “PRODUCTIVE SAFETY NETS PROGRAM,” OR PNSP

The Graduation Approach has had a complex evolution in Ethiopia. A small NGO pilot (with significant adaptations from the “classic” Graduation model) was implemented in northern Tigray province from 2010 until 2012. Based on the positive results of the pilot, in 2015 the Government of Ethiopia (GoE) undertook to expand the core principles and practices into a large-scale expansion as part of Ethiopia’s national food security. The GoE had included elements similar to the Approach in its social protection programming previously, but in 2015 shifted thinking regarding the model itself, particularly concerning the asset transfer component. Up to ten million Ethiopians will be eligible for elements of the Approach between 2016 and 2020, with the poorest 30 percent specifically designated to receive asset transfers. In this sense, the large-scale integration of the Graduation Approach into Ethiopia’s social protection programming is a major success story, but also an important test case as to how the model evolved in accordance with local conditions and needs in a large and diverse country.

Ethiopia, a land-locked nation of 96 million people in the Horn of Africa, has enjoyed one of the fastest growing economies in the world in recent years. The current government, in power since the overthrow of the Derg regime in 1991, has set ambitious development goals for a nation that historically struggled to feed its population. Ethiopia now aims to achieve lower middle-income status by the year 2025.<sup>1</sup> Supporting this objective are growth rates consistently in the double-digits and Growth and Transformation Plans (GTP) outlining specific targets to achieve every five years. The 2010-2015 GTP contained a particular focus on agriculture which comprises 45 percent of gross domestic product and serves as the main livelihood for 80-85 percent of the population.<sup>2</sup>

Despite this economic progress, food security remains a major issue in Ethiopia’s rural regions, as evidenced by the nation’s status as the largest African recipient of food aid over the past two decades.<sup>3</sup> Recurrent climatic shocks have had a big impact, leading to periodic drought and food shortages. Following emergency appeals to the international community in 2002-03 after another drought, the Government of Ethiopia (GoE) formed a committee to identify actions it could undertake to disrupt this recurring cycle, in

<sup>1</sup> Olingo, Allan. “Ethiopia’s Five Year Plan to Grow the Economy.” *The East African*, 28 November 2015.

<sup>2</sup> [Productive Safety Net Project](#), landing page on WorldBank.org

<sup>3</sup> Andersson, Camilla, Alemu Mekonnen, and Jesper Stage. 2009. *Impacts of the Productive Safety Net Program in Ethiopia on Livestock and Tree Holdings of Rural Households*. Gothenburg, Sweden: Environment for Development (p 3).

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an attempt to deal decisively with the nation's chronic food insecurity.<sup>4</sup> It was against this backdrop that in 2005, the GoE inaugurated the Productive Safety Net Program (PSNP), a key component of its overall Food Security Program (FSP).

The PSNP is a mechanism to deliver food or cash to chronically food-insecure households in a standardized, multi-year manner, in order to provide reliable insulation from shocks. A major premise behind this approach was that if households knew their basic consumption needs were covered, they could avoid selling off productive assets just to satisfy immediate needs and would thus eventually surpass food security benchmarks in order to 'exit' from future PSNP transfers.

More a food-for-work than an entitlement program, the PSNP consists of two types of support: direct support and public works.<sup>5</sup> Through a careful targeting process (more on this below), direct support recipients are those deemed unable to provide adult labor to public works activities. Direct support recipients are typically the elderly, the disabled, and pregnant or lactating women, and collectively they account for approximately 15 percent of total participants. All others who

qualify for assistance are categorized as public works participants, and they contribute labor in support of community activities for five days per household member for each transfer month (usually six months of the year). Households receive 15kg of cereal per transfer month (or the cash equivalent); as of 2016 households receive an additional 4kg of legumes per transfer month as well.

### Criteria for Households to Qualify for PSNP Transfers

Live in one of 318 districts officially labeled as chronically food-insecure

Suffer a gap in food needs of three months or more during the past three years

Be a recipient of food assistance during the past three years

<sup>4</sup> Government of Ethiopia Ministry of Agriculture. November 2014. Productive Safety Net Program 4 Design Document. Addis Ababa: Government of Ethiopia (p.1)

<sup>5</sup> Sharp, Kay, Taylor Brown and Amdissa Teshome. 2006. *Targeting Ethiopia's Productive Safety Net Program*. London: Overseas Development Institute. (p. 4)

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## PSNP Impact

As noted above, the PSNP was designed to shelter households from shocks, creating a predictable cycle of consumption support transfers so that chronically food-insecure households could avoid selling off their assets. The program has been credited with significant successes in this respect. For example, in highland areas PSNP participants enjoyed an increase in the average number of months with sufficient food, from 8.4 months in 2006 to 10.1 months in 2012.<sup>6</sup>

The results regarding asset accumulation have been more mixed. A 2008 study cited definite gains in food security, but found no evidence that livestock holdings in particular remained steady,<sup>7</sup> while another study

a year later noted that livestock holdings were not protected during times of shock.<sup>8</sup>

In addition, successful exit from the PSNP is defined as when a household can meet its food needs for the entire year without PSNP transfers and withstand moderate shocks. Under this definition nearly two million individuals “exited” from the program between 2008-2012.<sup>9</sup> That progress did not meet the GoE’s projections, however, and in 2010, the Ministry of Agriculture specifically characterized exit rates as “slow.”<sup>10,11,12</sup>

<sup>6</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p.2)

<sup>7</sup> Gilligan, Daniel O., John Hoddinott, and Alemayehu Seyoum Taffesse. 2008. *An Analysis of Ethiopia’s Productive Safety Net Program and its Linkages*. Washington, DC: International Food Policy Research Institute (p.23)

<sup>8</sup> Andersson, Camilla et al. 2009 (p. 26)

<sup>9</sup> World Bank Social Protection and Labor Global Practice/Eastern Africa Region. 2014. *Project Appraisal Document*. Washington, DC: World Bank (p.125)

<sup>10</sup> Government of Ethiopia Ministry of Agriculture and Rural Development. 2009. *Food Security Program 2010-2014*. Addis Ababa: Government of Ethiopia. (p.15)

<sup>11</sup> *Food Security Programme 2010-2014* (p.13)

<sup>12</sup> Kindra, Jaspreet. 2014. “Building Food Security in Ethiopia.” IRIN News, July 2014

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# LIVELIHOODS PROGRAMS

The Government of Ethiopia recognized that the PSNP alone would not be enough to help households *accumulate* assets and be able to exit the food support program, even if it did succeed in keeping households from being forced to sell off assets they already had. So to supplement the consumption transfers, the GoE introduced complementary livelihood programs as part of its overall food security program—distinct from the PSNP, but largely targeting the same populations.<sup>13</sup> The premise behind these livelihood programs was the belief that increased access to rural credit would spur asset accumulation, breaking the poverty cycle and ultimately increasing exit rates from the PSNP.

<sup>13</sup> *Household Assets Building*, Ministry of Agriculture and Rural Development, August 2009, p. 1-3

## Relevant programs included under the FSP



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## Other Food Security Program (OFSP)

During the first and second phase of the PSNP (2005 to 2009), the livelihoods component fell under the Other Food Security Program (OFSP), which offered asset packages on credit. However, support from the OFSP still did not help achieve the desired exit rate from the PSNP.<sup>14</sup> Access to the OFSP was low and the credit aspect of the program was poorly disseminated, with many households either not understanding they were taking out a loan or being forced to accept packages that were inappropriate for their circumstances.<sup>15</sup> Such households subsequently became indebted, leading to a future wariness about, or lack of access to, credit. Only 22 percent of loans were actually recovered by 2012.<sup>16</sup> These results support the CGAP/Ford Foundation view that underpins the Graduation Approach's theory of change: that the extreme poor may become overly indebted through the provision of credit, and instead require grants and other forms of sequenced support to kick-start economic activity.

<sup>14</sup> Ministry of Agriculture. 2014. Productive Safety Net Program 4 Design Document, (p.1); *Food Security Program 2010-2014*, Ministry of Agriculture, August 2009 (p.15)

<sup>15</sup> Berhane, Guush, John F. Hoddinott, Neha Kumar, Alemayehu Seyoum Taffesse, et al. 2013. *Evaluation of Ethiopia's Food Security Program*. Washington, DC: International Food Policy Research Institute. (pp.177-9)

<sup>16</sup> Ministry of Agriculture. 2012. *Household Asset Building Program (HABP) Mid Term Review (MTR)*. Addis Ababa: Government of Ethiopia. (p. 8)

## Household Assets Building Program (HABP)

When the next phase of the PSNP was designed for rollout in 2010, the accompanying livelihoods component was redesigned as the Household Assets Building Program (HABP), an effort to improve on the OFSP. The HABP centered on more focused livelihood support, including assistance in the formation of business plans. The HABP model also provided participants with technical training from Development Agents (DAs), frontline personnel of the GoE Agriculture Extension Department. Access to credit was not provided through government channels as had been the case with the OFSP, but rather via the development of Rural Savings and Credit Cooperatives (RUSACCOs) and where available, microfinance institutions (MFIs).<sup>17</sup> Another major change was the shift to a participant-driven approach, allowing households a greater say in livelihood choices based on a consultative process factoring in capacity and interests.<sup>18</sup> HABP also aimed to reach female heads of households and to expand beyond exclusively agricultural livelihoods.

<sup>17</sup> Ministry of Agriculture. 2014. Productive Safety Net Program 4 Design Document, (p.2)

<sup>18</sup> *Household Asset Building Program (HABP) Mid Term Review (MTR)*, 2012 (p.2)

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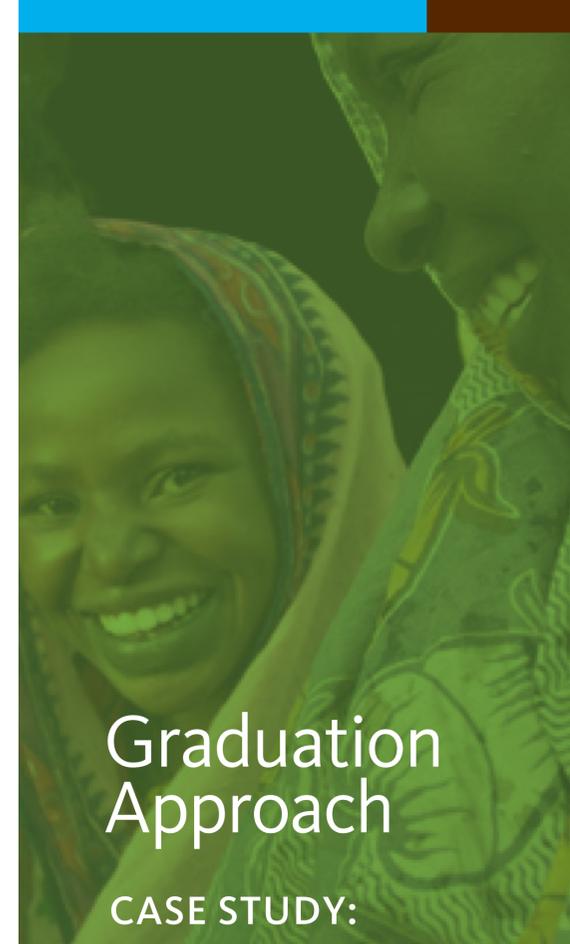


The HABP enjoyed a number of accomplishments. Many new RUSACCOs were created, the percentage of PSNP households taking out loans from MFIs and RUSACCOs increased, thousands of DAs were trained with the goal of three per *kebele* (ward),<sup>19</sup> and 680,000 households developed business plans for new livelihood activities.<sup>20</sup> Program evaluations, however, revealed that many of the business plans were reportedly generic, dominated by male household heads, and focused on on-farm activities,<sup>21</sup> and that program assistance did not always follow an effective sequencing procedure.<sup>22</sup> This resulted in some participants receiving limited technical training and lacking the confidence to take out loans, or taking on credit before they were ready. In addition, the rate of exit from the PSNP still fell below expectations, hovering around 10 percent and 12 percent in 2010 and 2011 respectively.<sup>23</sup> Thus was the Ethiopian Government forced to seek still further for solutions to move chronically food-insecure populations above benchmarked poverty-related thresholds.

<sup>19</sup> *Household Assets Building*, Ministry of Agriculture and Rural Development, August 2009 (p.11)  
<sup>20</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document*, (p.57)  
<sup>21</sup> *Ibid* (p.58)  
<sup>22</sup> *Household Asset Building Program (HABP) Mid Term Review (MTR)*, 2012 (p.6); Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p.58)  
<sup>23</sup> *Household Asset Building Program (HABP) Mid Term Review (MTR)*, 2012 (pp.24-25); *Berhane, Guush et al.* 2013 (p.211)

### Summary of FSP Livelihood Components

Dates	PSNP Phase	Livelihood Component	Description	Summary/Results
2005-2009	I & II	Other Food Security Program (OFSP)	Asset packages on credit	Many poor who took on credit became indebted
2010-2015	III	Household Asset Building Program (HABP)	Technical and business plan support; facilitate access to credit	Many poor refused to take credit even when available
2015-2020	IV	Livelihood component integrated into PSNP IV	Livelihood training packages, similar to Graduation Approach, available to all participants	Participants linked to credit providers where available; poorest 30 percent to receive asset transfer



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# ENTER THE GRADUATION PILOT

While the Government of Ethiopia was grappling with low PSNP exit rates, the idea of providing the poorest households with grants rather than credit gained traction. CGAP and the Ford Foundation were looking to implement a series of pilot projects to test the Graduation Approach around the world, and Ethiopia seemed like a natural choice since the GoE had included similar livelihood support components in its food security program since as early as 2005.

The GoE, however, expressed reservations, citing a fear of creating dependency regarding the asset transfer portion of the model. GoE's concern was that the asset transfers might further dependence on aid handouts, rather than developing sustainable livelihoods for food-insecure households. Ethiopia had worked hard over the past decade to reverse a perceived culture of dependency, a legacy of free emergency resource transfers, and was hesitant to engage in a program that might undermine these hard-fought gains.

## REST and Tigray

CGAP and the Ford Foundation, however, found a willing implementation partner in REST, a nongovernmental organization based in the northern Tigray province. REST (Relief Society of Tigray) enjoys high regard for its track record on effectiveness and efficiency. Discussions around the asset transfer element and potential dependency continued to be problematic, however, until a novel solution was devised: households receiving the transfer would have to save the equivalent value of that transfer over a 24-month period. Framed more as a loan in this manner, households that reached the required savings amount would then have that loan forgiven, in effect transforming it into a grant.

With the asset transfer issue thus resolved, implementation began in 10 villages in Wukro *woreda* (district). The pilot was integrated into the local PSNP program; only public works PSNP recipients with less than 0.25 hectares of land or two oxen were eligible to participate.<sup>24</sup> Targeting relied on the local Community Food Security Task Force (CFSTF), the same body that set targeting for the PSNP, and after initial households were identified, a community review process took place to verify each proposed participant.

<sup>24</sup> Gupta, Anasuya. 2012. *Pathways out of the Productive Safety Net Programme: Lessons from Graduation Pilot in Ethiopia*. Dhaka: BRAC Development Institute. (p.11)

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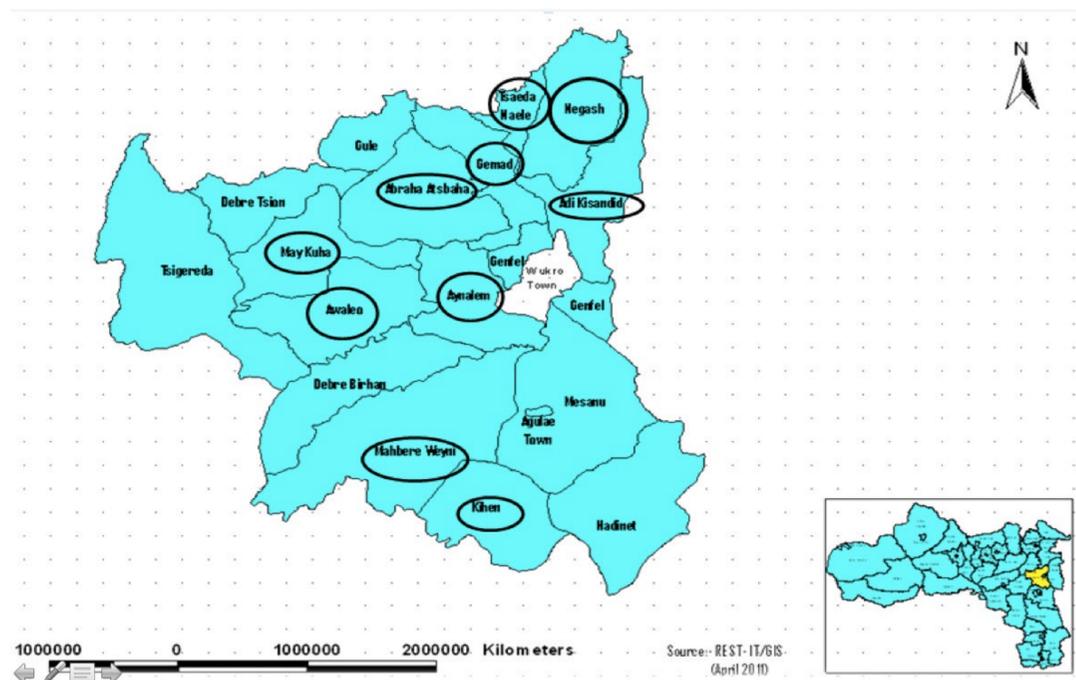
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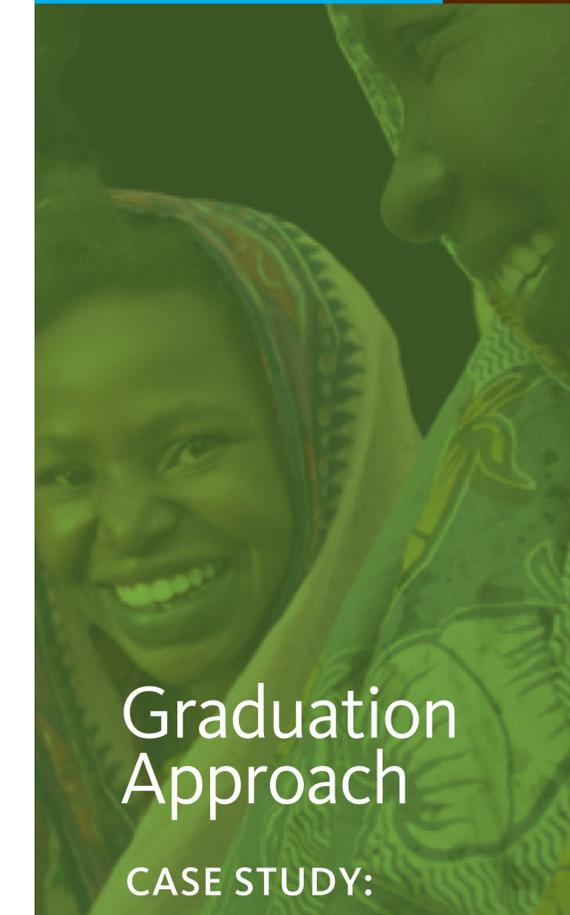
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Map of selected implementation sites in Wukro, Tigray Province<sup>25,26</sup>



Tigray region of Ethiopia



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<sup>25</sup> Map of implementation sites taken from conference presentation by Syed M. Hashemi

<sup>26</sup> Map of of Tigray Region from <http://www.blackhistoryheroes.com/2010/05/queen-of-sheba.html>

## ENTER THE GRADUATION PILOT >

A market analysis, conducted to identify appropriate livelihoods for Graduation program participants, identified cattle fattening, shoats (sheep and goats), petty trade, and bee keeping, with participants receiving technical training in the area of their choice. Community facilitators recruited by REST conducted the training and coaching, with a set ratio of one per village, or in effect one for every 50 households. The trainers visited each household weekly, providing technical knowledge but also checking up on the savings schedule and troubleshooting any other problems that arose. The biggest difference from the classic Graduation Approach was the linking of the asset transfer to the “forced” savings component, as described above. Participants’ bank accounts were frozen until the required amount had been deposited. Dedebit Credit and Saving Institution SC (DECSI), a Tigray-based MFI, worked closely with REST to closely monitor this aspect.

### Evidence

Systematic data collection was a major priority during the course of the pilot. Innovations for Poverty Action (IPA) designed a randomized control trial (RCT) and conducted a baseline survey in 2010, a mid-project survey in 2011, an end-line survey in 2012, and an end-line plus one year survey in 2013. Qualitative interviews with the participants were undertaken on a regular

basis as well, to capture narratives describing the project’s impacts.

The results of the two-year pilot project (three years in the case of bee keeping) were impressive. Of the ten Graduation Approach pilots initiated by CGAP and the Ford Foundation around the world, Ethiopia showed some of the highest positive gains, with statistically significant impacts in all ten outcome areas. For example, treatment households enjoyed an increased average monthly consumption of 18.2 percent, and 68 percent higher total asset values compared to control households, while the pilot overall enjoyed an internal rate of return of 13.3 percent—the second highest of the six randomized control trial countries in the IPA research. According to project staff in Tigray, 90 percent of participants also met the exit criteria for the Graduation pilot program one year after the project ended, with a further 47 percent building up enough assets to also exit from the PSNP itself. Those rates were significantly higher than past efforts, such as, for example, the HABP which, as discussed above, had only resulted in 10-12 percent exit rates from PSNP. The full quantitative results of the RCTs were published in the May 2015 edition of *Science*,<sup>27</sup> while the narrative analysis came out in a 2013 paper entitled, *Pathways out of the Productive Safety Net Program: Lessons from Graduation Pilot in Ethiopia*.<sup>28</sup>

<sup>27</sup> Banerjee, Abhijit, Esther Duflos, Nathanael Goldberg, Dean Karlan et al. “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science*. 15 May 2015. Vol. 349, Issue 6236, p. 12

<sup>28</sup> Gupta, Anasuya. 2012.

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# PSNP IV AND DEVELOPMENTS IN THE GOVERNMENT OF ETHIOPIA'S THINKING

Following the success of the Graduation pilot in Tigray, the design document for the fourth installment of Ethiopia's Productive Safety Net Program (PSNP IV) explained that rather than separate livelihoods programming as in the past, such components would be fully integrated into the PSNP as one program. The document also discussed the proper sequencing, tailored approaches, and intensive coaching required to move the poor from extreme poverty, while provisions for a one-time asset transfer were included for the poorest 30 percent of participants—all elements echoing central themes of the Graduation Approach. Thus despite previous hesitations, the GoE adopted the Graduation Approach into its national food security and livelihoods programming. A number of key factors explain this shift, all of which ultimately seek to address the issue of lower than expected PSNP exit rates.

## Access to Credit

As noted above, the GoE had already found that simply increasing access to credit, the cornerstone of its previous livelihood programming, proved insufficient to alleviate extreme poverty. A major reason was indicated in the findings of a 2013 International Food Policy Research Institute (IFPRI) report which disclosed that the poor, especially female-headed households, were not taking credit even when it was available to them.<sup>29</sup> This was partially the result of negative previous experiences with credit during the OFSP, HABP, or other programs (described above), which led households to become wary and lack confidence.<sup>30</sup> Thus, the growing realization within the GoE that credit is simply not an option for many of these poor households led to the decision to include a pre-credit option for the very poor in PSNP IV's design.

<sup>29</sup> Berhane, Guush et al 2013 (p.180)

<sup>30</sup> Ministry of Agriculture and Rural Development. 2009. *Food Security Programme 2010-2014* (p.17)

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## Results from the Tigray Pilot and Other Programs

The Government of Ethiopia carried out extensive due diligence on the Graduation Approach. Food security officials cited a formative trip they had taken to Bangladesh to see first hand the Targeting the Ultra-Poor (TUP) program run by BRAC, which had also served as the initial inspiration for the ten CGAP/Ford Foundation pilot projects.<sup>31,32,33</sup> Officials also paid close attention to the results from the Tigray pilot, especially in terms of its impact on speeding up PSNP exit. While the experiences abroad demonstrated the value of the Graduation Approach in general, the Tigray pilot proved that it could work locally, targeting the very same PSNP participants that the GoE wanted to target.

<sup>31</sup> BRAC. 2013. "An End in Sight for Ultra Poverty: Scaling Up BRAC's Graduation Model for the Poorest." Briefing Note #1. Dhaka: BRAC.

<sup>32</sup> Hashemi, Syed M. and Aude de Montesquiou. 2011. "Reaching the Poorest: Lessons from the Graduation Model." Focus Note 69. Washington, DC: CGAP.

<sup>33</sup> The TUP program, initiated in 2002 by the Bangladesh Rural Advancement Committee (BRAC), is aimed at meeting the needs of the ultra poor by implementing a sequence of tailored interventions, including a one-time asset transfer, weekly consumption support, savings participation, intensive training, health care, and social integration mechanisms. The program has enjoyed significant success, with a 2010 study demonstrating that 95 percent of participants no longer qualified as ultra-poor after twenty-four months, and had avoided falling back into that category four years later. CGAP and the Ford Foundation began testing the approach outside of Bangladesh in 2006, initiating ten pilot projects across eight countries.

## Government of Ethiopia's Commitment

As will be seen throughout this case study, a central theme throughout the process has been the Government of Ethiopia's genuine commitment to improve the plight of the nation's extreme poor, and willingness to implement new solutions. The Ethiopian government is diligently pursuing an end goal to reduce the need for the PSNP, especially because extreme poverty can often be a multi-generational challenge. As one development worker based in Addis Ababa and familiar with the PSNP IV design remarked, "The [government] is open for evidence-based arguments, and the lessons from the Tigray experience convinced them."



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# THE ONGOING ISSUE OF “DEPENDENCY”

As noted earlier, initial resistance on the part of the Ethiopian government lay in a fundamental disagreement over the role of grants versus loans. The acceptance of the asset transfer element of the Graduation Approach for the poorest PSNP IV participants reveals that dependency fears have largely been mitigated through a number of factors.

## Savings Culture

The innovative solution to the asset transfer issue in the Tigray pilot, in which households were required to save the equivalent value of the transfer, helped assuage anxiety about fostering dependency in that program since it instead fostered the development of a savings culture for poor households. The specifics of the savings mechanisms in PSNP IV have yet to be detailed, but they will be highly encouraged for all livelihood participants. While government officials involved in the PSNP program explained it will not be “forced” like the Tigray model, it will be compulsory for asset transfer participants and closely supervised, a key provision put in place to guard against a dependency culture.

## Strict Targeting

Government officials explained that there will also be strict controls with regards to targeting for PSNP IV and the asset transfer component. Restricting participation

to the extreme poor in each community, a process involving significant community involvement and awareness (see *Targeting* below), helps ensure that only the most needy receive the assistance package (as a grant), and that the community understands the rationale.

## One-time Intervention

The asset transfer is also explicitly explained as a one-time intervention, diminishing the possibility of dependency (since it is made clear that there is no possibility of additional future asset transfer). The asset transfer is presented as a starting point to help launch livelihoods for those for whom credit is not yet appropriate. Once their livelihoods are generating income, participants are expected to be able to access credit on their own if they so desire. This one-time intervention ultimately reduces overall costs, as the asset transfer should enable participants to meet PSNP exit criteria rather than continuing indefinitely as a safety net recipient.



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## Checklist

A comprehensive set of steps must take place before asset transfer. These steps include financial literacy training, business plan development, and technical skills training based on the relevant livelihood pathway. The steps emphasize the proper sequencing of events, a key component of the Graduation Approach, and one of the lessons learned from the earlier OFSP and HABP experiences. Participants will have to sign a document committing them to a savings schedule, and to putting the transfer received towards implementation of their business plan.<sup>34</sup> The checklist helps ensure that participants have received adequate training prior to receiving the asset transfer, and the signed commitments alleviate some concerns regarding misuse of funds.

<sup>34</sup> Ministry of Agriculture. 2015. *Livelihood Transfer Guidance Note* (unpublished draft). Addis Ababa: Government of Ethiopia (p. 8)

These factors have helped lessen the concern that the Graduation Approach, and specifically the asset transfer portion of the model, will create heightened dependency among participants. Regional and district officials emphasized that the dependency-fostering issue still remains a significant concern below the federal level. Large-scale abandonment of such convictions will likely only occur once positive nationwide results emerge, which may be many months, if not years, away. As one interviewee put it, “Dependency fears have not dissipated as many still think the free transfer of resources is not the best method. The reason the GoE changed its mind was the convincing evidence from the [Tigray] pilot that a one-time fixed grant for a carefully targeted beneficiary would make a difference.”

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The stated goal of PSNP IV is that “resilience to shocks and livelihoods [are] enhanced and food security and nutrition improved, for rural households vulnerable to food insecurity.”<sup>35</sup> The incorporation of livelihood components supports this overall objective, with additional assistance earmarked for those most in need. As noted elsewhere, the end goal is to lessen reliance on the PSNP itself, and the GoE believes that supporting livelihoods and training that helps move the rural poor into the credit system will spur asset accumulation, thereby speeding the timeline to program exit.

## Path to Program Exit



Many of the specifics regarding program implementation under PSNP IV had yet to be finalized at the time of writing, but its overall aim is to scale up to a total caseload of 10 million participants across eight of Ethiopia’s 11 regional states, until the current phase terminates in 2020.<sup>36</sup> All PSNP IV

<sup>35</sup> Ministry of Agriculture. 2014 *Productive Safety Net Program 4 Design Document* (p.4)

<sup>36</sup> The ten million caseload is the total number of clients expected for PSNP IV, which includes 8.3 million chronically food-insecure clients and 1.7 million transitory clients. The transitory clients are provided support on a limited basis, and the households included may shift during each round.

participants will be eligible to opt into the voluntary livelihoods component, which mirrors elements of the Graduation Approach. The asset transfer portion, however, will be reserved for the poorest 30 percent, or up to 675,000 total households. The remainder of livelihood participants will be referred to credit providers to obtain financing to pursue their livelihoods development path.

The livelihoods component is scheduled for roll out to all PSNP regions in Year 1.<sup>37</sup> If household participation in the livelihoods component exceeds local implementation capacity, priority will be determined by community task forces, primarily on the basis of readiness to engage in the activities. The specific asset transfer activity will be piloted in Year 1 in eight districts, two from each of the four main regions of the country. The districts and total number of participants targeted for Year 1 had not been determined as of late 2015, but the results of this pilot phase will influence future roll-out in Years 2-5, with significant monitoring required to ensure lessons learned are captured and implemented.

<sup>37</sup> PSNP IV officially began in July 2015, but implementation did not get underway until late 2015, in effect reducing the overall length of “Year 1.” Year 2 began in July 2016.

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## Targeting

Targeting is a crucial component to the Graduation Approach, to ensure that the most needy are in fact those who participate and benefit from the program, and to limit any potential allegations of favoritism or bias. Part of the success of the Approach lies in the determination and dissemination of clear-cut criteria that can easily be explained and understood by the entire community. Integrating the Graduation Approach into the PSNP was advantageous in many ways, but perhaps especially in the area of participant targeting—the PSNP is generally considered to have a good selection process in place, and communities possess significant experience in this regard.<sup>38</sup>

A key step in the process to determine the poorest members in each community, as outlined below, is a community wealth ranking focused on aspects such as land ownership, livestock holdings, and other means of generating income. The livelihoods component of PSNP IV also emphasizes the focus on individuals within households. This is due to past experiences under the HABP and OFSP, which often resulted in a concentration of services around the household head. By emphasizing individuals within households, the idea is to include more women in male-dominated households and more youth in all households (aged 15-

<sup>38</sup> Berhane, Guush et al 2013 (p.114)

29). The objective is not to bypass household heads but rather to ensure that all members receive support.<sup>39</sup> In line with this, there is an expectation that women will make up 50 percent of all asset transfer participants.

## Key Partners

PSNP IV brings together a number of donors, government ministries, NGOs, and microfinance institutions in support of the livelihoods component. Many, especially some government ministries, will play new roles, while others, such as regional MFIs and NGOs, will largely continue previous practices.

There are 11 total donors for PSNP IV (see list below).<sup>40</sup> The GoE will continue, through the PSNP IV, to serve as the provider of consumption support, asset transfers, technical skills training, and life coaching. NGOs will play a number of roles at local levels in support of these aspects, such as providing financial literacy training, or supporting savings through VSLAs. (The specifics about which NGOs will participate and in what capacity had not been decided at the time of writing.)

<sup>39</sup> “Ethiopia Definition of Youth”, Youth Policy, October 14, 2014 <http://www.youthpolicy.org/factsheets/country/ethiopia/>

<sup>40</sup> World Bank. 2014. *Project Appraisal Document*. (p.2)

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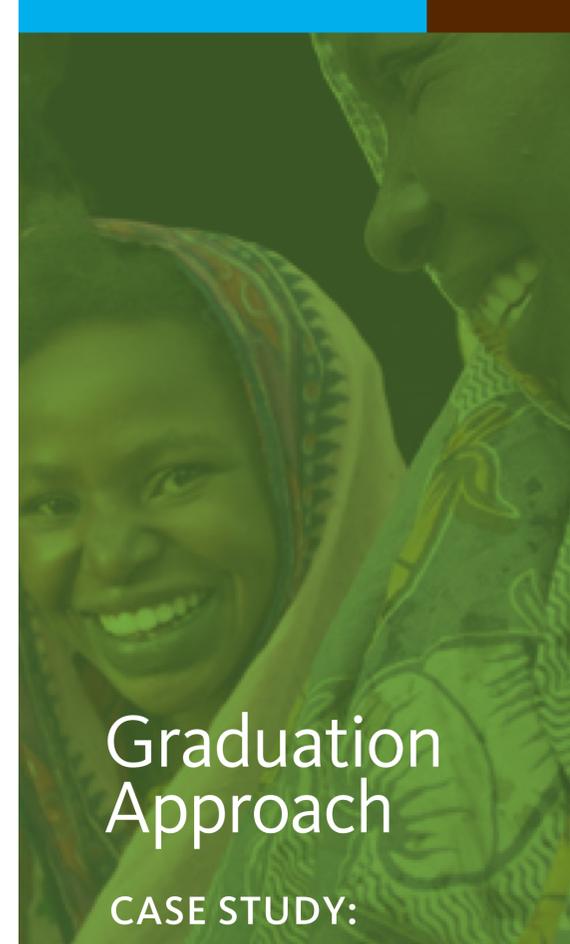
Key PSNP IV Partners
World Bank
USAID (United States Agency for International Development)
DANIDA (Danish International Development Agency)
DFID (UK Department for International Development)
DFATD-Canada (Department of Foreign Affairs, Trade and Development – Canada)
European Commission
Irish Aid
Royal Netherlands Embassy
SIDA (Swedish International Development Cooperation Agency)
UNICEF (United Nations Children’s Fund)
World Food Program (WFP)

Financial institutions are a key component of the asset transfer program, since savings programs will be established for participants. Options include MFIs or more community-level institutions, such as RUSACCOs or VSLAs. Under PSNP IV, government facilitation of MFI access to the rural poor, and the promotion of village and community savings associations, is a priority.<sup>41</sup>

A range of Ethiopian Government ministries will also be asked to take on expanded roles in PSNP IV, especially with regards to the livelihoods components (see below). Ministries such as Women, Youth, and Children Affairs, will be tasked with ensuring those constituencies’ needs are addressed throughout the program.

A large number of partners will be involved in the process, providing great opportunity for program participants to receive specialized support from the relevant institutions and ministries, but also raising significant coordination challenges amongst all the actors.

<sup>41</sup> Government of Ethiopia Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual*. Addis Ababa: Government of Ethiopia. (p.9)



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## Staffing

The coaching and mentoring aspect of the Graduation Approach is one of the key factors that sets it apart from other poverty interventions. Many participants in the Tigray pilot project singled out the coaching and mentoring as a decisive factor in their success. Be that as it may, given the ambitious plan to scale other key elements of the Graduation Approach in the new PSNP, the level of individualized attention compared to REST’s small pilot project will inevitably decline. The question becomes how to balance the need for cost-efficiency in the face of limited resources, but still achieve success by maintaining the level of personal attention required to build the confidence of the poorest households and to provide services tailored to their needs.

Typically, the Graduation Approach calls for field staff to travel from village to village in their role as community facilitators, providing mentoring and coaching. In the Ethiopian context, however, there already exists a network of Development Agents (DAs), who work at the ward level to help carry out the functions of the PSNP. Rather than hiring an entire new cadre of community facilitators, the GoE will rely on the current DAs to take on these additional tasks, with a set ratio of 50 households per DA. DAs will support all PSNP households that opt into the livelihoods component, but those receiving the asset transfer will in turn receive more intense coaching and mentoring. For example, asset transfer recipients will meet as a

group with their DA at least once every two weeks, with a follow-up individual visit to each household once a month.<sup>42</sup>

DAs, however, have a number of other responsibilities already, including designing and overseeing the public works component of the PSNP (as able-bodied participants are required to contribute labor to public works projects), providing technical assistance, and serving on the Community Food Security Task Forces (CFSTFs).<sup>43</sup> Concerns abound that the DAs will be overworked. To balance the need for personalized attention with the demands of a large program, certain guidelines have been put in place, such as the grouping of livelihoods participants into cohorts of approximately 20-30 members.<sup>44</sup> The focus on group learning helps mitigate the reality of lessened individual attention, though it is also understood that ‘fast climbers’ will generally receive less individualized attention in favor of those who may be struggling.

### LESSONS LEARNED/CHALLENGES AHEAD

- Staffing is one of the most important determinants of program success.
- Group learning in place of individualized attention, along with a focus on struggling households, may help mitigate excessive demands on personnel.
- While the Government of Ethiopia is able to rely on a network of development agents already in place, a major challenge ahead will be managing the increased workload, taking into consideration the agents’ other responsibilities.

<sup>42</sup> *Livelihood Transfer Guidance Note* (unpublished draft), 2015, p.3

<sup>43</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (pp.18-19)

<sup>44</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p.59)

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## Program Exit Criteria

The official criteria for exit from PSNP IV, for both livelihood transfer and other participants, is that “households achieve food self-sufficiency in the absence of external support,”<sup>45</sup> which a development worker familiar with PSNP IV design described as essentially being a level of assets sufficient to feed their families for 12 months per year. The vague wording recognizes that program exit requirements will be different across regions and livelihoods. Furthermore, PSNP IV will focus on evidence-based exit, relying on case-by-case assessments of a client’s assets and a Graduation Prediction System (GPS) that determines likely overall exit rates for each ward through the input of various data, such as crop production rates and public works project details. There is no specific timeline outlined, to prevent any premature exit by participants.

CFSTFs will develop their own specific indicators relevant to their localities, using information from the initial wealth-ranking exercise. Thus, program exit is explicitly tied to the considerations that led to program entry. Local officials stress that as there are no specific program-wide benchmarks for entry, the same will remain true for decisions regarding exit. This allows the CFSTFs a large degree of autonomy to evaluate each

<sup>45</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p 3.2)

client on a case-by-case basis within their communities, part of the added emphasis on evidence-based program exit. With PSNP IV just getting underway at the time of writing, it remains to be seen how this process will play out. Potential inconsistencies in program exit across the diverse country could become an issue.

In practice, the CFSTF will be tasked with determining the exit of local recipients on an annual basis, using the Graduation Prediction System rate. Again, following a community wealth-ranking exercise similar to the targeting process, the CFSTF will then select each PSNP client for program exit beginning with the wealthiest, and continue down the list in this manner until either the GPS rate is met or the committee determines that the next client on the list isn’t ready for exit based on the guiding principle of “food self-sufficiency in the absence of external support.”<sup>46</sup> In other words, rather than relying on a set formula, CFSTFs have an overall principle with which to consider exit, and the opportunity to evaluate each recipient’s status on an individual basis. It allows for the localized determination of exit, adding a level of flexibility into a national program.

<sup>46</sup> Ibid. (p 3.16)

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### Program Exit Steps

CFSTF determines which clients are eligible for exit on an annual basis

- GPS system outlines overall exit rate for each ward.
- Wealth ranking exercise ranks all PSNP clients in community.
- CFSTF evaluates each recipient for exit on case-by-case basis, either until GSP rate has been satisfied or clients are determined to be not ready for exit.

Appeals committee hears grievances

Selected clients are notified of impending program exit, but given a 12-month grace period in which they will still receive consumption support.

### LESSONS LEARNED/CHALLENGES AHEAD

- Local committees are tasked with determining program exit, relying on their knowledge of the community they serve.
- There is no specific timeline for exit from PSNP IV, to reduce any anxiety households might otherwise feel about a set deadline for exiting the program.
- The shift towards evidence-based exit allows households to be evaluated on a case-by-case basis, to further reduce the risk of premature program exit.

## Consumption Support

All PSNP participants, regardless of whether they choose to participate in the livelihoods component or not, receive consumption support. As noted earlier, each household receives the food or cash equivalent of 15kg of cereal and 4kg of legumes for six to 12 months of the year, depending on their classification level (permanent direct support participants [the elderly, disabled, or pregnant or nursing women] receive year-round transfers, while public works participants receive transfers for six months of the year).<sup>47</sup>

This support is predicated on the food-for-work model described above, meaning that able-bodied adult household members will have to provide five work days per month per PSNP household recipient. This model reflects the GoE’s emphasis on avoiding dependency, while the food-for-work projects are aimed at benefiting the community as a whole through the public works component.

### LESSONS LEARNED/CHALLENGES AHEAD

- Consumption support in return for participation in public works projects is an established facet of the PSNP, and helps reduce concerns regarding the potential cultivation of dependency.

<sup>47</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p 31).

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## Savings

All PSNP participants will be encouraged to save, and will be provided trainings in this regard. The PSNP itself does not provide credit, but will facilitate links for livelihood participants to VSLAs, RUSACCOs, and MFIs, many of which will require a level of savings prior to offering credit. The HABP under PSNP III created and strengthened thousands of RUSACCOs, and the PSNP IV implementation manual continues this emphasis on savings cooperatives.

As noted earlier, asset transfer recipients will be required to accumulate savings equal to the value of the asset, and they will have to sign a document indicating their responsibilities in this regard.<sup>48</sup> While likely to include a high degree of variation by region and household, as of late 2015 specifics regarding the savings mechanisms had yet to be announced. Nonetheless, participants will be encouraged to begin saving before receiving the asset transfer, whenever possible.<sup>49</sup> The savings schedule will be determined by the financial institution, and DAs will be responsible for checking up on this component.

In the Tigray pilot, the special relationship between REST and DECSI facilitated the enforcement of the savings schedule. Many recipients expressed support

for the model as it helped develop a culture of savings. This is an aspect that will be difficult to recreate on a national level, with many regions lacking the same level of coordination between implementing agencies and financial institutions. There appears to be an awareness that given this reality, the GoE can heavily encourage participants to save but ultimately not force them to, making the savings activity across the pilot districts a key factor to closely monitor.

### LESSONS LEARNED/CHALLENGES AHEAD

- Savings were ‘forced’ in the Tigray pilot, and many recipients ultimately expressed support for this mechanism.
- As with the Tigray pilot, the savings component in PSNP IV will be mandatory, but there is an awareness that this may be difficult to ensure. The relationship between the implementing agency and the financial institution during the pilot was one of a rare degree of cooperation and coordination which is unlikely to be replicable at national scale.
- The development of successful locally-specific mechanisms to ensure clients save an appropriate amount may prove a key factor in reducing concerns with regards to fostering dependency.

<sup>48</sup> *Livelihood Transfer Guidance Note* (unpublished draft), 2015, p.8

<sup>49</sup> *Ibid* (p. 7)

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## Market Analysis & Asset Transfer

The livelihoods component is open to all PSNP recipients, meaning that the technical assistance provided will be program-wide. Two members of the same household could participate in different livelihoods pathways. The USD 200 asset transfer activity (detailed below), however, is restricted to the poorest, and will be limited to no more than one person per qualifying household.

There are three main livelihoods pathways in PSNP IV: crop and livestock, off-farm, and employment. The specifics of each pathway will inevitably vary by region in a nation with such diverse environments (pastoral, agro-pastoral, riverine agriculture, and ex-pastoral). Analyses at the zonal level that include specific district information will be conducted to determine appropriate ventures, followed by the development of specific technical training. These analyses will include both market and value chain assessments, and will involve district officials, regional experts, DAs, and the community itself.<sup>50</sup> The goal of the interventions is to combine client interest and capacity, along with market demand and resource availability, to develop viable economic pathways.<sup>51</sup>

<sup>50</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p 5.2)

<sup>51</sup> Ibid. (p 6.8)

The choice of appropriate and market-driven livelihood pathways is an extremely important aspect of the model. In the Tigray pilot, an external consulting group was hired to conduct the market study, an option that exists within the PSNP IV<sup>52</sup> and an indication of the resources necessary to ensure the success of this effort.

Once the specific pathways have been selected, they will be explained to the communities, so livelihoods participants can make an informed decision after consulting with their DA. This approach is aimed at helping recipients choose a livelihood that will mesh well with their circumstances and capacity.<sup>53</sup>

For example in the Tigray pilot, respondents chose pathways based on their individual situations, such as beekeeping for those who were landless, or petty trade for a mother with a house on the main road and a child to look after.

<sup>52</sup> Ibid. (p.5.2)

<sup>53</sup> Gupta, A. 2012. (p.13)

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**Table of Livelihood Pathways in PSNP IV**

Pathway	Responsible Agency	Technical Training	Notes
Crop and Livestock	Extension Agency, via the Livelihoods Implementation Unit	10-20 hours, depending on livelihood; provided by DAs	DAs will provide technical assistance as well as training
Off-farm	Micro and Small Enterprise Agency (MSE); TVET (Technical Vocation Education and Training) provides training	Ranging from 7-12 days to up to 2-4 months depending on occupation	Following client consultations, DAs will submit list to MSE, which will decide number of trainees for each course
Employment	Bureau of Labor and Social Affairs (BOLSA); TVET provides training, WOLSA (Woreda Office for Labor and Social Affairs) covers costs	Ranging from 7-12 days to up to 2-4 months depending on occupation	No asset transfer associated with this pathway, nor is a business plan required

### Asset Transfers

The asset transfer for the poorest 30 percent of participants is set at the equivalent of USD 200, currently approximately ETB 4,100—significantly lower than the USD 350 set aside in 2010 in the Tigray pilot. Some pilot participants complained this would not be enough to make significant investments. For example USD 350 in 2010 may have bought two cows for fattening, while by the time of writing, that same amount would purchase just one. Tigray pilot implementers also thought that while the reduced

amount could still result in positive change, it may take longer than the GoE wants.

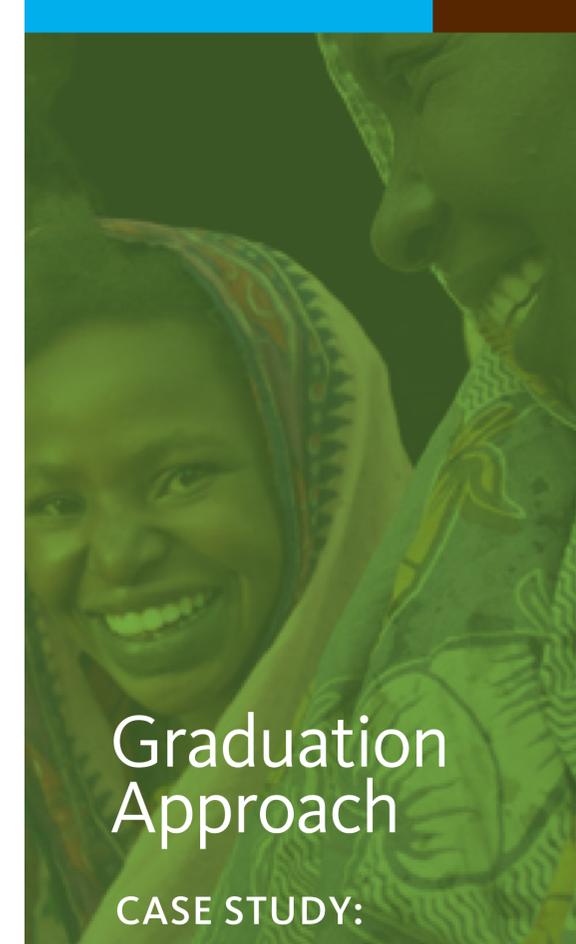
Officials in the Ethiopian Government counter that under the HABP, the lower end of credit options was set at USD 200, an appropriate amount for those with no prior experience. It will not be possible for recipients to immediately undertake a major project, but the entire process is designed to allow participants to get comfortable with investments, savings, and credit, as they incrementally move to larger projects. Nonetheless, the impact of the USD 200 amount will be another key aspect to monitor during the early years of PSNP IV.

### Employment Pathway Specifics

The employment pathway will be particularly important for landless youth and ex-pastoralists.<sup>54</sup> A large part of this pathway will involve seasonal migration, which will include some technical training, but also courses on topics such as money transfer and HIV/AIDS prevention. Initially, a labor market assessment will be conducted to identify employment opportunities for PSNP IV participants, which will include the list of opportunities, requirements for trainings, and commitments from employers.<sup>55</sup>

<sup>54</sup> Ibid. (pp 9.19-9.20)

<sup>55</sup> Ibid. (p 5.4)



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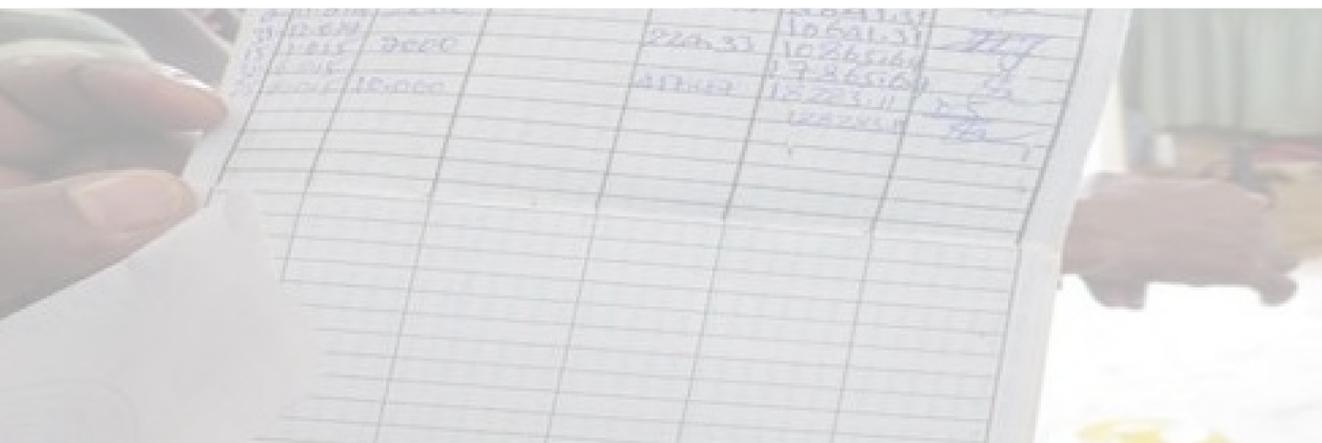
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Following this, DAs will create a list of participants who select this pathway and submit the list to the WOLSA (Woreda Office for Labor and Social Affairs) / one-stop service centers (see below). Based on market demand, the number of trainees for each course will be agreed upon by WOLSA & TVET (Technical Vocational Education and Training). At the end of training, TVET will create list of successful participants and submit them to interested employers. Ideally, trainings will also include a period of placement with the employers, for participants to gain relevant experience.

The Ministry of Labour and Social Affairs (MOLSA, or WOLSA at the district level), will ultimately be responsible for linking the supply of labor with demand for workers in the employment pathway. Potential employers include labor for large-scale government projects or private enterprises. The initial focus will be on finding opportunities for unskilled or semi-skilled labor, and local officials familiar with PSNP IV design expect that the employment pathway will continue to evolve as the program matures.



### LESSONS LEARNED/CHALLENGES AHEAD

- The selection of livelihoods pathways is more effective when combining demand-driven market analyses, community-specific options, and the element of personal aptitudes and choices by participants.
- Careful explanation of each pathway brings participants into the process, making them responsible for selecting a pathway appropriate for their circumstances and skills.
- The impact of the reduced amount of the asset transfer (compared to the Tigray pilot project) will be a key area to monitor, and may require adjustments further on.

## Technical Training

Technical training will of course depend on the pathway chosen. While the DAs will be the main intermediary between livelihoods participants and other program activities, other staff will be involved in service delivery; the DAs will not be responsible for all trainings. Responsibility for developing the relevant trainings falls under the agencies and organizations overseeing each pathway.

Livelihoods participants will undergo training in the cohorts they have formed, emphasizing group and peer-to-peer learning, which were both important aspects of the Tigray pilot. In addition, the expansion of one-

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stop service centers, which bring together the Regional Micro Credit and Small Enterprise Development Agency (REMSEDA), Technical Vocational Education and Training (TVET), and microfinance institutions, are a key component of the training process. Livelihoods participants engaging in the off-farm or employment pathways will be referred to these institutions to continue their training. As of late 2015, there were over 1,200 one-stop centers located in rural Ethiopian towns, with plans to add a few hundred during the next PSNP phase.<sup>56</sup>

### Checklist

Livelihoods participants will also have to complete a thorough checklist of prerequisite activities that includes financial literacy training, business plan development, and technical skills training, in order to ensure that participants are well prepared to begin the pathway. The proper sequencing of events through the completion of checklist activities is clearly emphasized in the PSNP IV implementation manual as a prerequisite to asset transfer, echoing a key component of the Graduation Approach.<sup>57</sup> This was also one of the

<sup>56</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p.57)

<sup>57</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p.9.3)

main lessons learned from the HABP and OFSP, where careful sequencing was not always followed.<sup>58</sup> The checklist can also serve as a monitoring tool to track that trainings are being offered and completed, and will help ensure that participants are ready to move to the next step.<sup>59</sup>

### LESSONS LEARNED/CHALLENGES AHEAD

- A range of technical experts can provide more specific advice to supplement community facilitators.
- In a large-scale implementation, group learning activities and peer-to-peer learning may be a necessary alternative to the more resource-intensive one-on-one focus.
- A checklist of required steps ensures that proper sequencing of events is followed, and that clients are adequately trained before receiving an asset transfer.
- The development of pathway-specific training involves a range of actors, and the effective coordination of all involved will be a key challenge.

<sup>58</sup> Household Asset Building Program (HABP) Mid Term Review (MTR), 2012, p.6

<sup>59</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p.9.3, 9.12)

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## Life Skills Coaching

Mentoring and coaching will fall upon the DAs, a new responsibility for them. Trainings and guidelines for the DAs are in development to help develop these new skills.<sup>60</sup>

The ratio of 50 livelihoods participant households per DA has been established as the norm, based on past experience (this includes asset transfer and non-asset transfer recipients). With an average of three DAs present per ward, the Ethiopian Government is confident that this ratio can be maintained, and still allow for high-quality support,<sup>61</sup> bearing in mind that participants receiving an asset transfer will receive priority attention from DAs compared to regular PSNP recipients.

In the Tigray pilot, the commitment of the community facilitators to help resolve participant problems was consistently cited as a key factor of success, predicated

<sup>60</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p.5.6); *Livelihood Transfer Guidance Note*, 2015, (p.9)

<sup>61</sup> Ministry of Agriculture. 2014. *Productive Safety Net Programme Phase IV Programme Implementation Manual* (p.9.8)

on the level of individualized attention. Weekly household visits were required in that program, a level of intensity that cannot be recreated in the national program. Nonetheless, the coaching role (which will be taken on by the DAs in PSNP IV) is a major component of the Graduation Approach, one that goes beyond providing purely technical support. The ability of DAs to transition to the coaching and mentoring role on top of their other responsibilities, using motivational techniques and group facilitation as in the Tigray pilot, will be an important facet of PSNP IV, as it extends elements of the Graduation Approach nationwide.

### LESSONS LEARNED/CHALLENGES AHEAD

- A ratio of 50 households per DA is viewed as ideal in terms of managing a large number of participants, while maintaining quality control.
- Ensuring the development of DA skills in terms of coaching and mentoring will be a major challenge given that it is a new role for them, and will be added to their other ongoing responsibilities.

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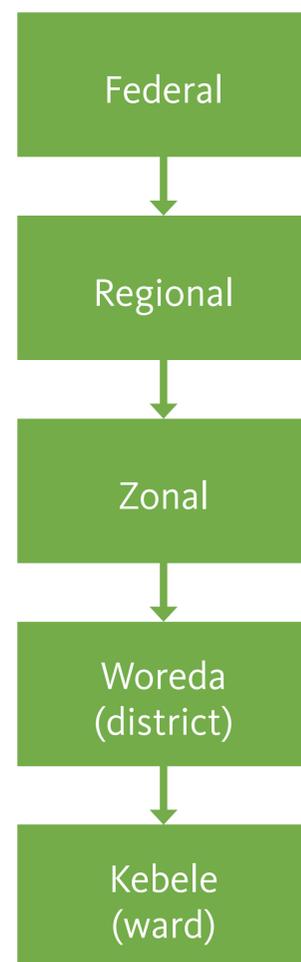


## Monitoring

Monitoring will be a vital component for PSNP IV, particularly with regards to the asset transfer in Year 1 for the eight selected districts. The results will inform how the GoE addresses scaling up in the remaining four years of PSNP IV. Regular reporting at all levels is part of the design process through pre-determined forms, complemented by a regular schedule of visits from officials at both the federal and regional level. In addition, DAs will also gather on a quarterly basis at the district level to share their experiences, along with larger workshops bringing together district-level implementers.

Program activities and participant data, disaggregated by gender, will be two of the key subject areas for monitoring.<sup>62</sup> Both participant surveys and DA reports will inform the monitoring process, and a variety of indicators will be tracked, including the number of participants receiving asset transfers (with the number of female-headed

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households broken out), percentage of participants reporting a monthly meeting with their DA, percentage of participants who complete the training package, and the number of households each DA is working with, in addition to qualitative responses from both participants and DAs on obstacles overcome.

The Government of Ethiopia will be responsible for this monitoring and evaluation in conjunction with development partners at the federal level, but no outside institutions have yet been invited to conduct randomized control trials or similar assessments. PSNP already has a high degree of regularized reporting built in at all levels. One high priority will be to verify the effectiveness of the participant targeting process to ensure that necessary first step is working as planned prior to the future scale up.

A Rapid Response Mechanism (RRM) is included in the current guidelines for PSNP IV, which would send teams out to address immediate and critical issues in implementation.<sup>63</sup> A joint review process with donors and the government at both the federal and regional levels is also planned that will review implementation, track progress, and identify solutions to issues that arise.<sup>64</sup> These mechanisms should allow for flexible changes as problems occur, avoiding lengthy delays in addressing them. A workshop specifically focused on

<sup>62</sup> Ibid. (p.17.4)

<sup>63</sup> Ibid. (p 17.12)

<sup>64</sup> Ibid. (p 17-13)

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the asset transfer is planned prior to Year 2 to discuss future rollout.<sup>65</sup>

The importance of good monitoring and the agility to make program adjustments promptly cannot be stressed enough in such a massive and complex program with a number of new components. A range of actors will be involved across a number of diverse environments in a highly decentralized structure—meaning that implementation is unlikely to be uniform across all sites even in the best case scenario, as evidence from previous programs like the HABP indicates.<sup>66</sup> The ability to capture lessons learned and apply them to make programmatic adjustments will likely be a critical factor in ensuring that the program achieves success by the end of PSNP IV in 2020.

<sup>65</sup> *Livelihood Transfer Guidance Note* (unpublished draft), 2015, p.11

<sup>66</sup> Berhane, Guush et al. 2013 (p.185)

## Program Costs

The Government of Ethiopia commits 1.1 percent of its GDP to the PSNP. The costs of PSNP I/II and PSNP III averaged USD 300 million per year and USD 525 million per year, respectively,<sup>67</sup> while PSNP IV is scheduled to increase to an average of USD 720 million per year (or approximately USD 3.6 billion over five years).<sup>68</sup> The GoE contribution comes to about USD 125 million per year,<sup>69</sup> while the remainder is financed through donor funding. The goal is for the proportion of GoE funding to increase over time (from USD 58 million in Year One to USD 185 million in Year Five), while donor funding decreases.<sup>70</sup> For comparison purposes, the Tigray project pilot ran an estimated annual cost of USD 442 per household,<sup>71</sup> while the annual costs for PSNP IV will be closer to USD 360/household.<sup>72</sup>

<sup>67</sup> Taffesse, Alamayehu Seyoum. 2014. *Resilience Policy – Some Lessons from Ethiopia’s PSNP*. Washington, DC: International Food Policy Research Institute

<sup>68</sup> World Bank. 2014. *Project Appraisal Document* (p.12)

<sup>69</sup> Ministry of Agriculture. 2014. *Productive Safety Net Program 4 Design Document* (p.9)

<sup>70</sup> World Bank. 2014. *Project Appraisal Document* (p.183)

<sup>71</sup> Graduating the Ultra Poor in Ethiopia, landing page on Innovations for Poverty Action, <http://www.poverty-action.org/study/graduating-ultra-poor-ethiopia>

<sup>72</sup> The figure for household costs in PSNP IV is not official but an approximation based on program data, and should not be utilized other than for purposes of comparison in this report. In addition, this figure covers all PSNP IV participants, rather than just asset transfer clients.

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## Key Lessons Learned

With this case completed shortly before implementation of Ethiopia's PSNP IV was to begin, it will be valuable to revisit many of the program's key components a year or two after they have been put into practice. The ways in which Ethiopia's program navigates the key challenges outlined below can help shed light how other government-implemented program can best grapple with similar challenges.

### LESSONS LEARNED/CHALLENGES AHEAD: STAFFING

- Appropriate staffing is one of the most important determinants of program success.
- Group learning in place of individualized attention, along with a focus on struggling households, may help mitigate excessive demands on personnel.
- While the Government of Ethiopia is able to rely on a network of development agents already in place, a major challenge ahead will be managing the increased workload, taking into consideration the agents' other responsibilities.

### LESSONS LEARNED/CHALLENGES AHEAD: PROGRAM EXIT CRITERIA

- Local committees are tasked with determining program exit, relying on their knowledge of the community they serve.
- There is no specific timeline for exit from PSNP IV, to reduce the pressure on households to exit before they are ready.
- The shift towards evidence-based exit allows households to be evaluated on a case-by-case basis, to further reduce the risk of premature program exit.

### LESSONS LEARNED/CHALLENGES AHEAD: CONSUMPTION SUPPORT

- Consumption support in return for participation in public works projects is an established facet of the PSNP, and helps reduce concerns regarding the potential cultivation of dependency.

### LESSONS LEARNED/CHALLENGES AHEAD: SAVINGS

- Savings were 'forced' in the Tigray pilot, and many recipients ultimately expressed support for this mechanism.
- The savings component in PSNP IV will be mandatory, but there is an awareness that this may be difficult to ensure, given the realities of expanding the program to scale across the nation.
- The development of successful locally-specific mechanisms to ensure clients save an appropriate amount may be a key factor in reducing concerns with regards to fostering dependency.

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### LESSONS LEARNED/CHALLENGES AHEAD: MARKET ANALYSIS & ASSET TRANSFER

- The selection of livelihoods pathways is more effective when combining demand-driven market analyses, community-specific options, and the element of choice by participants.
- Careful explanation of each pathway enables clients to participate in the process, and select a pathway that is appropriate for their circumstances and skills.
- The impact of the reduced amount of the asset transfer compared to the Tigray pilot project will be a key area to monitor, and may require adjustments further on.

### LESSONS LEARNED/CHALLENGES AHEAD: TECHNICAL TRAINING

- A range of technical experts can help provide more specific advice to supplement community facilitators.
- An emphasis on group and peer-to-peer learning may help lessen demands in a large-scale implementation.
- A checklist of required steps is needed to ensure that proper sequencing of events is followed, and that clients are adequately trained before receiving an asset transfer.
- The development of pathway-specific training involves a range of actors, and the effective coordination of all involved will be a key challenge.

### LESSONS LEARNED/CHALLENGES AHEAD: LIFE SKILLS COACHING

- A ratio of 50 households per Development Agent is viewed as ideal in terms of managing a large number of participants, while maintaining quality control.
- Ensuring the development of DA skills in terms of coaching and mentoring will be a major challenge given that it is a new role for them and will be added to their other ongoing responsibilities.

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## Adaptations and Challenges

The integration of the Graduation Approach into an already existing government program provides many natural advantages in Ethiopia. But a number of challenges remain as PSNP IV moves from the design to the implementation phase, some of which will require a flexible response. In addition, multiple adaptations have been made in order to fit the Approach to the Ethiopian context and for implementation at scale. These adaptations may or may not be suitable for future program design in other environments.

### Staffing

Staffing has proven to be one of the most important aspects of the Graduation Approach, a lesson echoed in the Tigray pilot and one that will be tested early on in PSNP IV. The Development Agents supporting the livelihoods component will be asked to take on new responsibilities in addition to their current tasks. They will be required to complete fresh trainings focused on new skills, such as coaching and monitoring, a hallmark of the Graduation Approach. The ability of the DAs to incorporate these trainings and adequately discharge their newfound responsibilities, while still undertaking their other ongoing tasks, will be a major challenge and ultimately a key determinant of success for PSNP IV.

To avoid overworking the DAs and balance the need for personalized attention against the realities of large-scale implementation, PSNP IV will group participants into cohorts for training sessions that also emphasize peer-to-peer learning, while employing a range of government ministries and other partner organizations to provide structured technical training as well. Other measures, such as a set ratio of 50 households per DA, group meetings every two weeks but household visits just once a month, and stressing the coaching and mentoring for struggling participants over those doing well, are also designed to mitigate demands on the DAs. Nonetheless, given the nationwide scale-up and the expansive nature of the new duties, it remains to be seen how much the DAs will ultimately be able to handle, and what, if any, adjustments to the design of the methodology may be needed.

### Community Knowledge and Participatory Processes

Another key success factor for PSNP IV will be its reliance on community knowledge. Local task forces are responsible for household targeting, which includes admission into PSNP IV, classifying the extent of consumption support, and determining the poorest to be eligible for asset transfers. These community-level institutions have significant experience in this regard

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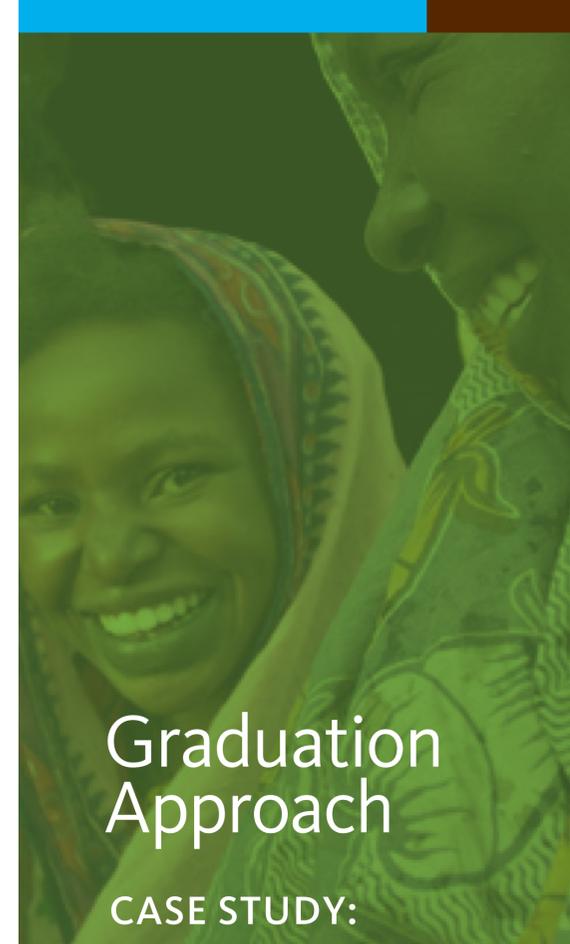
through past PSNP programs, while the dissemination of clear criteria ensures that the communities themselves view the process as both transparent and fair.

In addition, the community task forces are charged with determining which households are ready for program exit, based on evidence and a case-by-case evaluation system rather than standardized benchmarks. That process is also not linked to specific timelines, in order to protect against premature exit. While the GoE wants to ensure greater exit from the PSNP program, it is also undertaking a pragmatic approach and employing the knowledge of local-level officials to prevent having households backslide or stop receiving support before they are ready.

The livelihoods pathways will also be highly dependent on local input to identify viable opportunities for each region. The participants themselves will be thoroughly briefed to ensure they make an informed decision, rather than entering into potentially unsustainable livelihoods activities. The combination of local knowledge with participation at all levels is one of the key lessons influencing PSNP IV design, but also a challenge to replicate across all districts throughout the diverse nation.

### Guarding Against Dependency

As noted throughout this case study, the Ethiopian Government has worked strenuously to avoid fostering a culture of dependency in its social protection programming. Elements of this can be seen throughout PSNP IV design, from ensuring participants provide labor in exchange for consumption transfers, to providing a detailed and sequenced set of technical training ahead of embarking on livelihoods pathways, to instilling a strong sense of savings prior to credit financing or asset transfers. The success of the forced savings mechanism in the Tigray pilot has also led to the model of mandatory savings for asset transfer participants in PSNP IV, albeit with a recognition that this will be difficult to implement and savings mechanisms may vary locally. Regardless, these interventions are set up not only to lessen potential dependence on aid handouts, but also to ensure participants are primed for success in pursuit of their livelihoods. Such success may eventually qualify participants for exit from the PSNP, which for the GoE's purposes, would be the ultimate indicator as to the Graduation Approach's impact on lessening, rather than strengthening, dependence.



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## Large Scale Implementation

The expansion of the Graduation Approach from a small pilot project in one province, to inclusion in a nationwide social protection program that involves up to 10 million total participants (and as many as 675,000 asset transfer households), will bring significant challenges. For example, implementation at scale has led to the value of the asset transfer being reduced to USD 200, an amount many consider to be too low. The impact of this asset transfer amount on the GoE's ultimate goal, a higher PSNP exit rate especially among the poorest households, will be a key factor to watch.

In addition, PSNP IV brings together a wide range of Ethiopian Government ministries and other organizations on a much more extensive level than in the past, in an effort to provide specialized assistance. The sheer scale and number of actors involved inevitably will give rise to logistical and coordination issues. Some NGO staff in Addis Ababa speculated this would be one of the major challenges in implementation, with one noting that, “the institutional arrangement and vertical and horizontal relationships among the many ministries [in PSNP IV] will be a challenge—their readiness and willingness to fully discharge their responsibilities is yet to be seen.” Combined with a shortened timeline to scale up the project, coordination at all levels and regions will be another immense implementation challenge for the GoE.

## Lessons Learned

Despite the many challenges and considering the unenthusiastic initial reaction the Graduation Approach received in Ethiopia, the integration of the model into the country's hallmark national-level social protection and livelihoods development program is a remarkable achievement. A few key lessons underlie this success, and may provide insight to the expansion of the model in other contexts.

### Evidence

First of all, compelling evidence on program impact carries great weight. The success of the Tigray pilot, demonstrated by the data collected in both the randomized control trials run by IPA and the qualitative narratives of changes in participants' lives, proved instrumental in the approach's reception by the GoE. These rigorous and clearly documented success stories were compelling to the GOE, and helped convinced them of the value of the Approach. The execution of productive pilot projects, backed up by intensive data collection and rigorous evaluations, is the only true measure of success, and helped translate a model that looked good on paper into an on-the-ground reality.

### Positive Donor-Government Relations

Close relations between donors and the GoE allowed for continued coordination and dialogue regarding

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the Graduation Approach. Despite a lukewarm initial reception, key organizations maintained an open dialogue with the GoE, presenting encouraging results regarding the application of the Graduation Approach as they became available. While the GoE did their own investigation, the positive working relations and open dialogue ensured constructive thinking about the Approach and its applicability to the Ethiopian context. Linking the Approach to a potential increase in PSNP exit rates helped frame the Approach as a concrete response to a specific GoE priority. It may have been a long process, but the close donor-government working relations proved to be an important asset in expanding the Graduation Approach in Ethiopia.

### Integration into Existing Programming

The integration of the Graduation Approach into existing government programs may be the only realistic option for a nationwide scaling up. The PSNP provides many benefits and already included similar elements. With such a system in place, the implementation of the Graduation Approach requires adding new components to an already functioning process, rather than designing and implementing a program from scratch. Aspects such as site selection, participant targeting, monitoring, the development of local partnerships, defining exit criteria, and staff recruitment were already established, while consumption support was already in place on a

large scale as part of the PSNP. The ability to integrate with existing structures also reduces the time needed to move from design to implementation.

### Government of Ethiopia's Commitment

Ultimately, however, the key component in the narrative of the Graduation Approach in Ethiopia is the Ethiopian Government itself. The integration of the Graduation Approach into the fourth phase of the PSNP is a reflection of the government's commitment to improving the lives of its poorest citizens, and its determination to continue searching for innovative solutions and successful outcomes. The true results have yet to be demonstrated, as the program is just getting underway. Challenges abound and implementation will doubtless not be entirely smooth, but the GoE has shown the willingness and flexibility required to adjust the program as needed over the next five years. In the end, the Graduation Approach meshes with, and adds new promise to, the goals of the GoE's national food security and livelihoods development program.

The story is far from finished; rather it is just beginning. The launch of PSNP IV and the evolution of the program over the next five years will determine the success of the Graduation Approach in Ethiopia. Many will be closely watching as this story unfolds.

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## ABOUT THE AUTHOR

Omar S. Mahmood is a research consultant focused on development and security issues in sub-Saharan Africa. Previously, he served as a Peace Corps Volunteer in Burkina Faso, and obtained his Master's Degree at the Fletcher School at Tufts University.

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## ACKNOWLEDGMENTS

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The author and editor are also grateful to all those implementers and scholars whose published work has advanced the understanding and state of practice of the Graduation Approach. Where possible, we have provided URLs where interested readers can download the works cited in this report. Please note that URLs were valid at the time of writing. We regret that we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge.

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# APPENDIX A: SAMPLE LIVELIHOOD CHECKLIST SHEET AND LIVELIHOOD OPTIONS

**Livelihoods**

**Client Information**

Year \_\_\_\_\_

Client Name \_\_\_\_\_

Gender \_\_\_\_\_ Age \_\_\_\_\_

**Livelihood Pathway**

Crop and Livestock

Off-farm

Employment

Describe planned livelihood and investment in box below

Livelihoods Checklist		
Step 1: Financial literacy training	Completion date (whole course)	Name of training provider
Step 2: Savings participation	Savings institution <input type="checkbox"/> VSLA <input type="checkbox"/> RUSACCO <input type="checkbox"/> MFI <input type="checkbox"/> Other Name: _____	Monthly savings
Step 3: Technical training	Date	Name of training provider

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Livelihoods Checklist (continued)		
Step 3: Technical training	Date	Name of training provider
Step 4: Business/marketing skills training	Date	Name of training provider
Step 5: Checklist completion	Completion date	Signature of DA/MSE agent
Step 6: Business plan		

**Step 7: Source of finance:**

Credit (Source: \_\_\_\_\_ Date: \_\_\_\_\_)

Livelihoods Transfer

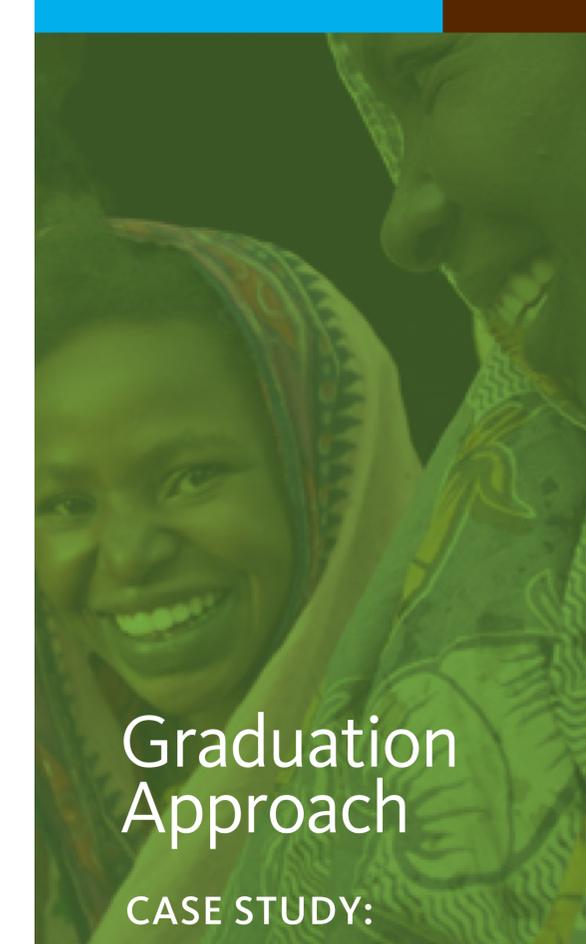
Other (Source: \_\_\_\_\_ Date: \_\_\_\_\_)

**If Eligible for Livelihoods Transfer:**

Date received \_\_\_\_\_ Client signature \_\_\_\_\_

Step 8: Follow-up technical support	Date	Name of DA/MSE Agent

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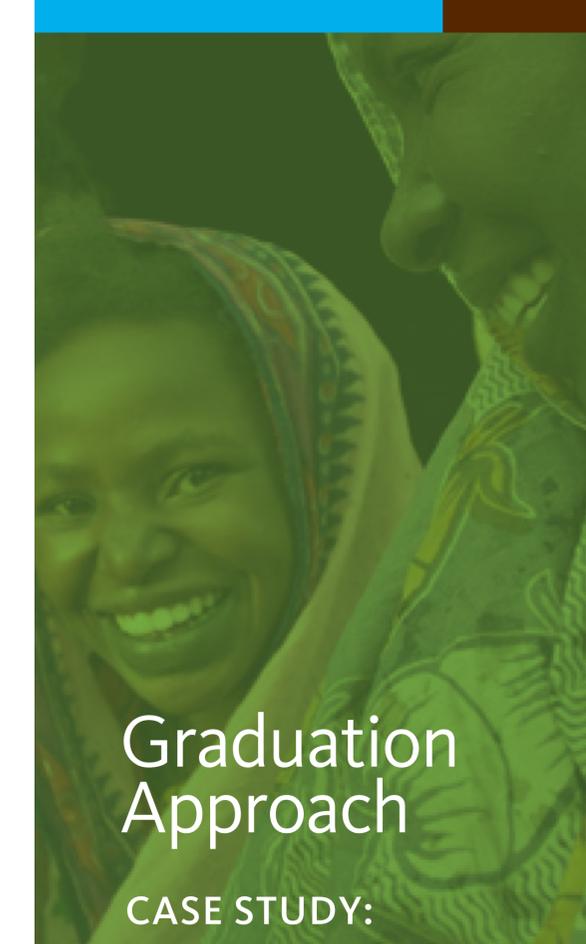
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## APPENDIX A (cont'd): Illustrative List of Livelihood Options

CROP AND LIVESTOCK	OFF-FARM	EMPLOYMENT
<ul style="list-style-type: none"> <li>• Ox fattening</li> <li>• Fruit seedling production</li> <li>• Sheep fattening</li> <li>• Poultry</li> <li>• Vegetable production</li> <li>• Beekeeping</li> </ul>	<ul style="list-style-type: none"> <li>• Petty trading</li> <li>• Sand collection</li> <li>• Tailoring</li> <li>• Donkey cart transport</li> <li>• Carpentry</li> <li>• Masonry</li> <li>• Milling</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> <li>• Textiles</li> <li>• Cobblestone</li> </ul>



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Preserving the Essence,  
Adapting for Reach:

# Early Lessons from Large-Scale Implementations of the Graduation Approach

INDIA Case Study  
by Anasuya Sengupta

Series Editor: Tony Sheldon



FORD  
FOUNDATION

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# GLOSSARY

- AC/ACI** – Area coordinator/Area coordinator in-charge  
**BPL** – Below the poverty line  
**CGAP** – Consultative Group to Assist the Poor  
**CO/ COI** – Community officer/ community officer in-charge  
**CSR** – Corporate social responsibility  
**DIV** – Development innovation venture  
**ED** – Enterprise development  
**GOI** – Government of India  
**IFMR** – Institute for Financial Management and Research  
**IPA** – Innovations for Poverty Action  
**J-PAL** – Jameel Latif Poverty Action Lab  
**MFI** – Microfinance institution  
**MGNREGA** – Mahatma Gandhi National Rural Employment Guarantee Act, 2005  
**NGO** – Non-governmental organization  
**NRLM** – National Rural Livelihoods Mission  
**NULM** – National Urban Livelihoods Mission  
**PRA** – Participatory rural appraisal  
**RCT** – Randomized control trial  
**SD** – Social development  
**SGSY** – Swarna Jayanti Swarozhgar Yojna (Self-employment scheme)  
**SHG** – Self-help group  
**THP** – Targeting the Hard-Core Poor  
**TUP** – Targeting the Ultra Poor  
**USAID** – United States Agency for International Development  
**VAC** – Village assistance committee

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## CASE CONTEXT

Despite being one of the world's fastest growing economies, India remains home to a large “below the poverty line” (BPL) population: over 233 million people. Poverty reduction is a national priority, but social welfare programs have had very limited outreach to BPL households. India's landmark model for social service delivery and financial inclusion is the self-help group (SHG) initiative, known as the *Swarna Jayanti Gram Swarozgar Yojna* (SGSY). The SGSY was launched in 1999 to address poverty through access to microcredit, and it gradually transformed the lives of rural poor women and the rural economy. However 10 years later, studies revealed that the SGSY movement was fraught with infrastructural and institutional challenges. The Government of India (GoI) eventually restructured the SGSY into the National Rural Livelihoods Mission (NRLM) and the National Urban Livelihoods Mission (NULM), while keeping the core SHG model intact.

## Overview of National Rural Livelihoods Mission

### Key features of NRLM that align with aspects of the Graduation Approach

- **Participatory Identification of the Poor (PIP):** A move away from targeting on the basis of census data collection, which was considered an ineffective targeting method. The PIP is a community-driven process where community based officers identify the poor in the village using participatory tools. The Graduation Approach also stresses using qualitative, participatory targeting methods (although in some instances [see for example Colombia] where government databases are highly reliable, they may be a more cost-effective targeting tool).
- **Inclusion of the poorest:** For the first time, “the poorest” have been recognised as a critical subset of the poor that requires attention. The insight that the extreme poor require a substantively different mode of engagement than the moderate poor is, of course, the cornerstone of the Graduation Approach.
- **Sustainable livelihoods:** This includes the means of self-employment and value chain linkages to agricultural-based industries. Sustainable livelihoods (the transfer of productive assets and the training in their use) is one of the critical features of the classic Graduation Approach.
- **Time-bound external support and an expressed need to develop an exit strategy:** Different implementations of the Graduation Approach devise different criteria for what constitutes “graduation” (see for example the case study on Ethiopia, in which managers exercise great latitude in determining exit readiness on a case-by-case basis).
- **Sensitive support structures to roll out and empower SHGs:** Requires sensitizing all relevant government staff on how to work efficiently and effectively for and with the poor. Across various countries and operating models, implementers of the Graduation Approach have also found that civil servants benefit greatly from upfront and ongoing training in how to work effectively with the extreme poor.
- **Public/private partnerships:** Between government, formal financial institutions, corporations and civil society (such as non-governmental organizations).

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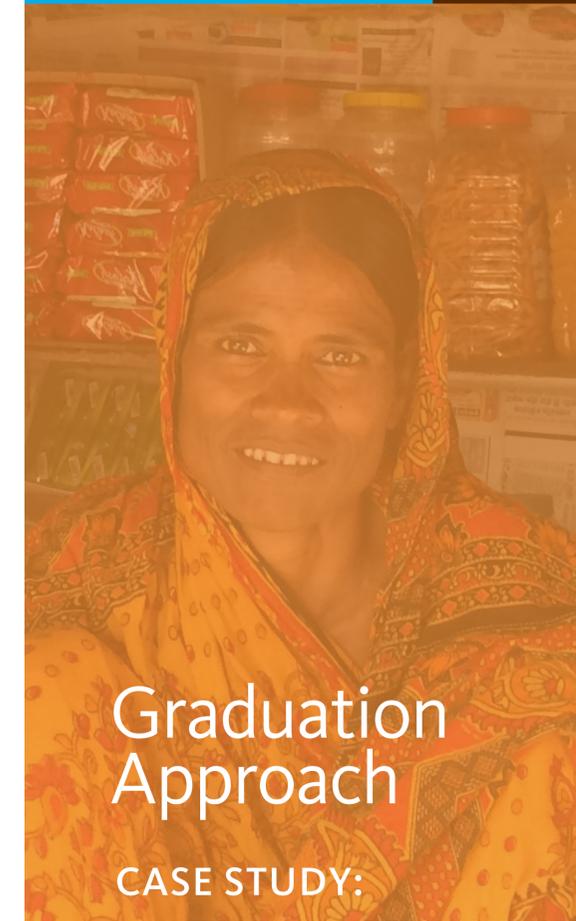
The NRLM/NULM reflects a changing mindset within the Indian government. Its mandate is not just to strengthen existing SGSYs but to deliberately target those who had previously been excluded: the extreme poor. As in many countries, the largest proportions of the poorest in India are religious and ethnic minorities. The nature of extreme poverty is even more pervasive due to the caste system, which ascribes a person's social status at the time of his or her birth, with life-long consequences for access to resources (economic, educational, and other) and for prospects for personal advancement. The poorest are typically landless, chronically food-insecure, and earn their income primarily from seasonal livelihoods or daily wage labor.

# THE GRADUATION PROJECT

## The Organization

Bandhan Konnagar is a non-governmental organization based in West Bengal, a state in eastern India. Bandhan Konnagar was founded in 2001 as an auxiliary of Bandhan Microfinance Institution (Bandhan MFI), and ventured into development programs in 2007. Between 2007-2009, it implemented the Targeting the Hard Core Poor (THP) pilot with 300 female participants for 24 months in Murshidabad, one of the poorest districts of West Bengal. The nature and prevalence of extreme poverty in West Bengal is similar to that of Bangladesh, as the two adjacent regions share a common history and social culture. Several of Bandhan's senior staff members had previously worked on the operational design of BRAC's Targeting the Ultra Poor (or TUP) program in Bangladesh, the program that was the precursor of the Graduation Approach. These staffers saw an opportunity to draw on the lessons they had learned first-hand, and pilot test one of BRAC's best known programs in India.

Since 2009, Bandhan Konnagar has expanded its portfolio of interventions to include education, health, youth skills development, ethical trade, and energy



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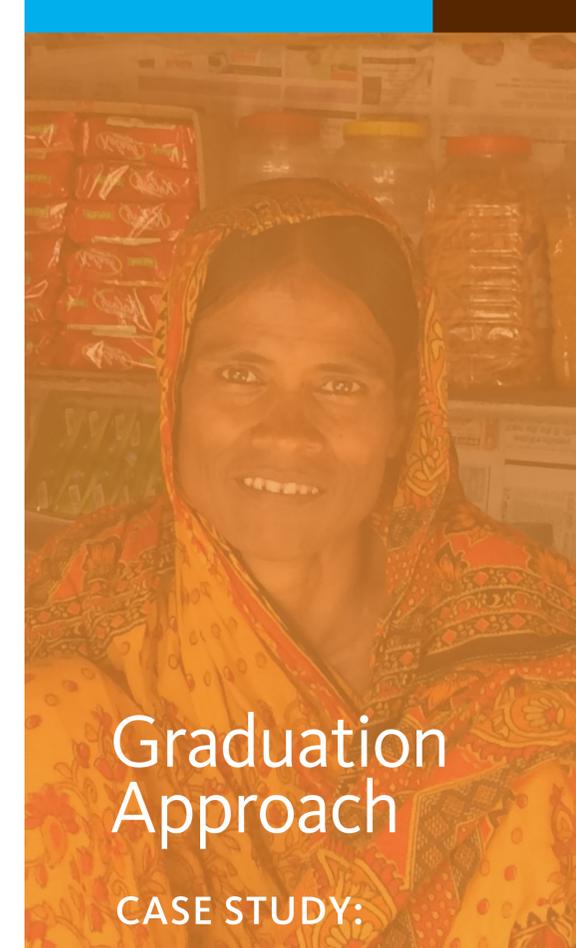
renewal, but its core focus remains the THP program. As of early 2016, this program was operational in seven states (as shown in figure below).



The THP program had reached 39,879 participants, among whom 22,309 had graduated (i.e., become financially independent and achieved a set of social and economic criteria, discussed below, that indicate holistic improvement in household well-being).

## Theory of Change and Program Objectives

Bandhan Konnagar is uniquely positioned among Indian NGOs due to its experience of livelihood security interventions for the poorest households. The key eliminators of extreme poverty are considered to be stability of income and creation of a solid, diversified asset base. As noted earlier, the self-help group model, a credit-based approach that relies on the self-selection of group members, has been the dominant livelihoods model since at least the 1990s. The THP program is a grant- rather than credit-based targeted approach that offers time-bound support to address multiple issues associated with severe income poverty. For the THP pilot, Bandhan Konnagar’s vision was to enable the poorest to “graduate” into financial services *after* their urgent consumption needs had been met and they had a sustainable livelihood, rather than leading with financial services as the self-help group model does.



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Three key lessons emerged from the THP pilot. First, households without able-bodied male members are the most vulnerable. Second, women who engage in petty trading generate income more quickly and consolidate their enterprises faster than do women whose primary economic activity is agricultural. Finally, success in the context of a THP household has a holistic and qualitative nature that a single graduation indicator, such as a household beginning to use financial services, cannot accurately capture. While the chief components of the THP program remain in place, Bandhan Konnagar has made some strategic and operational iterations based on learning from the field as the program expanded to other regions far from the headquarters in Kolkata, West Bengal.

A crucial component has been the weekly life skills coaching that the field staff (called community organizers, or COs) provide the participants. Bandhan Konnagar believes, and

## Overview of the THP program: Key elements of the pilot phase

**Targeting:** A triangulation process consisting of participatory rural appraisal (PRA), household survey, and final verification by senior staff.

**Enterprise selection and asset transfer:** Community Organizers (COs) conducted consultations with participant households to determine a suitable livelihood. Asset menu offered is mainly farm-based; cows, goats, cow + goats, sheep and pigs. A few women preferred petty trade such as rice/paddy vending, bamboo work. The budget per household was INR 5000 (approximately USD 121) for livestock and INR 3000 (approximately USD 73) for non-farm assets.

**Consumption stipend:** INR 91 (approximately USD 2.20 at the time) per week in cash; 30 weeks for farm livelihoods and 13 weeks for non-farm livelihoods.

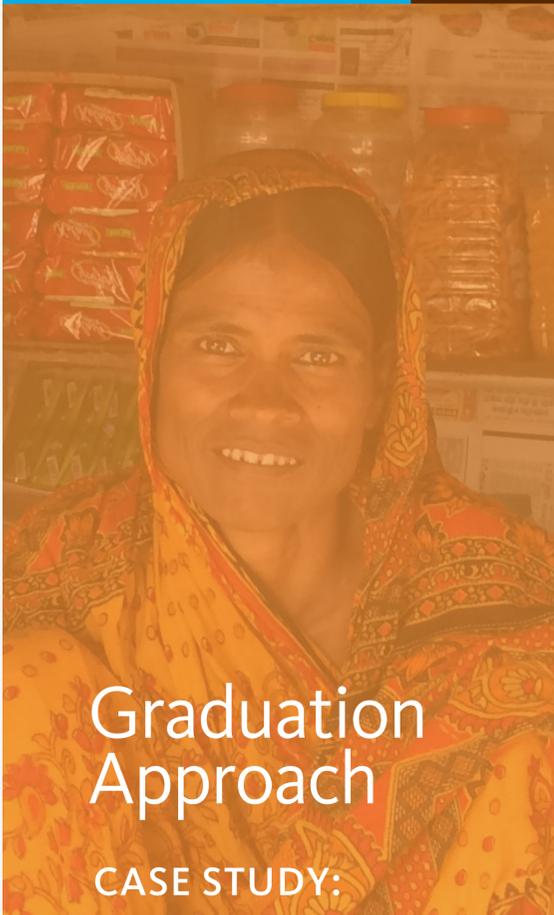
**Technical skills training:** 3-6 days of classroom based training in the initial months, followed by refresher training every 3 months for participants struggling to develop their livelihood.

**Life skills coaching:** Five COs were appointed for following up with 300 participant households. COs were responsible for conducting weekly group meetings in which they covered 10 relevant social, economic and hygiene topics, and conducting weekly individual household visits for observing asset management and development.

**Health support:** Two female health workers guided participants on where to access free government health care services, family planning methods and overall female health and well-being. As part of their health and hygiene initiative, Bandhan organized the construction of latrines for a portion of participant households.

**Village Assistance Committees (VACs):** A committee was formed consisting of village elders and literate male members who acted as a monitoring and emergency response system in the village. They were especially responsive to cases of emergency, such as livestock theft or death.

**Graduation pathway:** Entry into Bandhan MFI.



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pilot research<sup>1</sup> has shown, that the weekly visits make a critical difference in helping extremely poor participants make the transition (psychological no less than practical) to a new identity as an entrepreneur. These visits, consisting of group meetings and individual household visits for asset monitoring purposes, build participants’ self-confidence, reinforce the technical and business skills being taught, and minimize loss or destruction of assets through the timely and regular follow-up on any issues that arise. The frequent visits instill a sense of discipline in the participants, and motivate them to perform. Bandhan Konnagar has also found that establishing a close relationship with their COs is critical for enhancing participants’ self-esteem. THP participants are the most marginalized and socially isolated in their community<sup>2</sup> and the regular, frequent, respectful human interaction is itself powerful.

## LESSONS LEARNED: THEORY OF CHANGE AND PROGRAM OBJECTIVES

### Pilot lessons learned

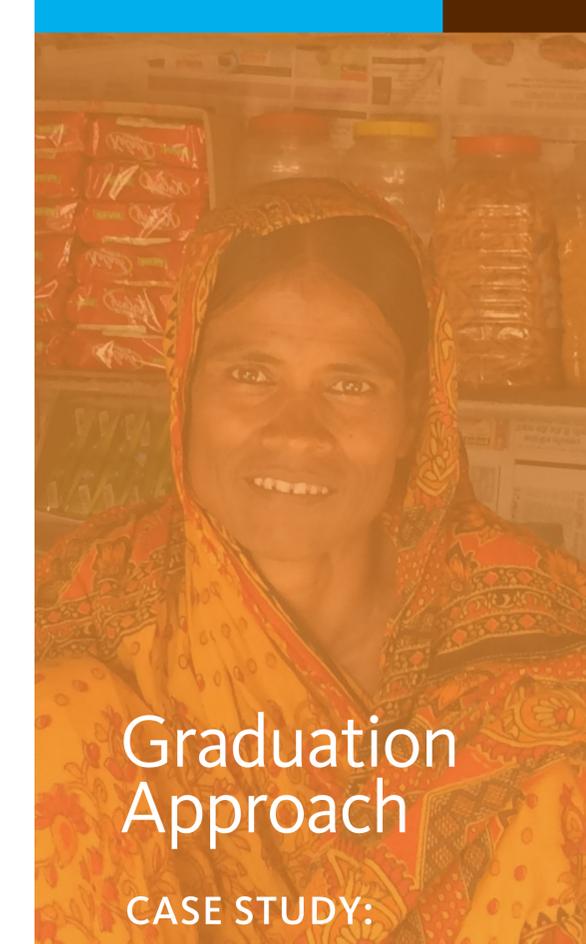
- Households without able-bodied male members are the most vulnerable.
- Women with petty trades generate income more quickly and consolidate their enterprises faster.
- Entry into financial services as a sole graduation criterion does not reflect the holistic achievements of an extreme poor household.

### Program design and objectives

- An extremely critical component is the weekly life skills coaching of participants.
- The key eliminator of extreme poverty is stability of income and creation of a solid, diversified asset base.

<sup>1</sup> Please see: Huda, Karishma, Sandeep Kaur, and Nicolina Lamhaug. 2012. *And Who Listens to the Poor? Shocks, Stresses and Safety Nets in India and Pakistan*. Centre for Development Policy and Research, SOAS, Discussion Paper 28/12. London: SOAS; Sengupta, Anasuya. 2013. *Pathways out of the Productive Safety Net Program: Lessons from Graduation Pilot in Ethiopia*. BRAC Development Institute (BDI) Research Report 2. Dhaka: BDI; Huda, Karishma and Anton Simanowitz 2010. *Chemin Levi Miyo – Final Evaluation (24 Months)*, BRAC Development Institute (BDI) Working Paper, Dhaka: BRAC University; Hashemi, Syed and Aude de Montesquiou March 2011. *Reaching the Poorest: Lessons from the Graduation Model*. Focus Note 69, Washington, DC: CGAP; Hashemi, Syed and Wamiq Umaira 2010. *New Pathways for the Poorest: The Graduation Model from BRAC*. Dhaka: BRAC Development Institute.

<sup>2</sup> The works cited in footnote 9 above contain extensive discussions of the personal and household characteristics of Graduation Approach participants.



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## Adaptations of the Graduation Approach

Bandhan Konnagar was, as noted, uniquely well positioned to implement the Graduation Approach in India. Some of its senior staff members had been involved in the original Targeting the Ultra-Poor program run by BRAC in Bangladesh (the precursor to the Graduation Approach), and Bandhan Konnagar learned valuable lessons from its own 2007-2009 THP pilot in Murshidabad. Before taking the THP program to scale post-pilot, Bandhan Konnagar revised several program elements based on the pilot's field-level challenges and organizational strategies.

## Planning

### Key partners

Bandhan Konnagar's sister company, Bandhan MFI, funded the pilot and still provides contingent grants when required. At the field level, the two divisions of Bandhan continue to coordinate closely and support one another in remote areas. (The branch manager of Bandhan MFI, for example, is a signatory of all THP branch expenses, including the transfer of assets to each participant to start his or her livelihood.) Since 2011, however, new corporate donors such as Axis Bank,

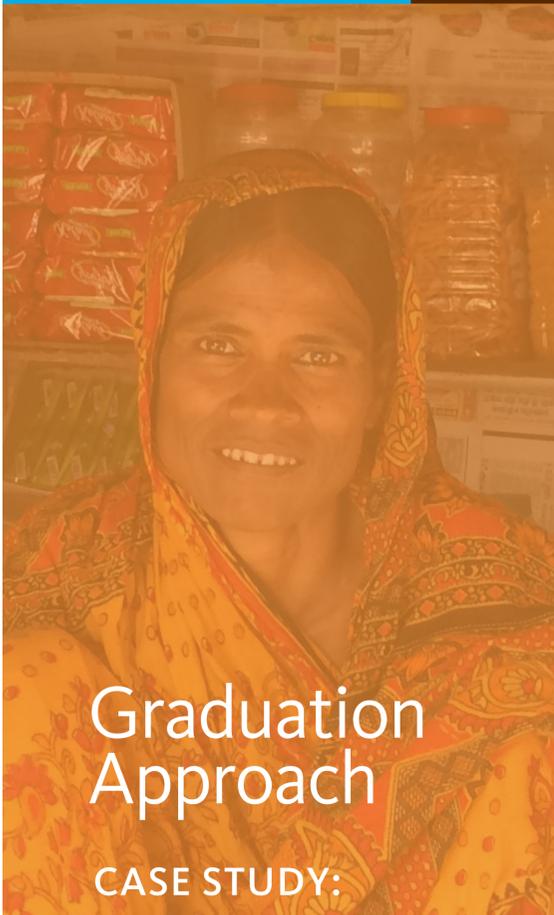
ITC<sup>3</sup> and Indigo Airlines have begun partnering with Bandhan Konnagar to implement the THP program in various Indian states. Corporate social responsibility (CSR) has opened up as a major channel for private companies to invest in development programs.<sup>4</sup> This has created a surge of corporate donors interested in partnering with NGOs to fund interventions in both rural and urban areas. However, for-profit companies often view such funding from a “data-driven” perspective, and tend to value quantitative key performance indicators such as increases in income more highly than qualitative indicators about holistic development.

More familiar names such as Dell Foundation, USAID, and World Vision have also been involved in scale-up plans of the THP program. In early 2015, the program was selected by USAID, one of the leading bilateral development donors to India, for USAID's Development Innovation Venture (DIV).<sup>5</sup> Bandhan Konnagar will act as a focal NGO, providing technical assistance for a number of other livelihoods-focused NGOs across India. For the first phase, the program aims to reach 23,050 participants in two states. World Vision, an international NGO, is providing Bandhan Konnagar with

<sup>3</sup> ITC was first established at The Imperial Tobacco Company in 1910. As it diversified its product base, it came to be known by its acronym. ITC is one of the largest domestic conglomerates in India.

<sup>4</sup> At present, it is mandatory for all registered for-profit companies to contribute a minimum of 2 percent of their average net profits over the past three years towards their social responsibility. (The Indian Companies Act, 2013)

<sup>5</sup> More information is available at [www.usaid.gov/div](http://www.usaid.gov/div)



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the majority of the funding for direct implementation of the TUP program in three additional states.

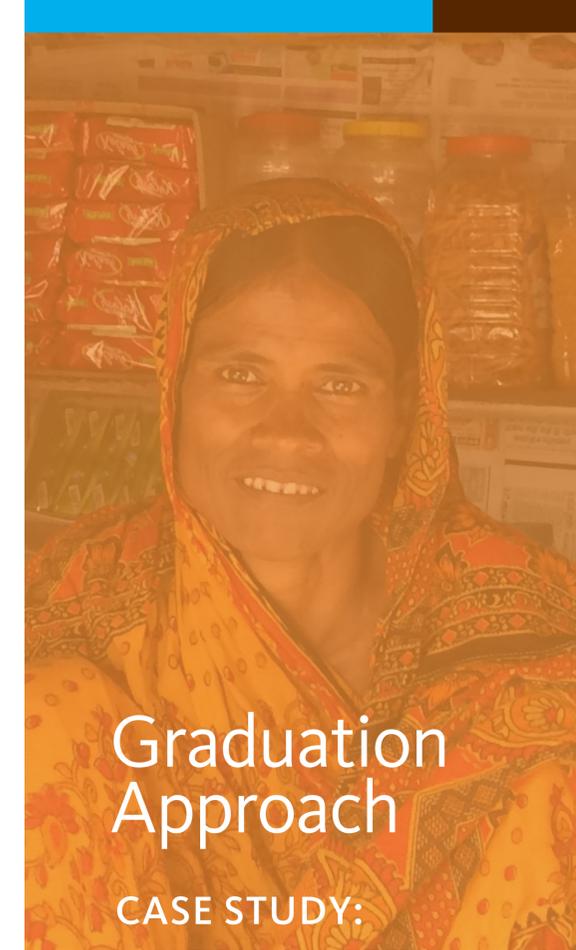
### Graduation Criteria

As noted earlier, the sole graduation criterion during the pilot phase was access to financial services, though Bandhan Konnagar had devised 12 progress indicators to monitor overall progress of the participant household. The major lesson learned was that successful “graduation” encompassed a range of economic and other achievements at the end of the program cycle. Subsequently, the number of progress indicators was increased and a new graduation criterion was devised; participants had to achieve 75 percent of all the indicators including five of the eight mandatory criteria.

As economic graduation criteria, participants have to achieve a minimum monthly income of USD 75, and develop working capital of at least USD 377. For the launch of new Graduation programs, Bandhan

### Graduation Progress Indicators

MANDATORY CRITERIA	OPTIONAL CRITERIA
<ul style="list-style-type: none"> <li>Income and working capital of family will be increased significantly (to USD 75 and 377, respectively).</li> <li>At least two sources of income in the family.</li> <li>Growing savings habits and deposits.</li> <li>Residential house of the family is safe.</li> <li>Beneficiaries can write their names and numbers (1-10) properly.</li> <li>All members of the family are getting at least two full meals every day.</li> <li>Family members are using safe and hygienic latrines.</li> <li>Beneficiary planted at least two fruit plants or cultivates two types of vegetables in their own garden.</li> </ul>	<ul style="list-style-type: none"> <li>Eligible couple in the family practicing family planning method.</li> <li>Households has access to basic medical services and facilities.</li> <li>Household has proper access to safe drinking water.</li> <li>All children below 5 years are immunized.</li> <li>All school-aged children are admitted and continuing in school.</li> <li>All members of the family wear clean clothes and keep their house clean.</li> <li>Beneficiary has a voter identity card.</li> <li>Beneficiary has a ration card.</li> </ul>



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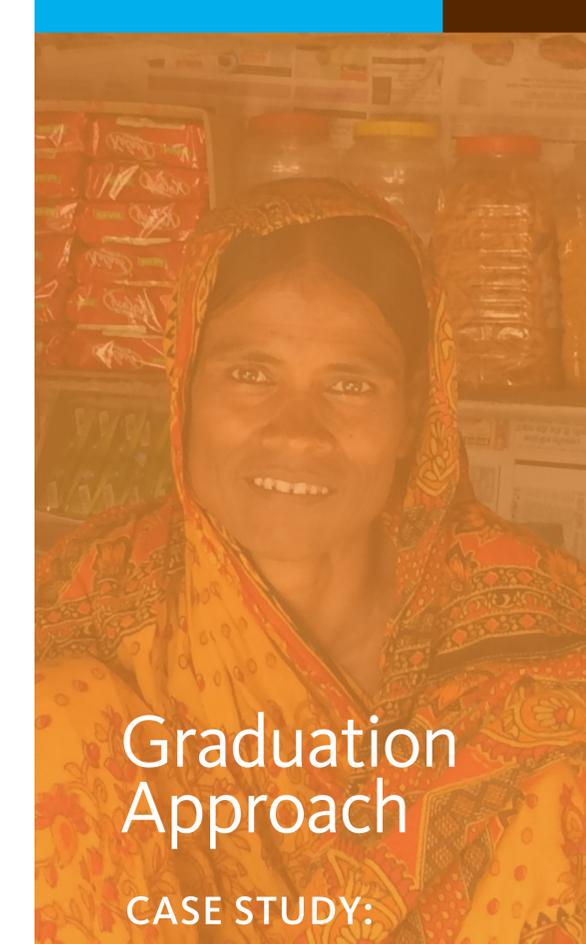
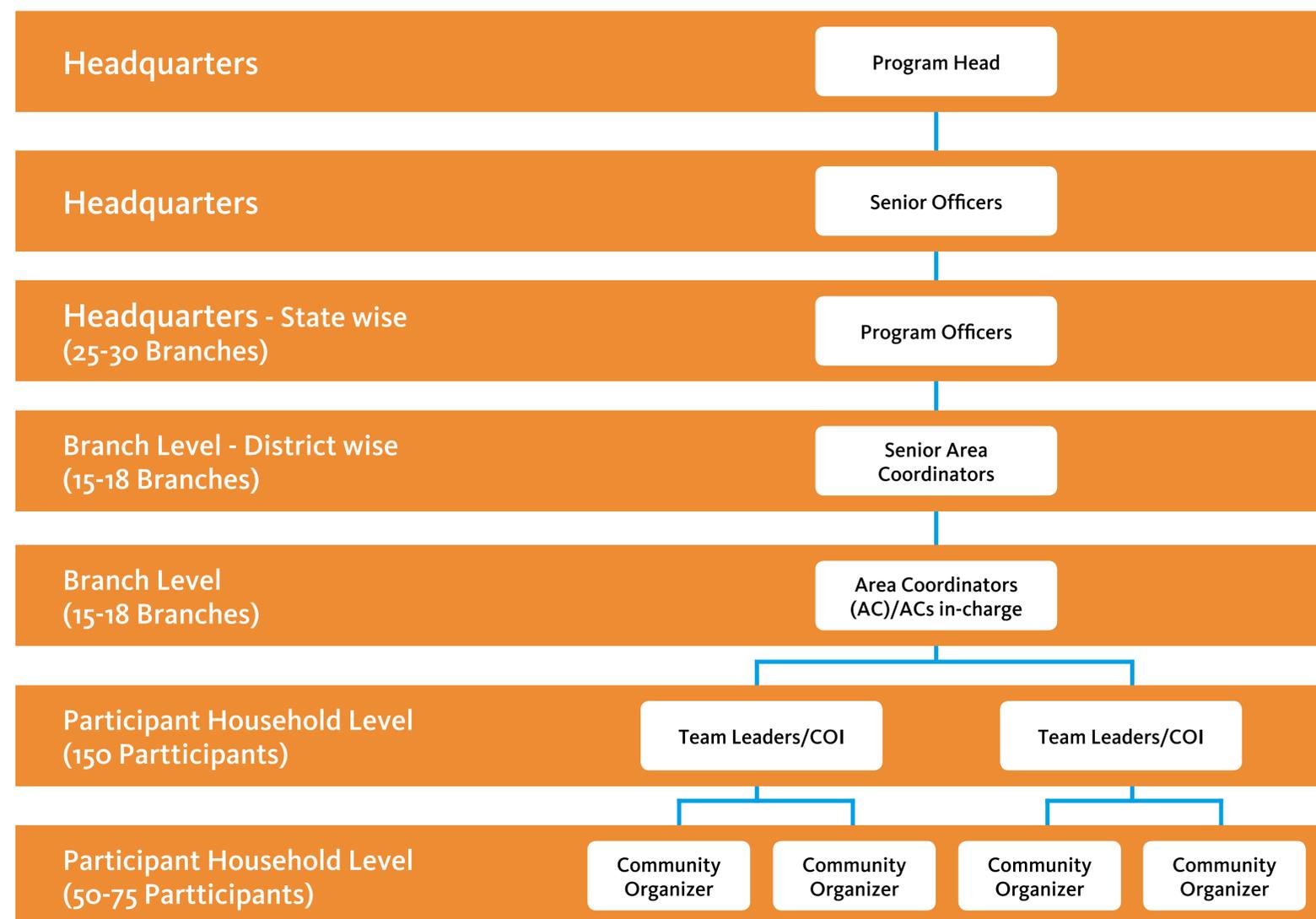
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Konnagar is considering whether the criterion of having a second enterprise should be kept mandatory if a participant is extremely successful in her primary enterprise (i.e., earning approximately USD 75 a month). Furthermore, senior staff are working to reduce the number of progress indicators so that they can be easily applied in diverse states. They are also deliberating on highly specific standard metrics for measuring outcomes on each progress indicator to ensure that all staff maintain comparability of outcomes across states.

### Organizational Structure

Bandhan Konnagar’s structure for the Graduation program is organized geographically, with the greatest concentration of staff resources at the field level and reporting lines that move progressively up to the district, state, and national levels. (See figure below.)



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But early on in the pilot, Bandhan Konnagar realized it was also essential to have buy-in from influential male members in the community; landowners and the better-off frequently object to interventions such as THP due to the potential loss of their own power and standing. The Village Assistance Committees, or VACs, are comprised of these community influencers. Bandhan Konnagar forms the VACs soon after the initial screening of potential participants gets underway, and the VACs are given great importance and visibility—thus transforming potential adversaries into important allies. The VAC meetings are open to all community members, providing a forum for discussion of issues that affect the entire community. The VACs have become a central player for implementing the program smoothly, and no step is taken by the COs without the knowledge and approval of the VAC. The VAC assists the verification process during participant selection and helps to prevent dropouts during the early stages of the program. During the asset transfer process, a VAC member must be present for the purchase and handover of assets. At the end of the program, field staff ceremoniously hand over responsibility to the VAC to continue their meetings.

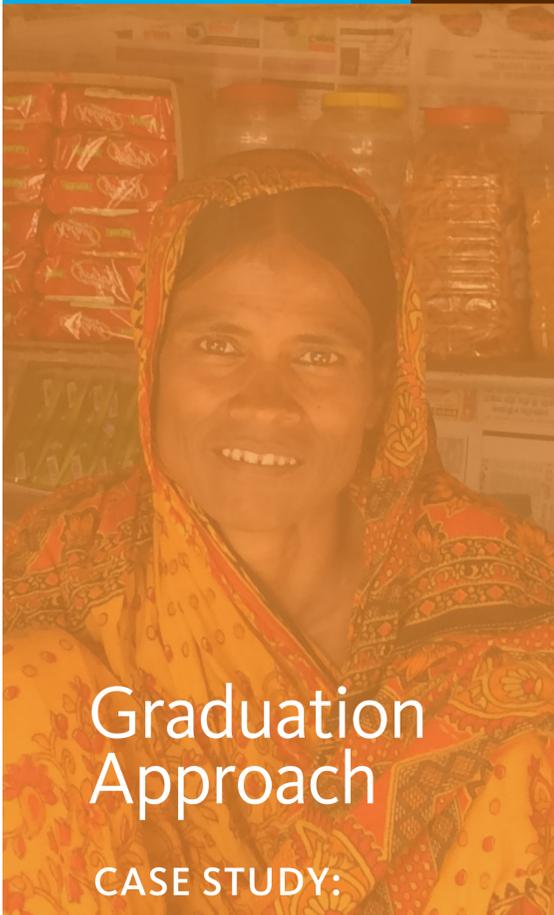
## LESSONS LEARNED: PLANNING

### Key donors

- Bandhan relied on personal and professional networks and on philanthropic funding to launch its Graduation program.
- More recently, non-traditional funders have emerged, such as CSR-motivated corporations interested in supporting micro-entrepreneurship and development of local markets.
- Corporate donors often prioritize quantitative metrics (such as increases in participants' monthly income) over holistic development for gauging success. Other conditions may be stipulated, such as program location.

### Graduation criteria

- Graduation criteria should encompass a range of context-relevant economic and other achievements, such as "earning a minimum monthly income of USD 75" and "use of clean latrines."
- Standard metrics must be established for each progress indicator to maintain comparability of outcomes across operational sites.



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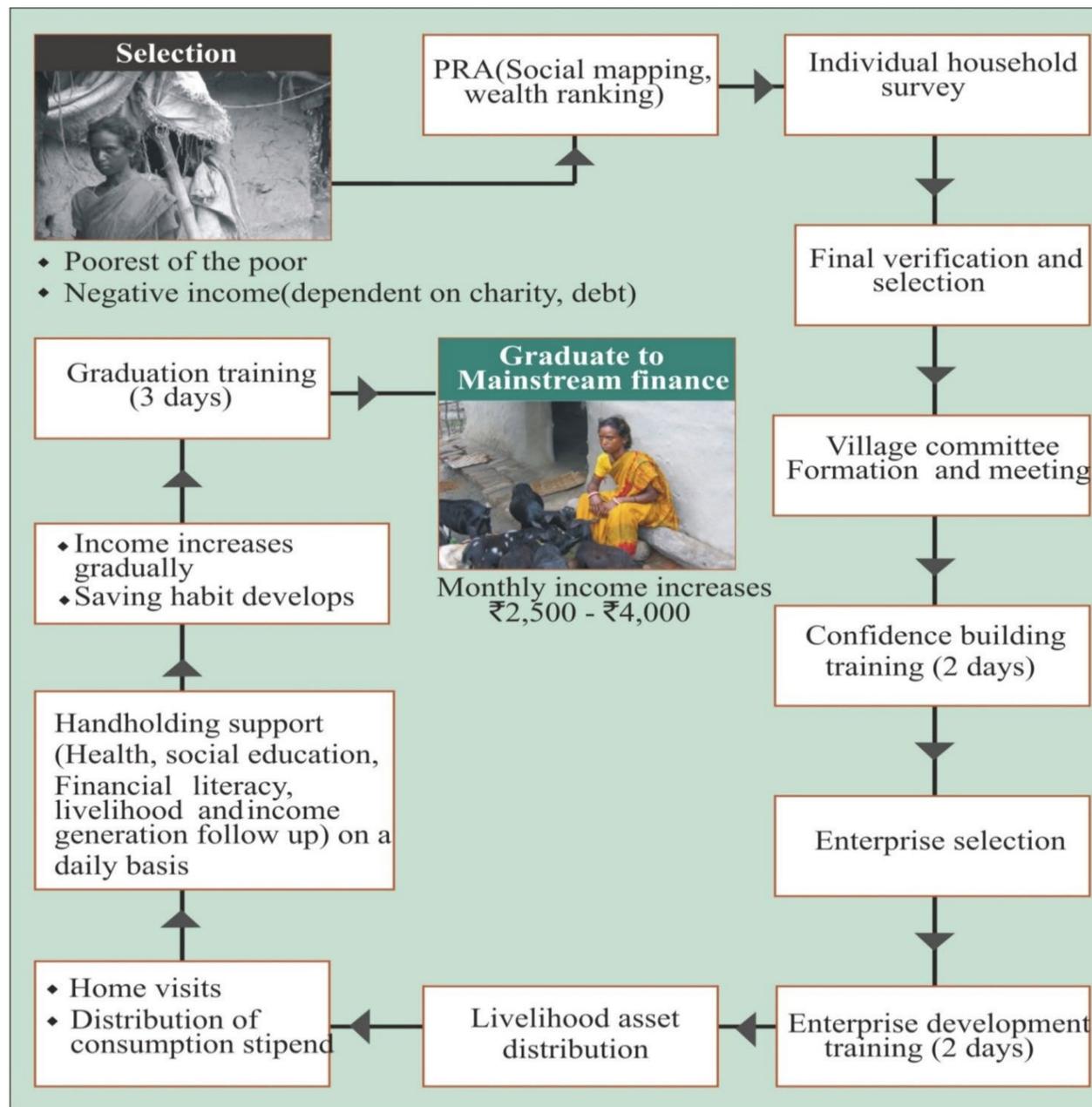
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## Implementation

### Program duration

The THP program cycle runs for 24 months. Recruitment for field-level staff often cuts into this operational timeline even though staff recruitment begins right after verbal commitment of donors. Participant selection, enterprise selection, and asset transfer are the most time-consuming stages and take up the first six to eight months, leaving just 16-18 months (out of 24) for livelihoods development and achieving graduation targets. Post pilot, Bandhan Konnagar realized that 24 months is not adequate for achieving graduation targets, and that 30 months should be the official implementation period. This will allow a full two years post asset transfer for monitoring and training, for participants to experience significant increases in income, and for adequate time for asset turnover and diversification in both farm and non-farm livelihoods. Bandhan Konnagar anticipates, however, that private donors will not be willing to underwrite the extension of the timeframe, and the consequent increase in funding, for an already costly program.



### LESSON LEARNED IMPLEMENTATION

#### Program duration

- 36 months is considered ideal for implementation period, allowing 24 months post asset transfer for livelihoods development – though Bandhan has found it difficult to secure funding for such an extended program period.



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## Staffing

During the pilot, THP program staff were recruited from Bandhan MFI. The pilot COs were gradually promoted through the ranks, and currently hold senior management positions in Bandhan Konnagar. Over the years, senior staff capacity has strengthened both due to accumulated experience and regular training, which has been key to Bandhan Konnagar's success in expanding operations. It has ensured, for example, that one experienced staff member is placed as a senior field manager in each state. As the program scales further, experienced staff are being over-stretched in terms of their responsibilities, while recruitment for new field level positions has been a fundamental challenge. Bandhan Konnagar has had to respond to recruitment challenges quickly by adapting to specific contexts. For example, the minimum qualifications were reduced to find suitable candidates in states with lower levels of literacy. Bandhan Konnagar is also hiring new local management teams where the language is a major communication barrier to establishing the program

## Overview of the Community Organizer

### Ideal profile of a CO

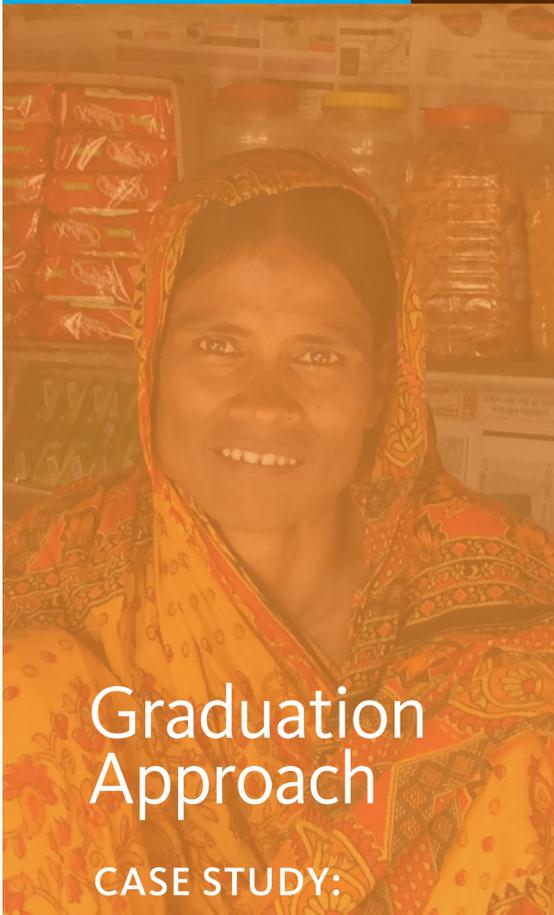
- Recent university graduate, energetic, adaptable and willing to learn the work.
- Sensitivity towards the extreme poor and empathic to their psychological make up.
- Interested in social work and development of poor communities.
- Willing to work long hours and in difficult conditions.

### Working conditions

- The field staff are residential staff based at the branch office.
- Staff usually housed in manufactured homes that are cheaper.
- Located in remote areas close to participant villages, where basic infrastructure such as health facilities, electricity and water supply are often extremely poor.

### Field Staff incentives

- Salary starts at approximately USD 113 per month with semi-annual increments in the first year, in line with the average starting salary in an NGO in India.
- Rapid promotions within the first 3-4 years.
- Standard staff benefits (although no medical or other insurance).



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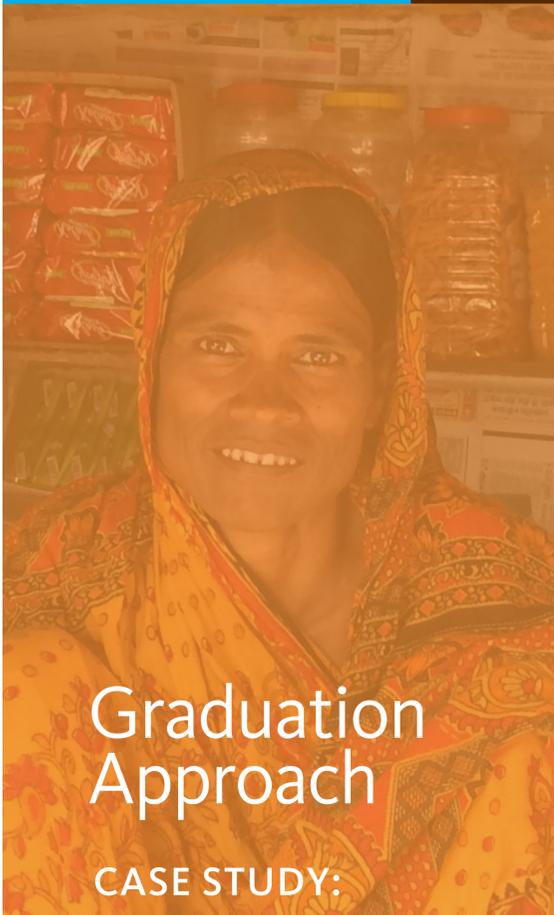


*Recruitment procedure.* After the pilot, external recruitment for COs was challenging due to its “high intensity, low salary” job profile. Bandhan Konnagar’s recruitment process has always been coordinated by sister company Bandhan MFI, and as the Graduation program expanded Bandhan Konnagar has had access to more applicants. There are two main criteria: being a university graduate and between ages 23 and 32. Prior to the interview stage, approximately 50 are selected from the pool of applicants at a particular branch, to attend an initial orientation on the THP program. At this stage, almost half of them drop out, as many arrive expecting a desk-based, comfortable job in the city. After recruitment, there is another round of dropouts in the first couple of months due to the physical and mental demands of the job. Retention also depends heavily on whether new staff have other viable employment options. Women are difficult to hire in the cultural context of rural India due to the long hours on the job, their inability to move far away from their home (making transfers and promotions impossible), and above all the lack of separate housing arrangements.

*Promotions and transfers.* Senior staff realize the importance of giving field officers a vision for a long-term career trajectory. Bandhan Konnagar has its own motivation for ensuring staff mobility, too. To keep up with the demands for efficient field-level managers in new implementation sites, COs are rapidly trained for management positions through on-the-job and

classroom-based training, as well as promotion exams. Bandhan Konnagar minimizes any negative implications of frequent staff transfers by building rapport with the communities so that they accept newcomers, by thorough monitoring of new field staff, and by providing refresher training for those struggling with their duties.

*Staff training.* Classroom-based training is spread over a period of 7-8 months after recruitment. There are three types of training: Participatory rural appraisal (the screening methodology to determine participant eligibility); Social Development (SD) prior to weekly group meetings, and Enterprise Development (ED) prior to enterprise selection. (Refresher training takes place on an as-needed basis as determined by the head CO’s assessment of staff performance.) Towards the end of the program, staff are trained to execute the Graduation process: 1) transition of participants into life post-program, 2) continuity of VAC meetings, 3) confidence boosters for participants, and 4) linkages to financial services. Beyond the classroom, the experiential learning in the field is the most valuable for cultivating staff compassion and sensitivity towards the participants, and learning to deal with unanticipated issues. The psychological well-being of staff is also crucial for staff retention and the ultimate success of the program. Daily branch staff meetings address issues of direct concern to staff, apart from field-level challenges.



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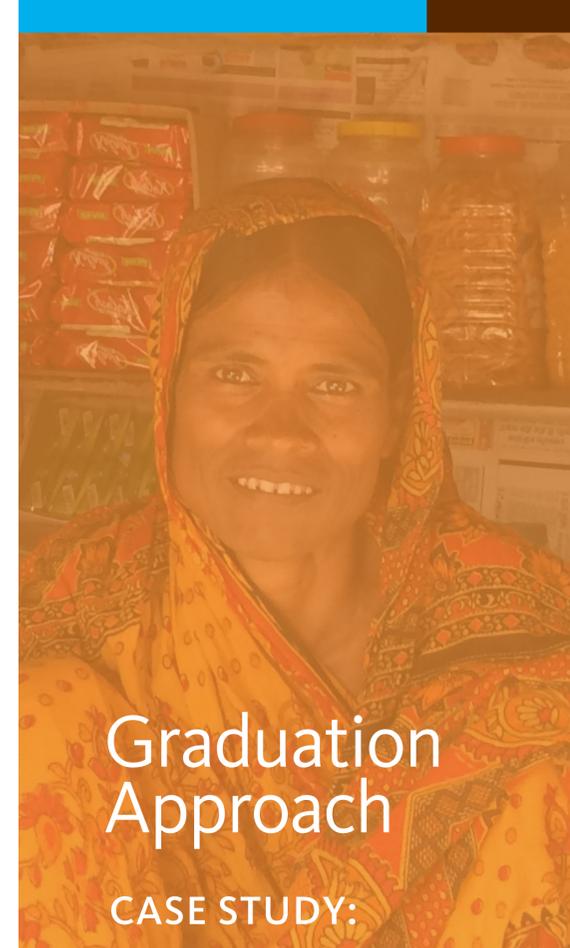
## LESSONS LEARNED: IMPLEMENTATION

### Staffing

- **Recruitment:** Field staff turnover is high in the initial months of a new program cycle, due to the physical and emotional demands of the job, coupled with difficult living conditions.
- Recruitment criteria needs to be flexible to quick changes so that they can be tailored to context.
- Women are difficult to hire due to the long work hours, their frequent inability to relocate, and a lack of appropriate housing facilities.
- **Staff training:** Classroom training spread over a period of 7 – 8 months after recruitment, and refreshers are conducted on an ‘as needed’ basis. Daily branch meetings and experiential learning are critical aspects of staff training.
- **Retention:** Field officers need to be incentivized with a vision for a long-term career trajectory through promotions.
- The psychological well-being of staff is also crucial for staff retention

### Participant Targeting

*Area selection.* The process begins with identifying extreme-poor areas within a state on the basis of official census information and sending out a survey team. A needs assessment survey is conducted in all the village administrative councils falling in the identified areas. Bandhan Konnagar’s staff meets with the elected heads of these councils to identify the 10 least economically and socially developed villages in their jurisdictions. Relevant information is collected on the number of below-the-poverty line cardholders, female-headed households, and disadvantaged castes. After this initial screening, the next important consideration is the feasibility of establishing a branch office for implementing the THP program in a particular area. A single branch oversees 150 participants spread across approximately 15-20 villages. The branch selection criteria involve the proximity of a THP branch office to a market, to a bank, and to a branch of Bandhan MFI (the last criterion being moot in states where Bandhan MFI does not operate). Once branch locations are finalized through deliberations at the management level, senior field staff members are internally recruited to set up the branch office. The cultural context and possible ramifications on implementing such an intensive program have to be carefully considered as well. In India for example, it is extremely challenging to implement the program in staunchly patriarchal areas where women’s physical mobility without a male member is culturally prohibited.



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*Participant selection.* This is a crucial step to successfully implementing the THP program. A participatory rural appraisal (PRA)<sup>6</sup> is first conducted in the villages identified by the elected heads, and subsequently in all the villages under a particular council. At this stage, Bandhan Konnagar keeps its plans and objectives strictly confidential. For selecting participants in each village, the same procedure has been followed since the pilot:

- PRA with the support of village heads
- Household survey by CO
- Verification by Community Organizer in-charge (COI)
- Final verification and selection by Area Coordinator (AC)

Bandhan Konnagar has found strong correlation between extreme rural poverty and the absence of a responsible and proactive male household member. In West Bengal and Assam<sup>7</sup> for example, there is a high incidence of abandonment by male partner due to reasons such as polygamy or urban migration. Abandoned women subsequently become vulnerable to homelessness and hunger, and resort to daily wage labor opportunities. Post pilot, Bandhan Konnagar has included only female-headed households (that is, with no male member or with one who is chronically

<sup>6</sup> Further details available at <http://www.participatorymethods.org/>

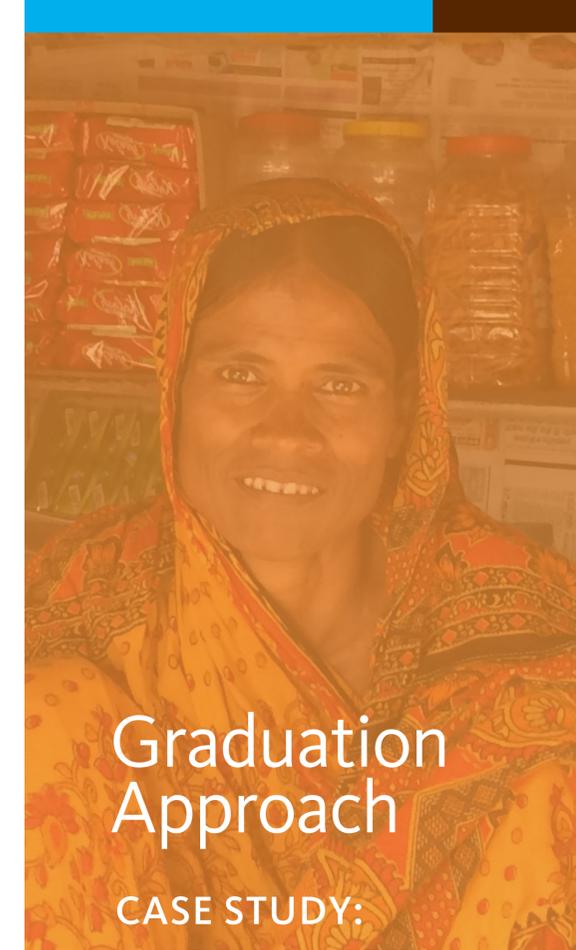
<sup>7</sup> Information based on field visits to Bandhan's program sites in West Bengal and Assam, including interviews with Bandhan THP participants and field staff

ill or disabled). An age-based eligibility criterion has also been established in line with the entry criteria for Bandhan MFI: participants must be between 18-59 years. The detailed selection criteria are as follows:

Inclusion Criteria	Exclusion criteria
Able bodied adult female (18-59 years old)	Presence of able-bodied male above the age of 14 years
Informal labor as main source of income; < USD 231 per month	Active loan from a microfinance institution in the past five years
Less than 0.2 acres of land	Sufficient support from state safety nets
No livestock or productive assets	60 years and above

All USD amounts rounded up to the nearest decimal. INR to USD conversions per [www.oanda.com](http://www.oanda.com)

The mandatory criteria for inclusion are: a) able-bodied female; b) no able-bodied male above the age of 14 in the household; and c) no active loan from an MFI in the last five years. Given the complex nature of poverty, contextual factors also have to be considered. In West Bengal, which has a high population density, housing is considered an important indicator of extreme poverty, and the most vulnerable women are found



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to be living in cramped and unhygienic conditions. In Assam, however, housing conditions were a less meaningful indicator, as population density is far lower and traditional homes consist of spacious mud houses with large courtyards that are very well-maintained. Such contextual differences are only uncovered through experience, and senior field staff are expected to be alert to these nuances and exercise discretion during the selection process.

Softer indicators have become increasingly important due to issues of false reporting that occur in areas where the program is already well known. Prior to selection, field staff rely on informal conversations to derive more accurate information on a person's income status, household expenses and support networks.

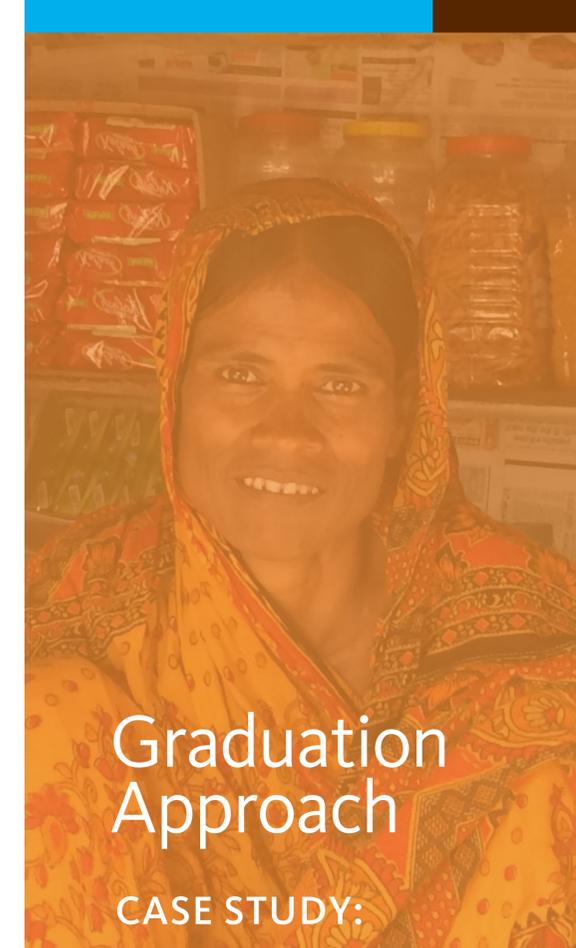
- Household size: Income ratio (for example, USD 23 is considered sufficient for a household of two persons)
- Liquidity: Whether she has remittances or other sources of economic support (a bank account, whether she is supported by older children, etc.)
- Productive assets: Whether her land is cultivable; whether she houses other people's livestock in exchange for commission in cash or in-kind

The main points of debate have been the two selection criteria: *no able-bodied male above the age of 14* and *no active loan from an MFI in the past five years* that

immediately exclude a number of vulnerable families based on what might be considered technicalities. In the case of one THP program area known for its tea, women are seasonally employed in tea gardens for over half the year, while men either have ad hoc jobs such as house repairs or clearing forests for tea-garden owners. For this site, World Vision, an international NGO and a funding partner for Bandhan Konnagar, insisted on making an exception to include households with able-bodied male members if they had extremely irregular sources of income. In other THP program areas, there were cases of poor women defaulting on such loans and becoming financially worse off. Although anecdotal, such reports raised concern about whether the act of taking a loan in the past five years was an appropriate basis for excluding vulnerable women from the program.

Further refinements to the selection criteria were recently considered in light of new revelations emerging from the field. For all future programs, the following terms for exclusion have been honed to better reflect on-the-ground realities:

- Presence of able-bodied male member above 14 years **and earning an income** (i.e., not going to school or unemployed)
- Existing debts with an MFI **in the past 1 year** (as opposed to past 5 years)



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With experience, THP field staff perceive the most vulnerable to be young (between 18 and 30), asset poor, single women with many young children, who rely on daily wages or seasonal employment, and are very willing to work hard if given the opportunity and appropriate guidance. As such, they often emerge as the most successful and innovative program participants and “graduates.” Such perceptions of younger participants being strong performers were also reflected in qualitative research findings on the graduation pilots. It was found that participants under 30 experience extreme poverty due to a lack of assets and opportunities. Yet, they normally possess positive qualities, such as physical agility, basic literacy and numeracy skills, and intangible skills such as an inherent entrepreneurial spirit or risk-taking nature. Once they are provided a mix of productive assets and intensive “hand-holding,” they are poised to succeed in an entrepreneurial endeavor. On the other hand, many older participants were found to be reluctant to engage in unfamiliar livelihoods such as petty trade, and preferred to keep livestock as assets (a common traditional coping strategy across cultures) rather than developing a microenterprise—a core objective of Bandhan Konnagar’s THP program.

## Does a credit-based approach work for the poorest?

**Soft loan pilot program:** Soon after the pilot phase, Bandhan experimented with a soft loan pilot, similar to BRAC’s Other Targeting the Ultra Poor (OTUP), with 300 households in West Bengal that belonged to the tier just above the poorest according to wealth ranking exercises. In essence, they are only marginally better off than the poorest, and require support. The soft loan program was similar to the THP but primary asset/working capital was provided in the form of an interest-free credit package. There were no repayment requirements for the 24 months of operation. The program was discontinued as senior staff discovered that collection of loan repayments after the OTUP program wound down and the branch office closed was a logistical challenge, and any attempt to collect earlier led to asset loss. Bandhan Konnagar strongly felt that, considering the profile of a THP participant, a credit program would only detract from the organization’s objectives. A strategic decision was thus made to focus on the grant-based approach.

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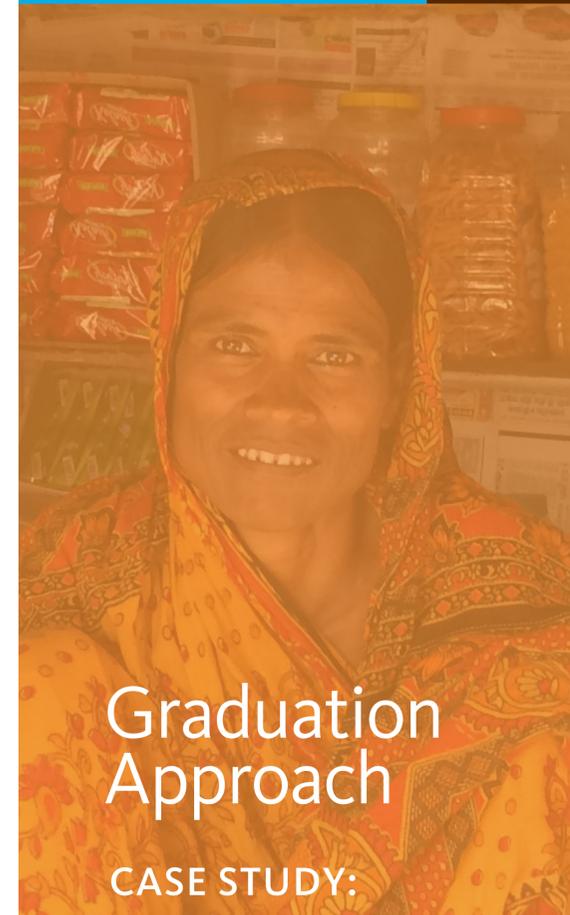
**Targeting**

- The feasibility of establishing a branch office is an important pre-determinant for implementing the THP program in a particular area.
- The possible ramifications of the cultural context on such an intensive program have to be carefully considered; implementing in extremely conservative areas resistant to change may prove ineffective.
- Village Assistance Committees: The VACs can play a crucial role in developing and maintaining a relationship of transparency and trust within the community.
- Contextual differences are only uncovered through experience, and staff must be alert to these nuances and exercise discretion during the selection process.
- Care should be taken so as to not exclude a large number of vulnerable households on the basis of factors such as ‘presence of able-bodied male’ or ‘no active loans in the past 5 years’. Appropriate weight must be given to other contextual factors to gauge extent and nature of household poverty.

**Consumption Support**

During the pilot phase, a cash stipend of approximately USD 1 per week was given for 30 weeks for farm livelihoods, and 13 weeks for non-farm livelihoods. Staff observed that cash consumption stipends were not always used for the purpose intended (household consumption). Participants preferred to invest in asset-related costs, as this was the first time they had had funds to funnel toward productive investment. To encourage participants to use the consumption support for their own food needs, the amount was increased from USD 1 to approximately USD 2.50, so that some could still be set aside while the majority used for consumption purposes. The time period was also reduced, to 14 weeks for farm livelihoods and 6 weeks for non-farm livelihoods, so that households would know that the asset transfers for their livelihoods would be available sooner than in the original design.

As Bandhan Konnagar’s strategy shifted to promote non-farm livelihoods, they found that the cash stipends were less critical, as petty trade participants earned daily income from the first day of asset transfer. Consumption support was deemed essential for farm livelihoods as asset turnover is considerably slower. This learning has thereafter become an integral part of Bandhan Konnagar THP model.



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In 2007, the consumption stipend was calculated on the basis of minimum cash required per day for staple foods like rice and lentils, although the household size was not considered. Since an initial revision after the pilot, the stipend has not been annually adjusted with inflation rates, as any increases in costs per head acts as a disincentive for donors. More recently in partnership with World Vision, Bandhan Konnagar has tested the efficacy of in-kind consumption stipends, but with an interesting twist. As World Vision does not allow any cash disbursements in their programs, the two organizations came to an agreement of establishing a few participants as suppliers of animal feed and household consumables (grocery stores). Bandhan Konnagar now pays the weekly stipend to the participant who runs the retail operation on behalf of other participants in nearby areas who can collect their stock from that store. This innovation has been highly successful in these sites, and Bandhan Konnagar is considering piloting this approach in other areas.

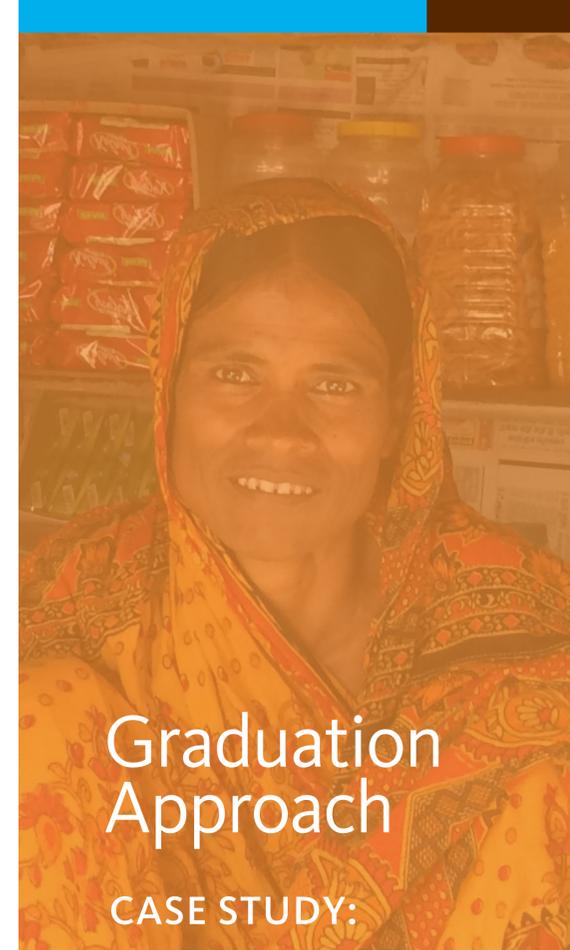
## LESSONS LEARNED: IMPLEMENTATION

### Consumption support

- Cash stipends are found to be rarely used for household consumption as participants prefer to invest in asset-related costs.
- Cash stipends are essential for farm livelihoods as households incur a high initial asset-related expenditure but with very slow turnover. Such support is not as essential for petty traders as they have an income from the first day of asset transfer.
- A new successful in-kind consumption support model is to establish petty trade participants as suppliers of animal feed and household consumables for other participants.

### Market Analysis and Enterprise Selection

Bandhan Konnagar does not consider an extended market or value chain analysis relevant for the THP program, as participants operate at a commercially insignificant scale. Instead, Bandhan Konnagar conducts an analysis of the local market during the enterprise selection phase via discussions with community members. Enterprise selection, the phase of the Graduation Approach during which each participant decides which livelihood he or she will pursue, is one of



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the most critical and challenging parts of the program. An ill-designed or poorly implemented livelihoods component can make or break an entire project. Initially, Bandhan Konnagar followed BRAC's example and offered participants a menu of farm livelihoods. But the THP field staff quickly learned during the pilot phase that small-scale farm livelihoods offered little growth opportunity for THP households in 18 months, and posed a higher risk of complete asset loss. Now a fixed "menu" of enterprise options is no longer offered although certain livelihoods may be discouraged (e.g., cow rearing which is both cost-intensive and has very slow turnover). Staff generally emphasize non-farm livelihoods unless participants insist on purchasing livestock, in which case mixed livelihoods are encouraged (livestock + petty trade). Various contextual factors are considered before advocating for non-farm livelihoods, including:

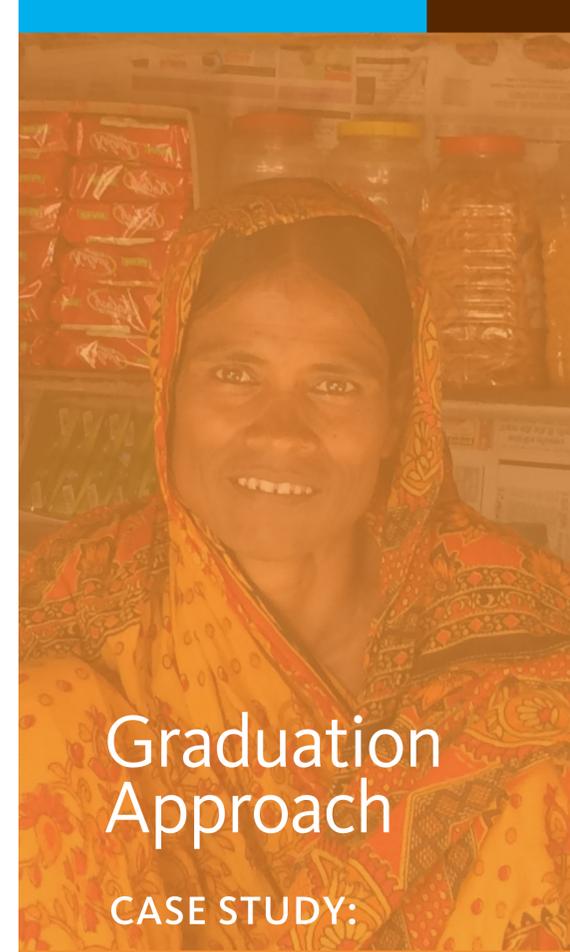
- Proximity to cities
- Density of population
- Cultural norms (e.g., mobility of women)
- Feasibility of farm livelihoods (e.g., whether feed is easily available)
- Demand from the community and from nearby areas
- Age of participants (therefore propensity to succeed in petty trade)
- Other household conditions (e.g., age of children)

Field staff must handle the enterprise selection phase carefully, as many participants find it overwhelming and may drop out without proper encouragement and practical advice. Bandhan Konnagar conducts a week long participatory enterprise selection process consisting of a three rounds of discussions: 1) with the participant and immediate family; 2) with neighbors; and finally 3) involving other community members. The field staff ensures that the chosen enterprise matches the participant's level of confidence and circumstances. Once the primary enterprise is stable, participants are encouraged to invest in a secondary enterprise such as small livestock (e.g., poultry or fowl) or in a petty trade.

### LESSONS LEARNED: IMPLEMENTATION

#### Market analysis and enterprise selection

- A purely livestock-based model has been done away with as there is little opportunity for asset growth in 24 months
- As participants operate at a commercially insignificant scale, an analysis of the local market is more relevant than a deeper value chain/commercial market analysis



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## FARM VS. NON FARM LIVELIHOODS: Some Examples

**Hasina bibi** is 28 years old and lives with two young children and her husband, who is chronically ill. She lives near the busy town of Canning, which is two hours from Kolkata by road. In 2012, with the support of Bandhan Konnagar, she started a door-to-door vending business (on foot), choosing that enterprise based on the advice of her community elders. She graduated from the THP program in 2014, and currently has an inventory of approximately USD 540. Her business has been going so well that she has set up a small shop and now also runs a grocery store.

**Samia bibi** is 30 years old, living with her husband, who is mentally unwell, and her three children. She lives quite far from the main town, and her two older daughters are of school-going age. She was unable to take up a petty trade as her youngest is an infant, and she is unable to be away from her home for long periods of time. However, there are enough grazing pastures for cattle in the vicinity. She received six goats from Bandhan Konnagar in February 2015, a herd which had increased to nine goats by the time of writing. Samia has yet to make a sale so she works as a daily wage laborer to earn cash. She also engages in traditional handicraft work, quilt making and embroidery, and her products are sold wholesale to middle men.

**Regina Tudu** is a 25 year old woman belonging to a tribe living in the forests of Assam. Large vehicles cannot reach her village, and the only modes of transport are either two wheelers or by foot. Bandhan Konnagar encouraged her to adopt a livelihood for which she could find buyers within her village and the nearby surrounding areas. She has taken up pig rearing, as pork is widely consumed by the different communities living in that area. It is a very profitable business, as asset-related costs are modest and full-grown pigs fetch a high price.

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## Asset transfer

Following the pilot, the average allocation per participant for asset transfer rose from USD 45-75 to USD 150, an increase, which has given significant flexibility to provide a wider range and volume of working capital. Normally some participants choose enterprises (e.g., dry fish, spices, cosmetics) which have low startup costs USD (90-105) but high profit margin, while others choose options such as livestock, clothes selling, grocery stores which have higher startup costs (USD 165-180). The asset transfer also includes accessories which may be useful for setting up the chosen enterprise (for example, a shelter for livestock or a metal trunk in which to store petty trade items) as well as seeds for vegetables that participants can grow for their own consumption. Bandhan Konnagar structures its asset transfer budgets to take local prices into account and also to build in contingency funds for any asset loss in the initial months of the program.

Bandhan Konnagar executes the asset transfer in installments because the participants often lack the experience to manage a relatively large amount of working capital in one lump sum. For non-farm livelihoods, Bandhan Konnagar distributes first 50 percent of the assets, then 35 percent, and a final installment of 15 percent. Assets for mixed or farm livelihoods are made in two equal installments.

Bandhan Konnagar has found it is sometimes better initially to accede to demands for livestock (even if field staff consider that livelihood suboptimal) to ensure certain participants do not opt out of the program. Once their trust is gained, it is easier to convince them to take up a petty trade with the second instalment. The strategy is particularly useful for encouraging less dynamic participants to gradually explore other livelihood options. The participant must be present and have a final say during asset purchase, which creates an immediate sense of ownership and responsibility.

### LESSONS LEARNED: IMPLEMENTATION

#### Asset Transfer

- Working capital is transferred in installments so as to not overwhelm inexperienced participants.
- The budget takes into account local prices and contingency funds for any asset loss in the initial months of the program.
- Local market dynamics and its impact on the confidence and performance of THP participants is an important consideration.

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## Technical Skills Training

During the pilot phase, skills training consisted of three days of classroom-based training after which participants chose their enterprises. Bandhan Konnagar then provided refresher training every three months for slower-performing participants. The classroom-based training currently retains essentially the same format, consisting of two days of technical skills training for farm livelihoods, and business skills training for non-farm livelihoods, with a mandatory financial literacy component for all participants. The third and final day is reserved for confidence-building, using success stories of program graduates to motivate the new participants. Bandhan Konnagar realized that systematic refresher training is essential for *all* participants in order for them to fully absorb the necessary technical and business skills. Half-day refresher trainings are organized every three months, in which stronger performers are encouraged to share their experiences to motivate others.

### LESSONS LEARNED: IMPLEMENTATION

#### Technical Skills Training

- Systematic refresher training proved necessary for all participants, farm and non-farm alike. Refreshers take place every three months.
- Financial literacy-building is also mandatory for all participants.
- One day of the three-day skills-building is devoted to confidence-building and motivational training, drawing on success stories from past participants.
- Two days focus on technical skills for farming or (for non-farm participants) business skills.

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### Challenges of implementing an urban THP program

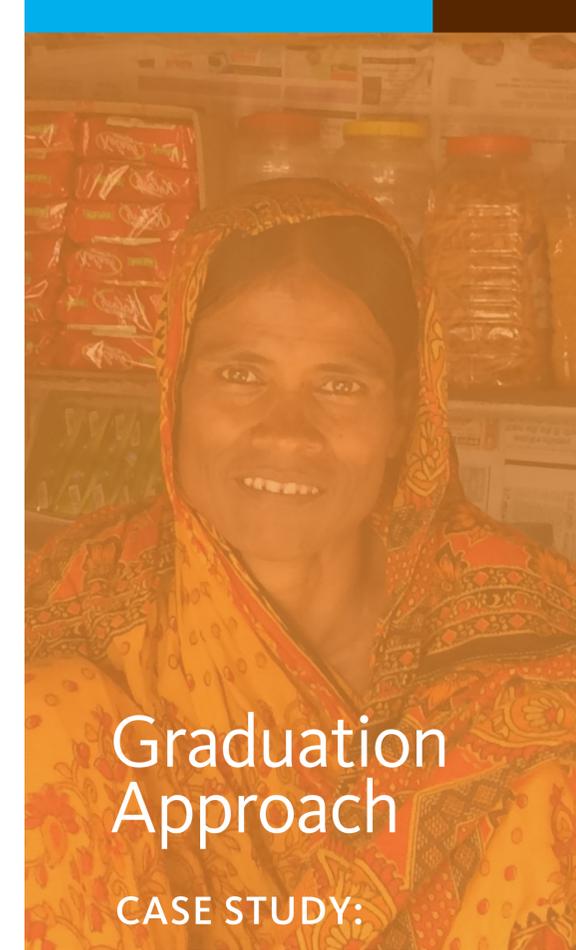
Dell Foundation had funded a small-scale urban pilot of approximately 1,500 participants in Kolkata, the capital of West Bengal and the biggest metropolitan in eastern India. At the end of the pilot, Bandhan Konnagar concluded that their program may not be relevant in the large metropolitan cities as urban poor women are not the most economically vulnerable. Unlike rural women, urban women normally have access to multiple low-skills labor opportunities making the opportunity cost of joining THP much higher. Secondly, implementation proved to be logistical burden due to the weak social cohesion, tendency for urban dwellers to migrate for a better livelihood, and the lack of disciplined commitment to adhere to program requirements. Based on the results of the Kolkata pilot, Bandhan Konnagar has focused on peri-urban and rural areas, working with settled communities where the THP selection criteria can be relevant and efficient, and where effective implementation is more feasible.

### The key operational challenges during the urban THP pilot were:

- Targeting: difficult to find women who meet the income ceiling (that is, who earn less than INR 1500 per month).
- Drop-outs during the enterprise selection process was high.
- Urban poor are far more suspicious of outsiders offering a “grant” and often did not take responsibility for ownership of the asset.
- Implementing crucial components of the program such as client targeting and weekly monitoring of all participants.

### The key differences between urban and rural sites were:

Urban	Rural
The poorest are scattered; 1-2 HHs in each settlement which makes field implementation and weekly visits logistically difficult.	The poorest are in concentrated pockets; hence easier for field implementation.
Formation of Village Assistance Committees (VACs) is more challenging as social cohesion is weak.	Formation of VACs smoother as social cohesion is strong.
Women are mobile and used to travelling large distances or even to the nearest big city for employment.	Women stay at home and within the village.
Only non-farm livelihoods possible.	Wider enterprise range is possible; pure farm, non-farm, and mixed.
Risk of participant drop-out is higher as women have more income-generating options.	Risk of drop out is lower as there are fewer alternative livelihoods.  Untapped market and therefore greater scope for enterprise growth.
COs can only conduct 7-8 HH visits/day as accounting for non-farm livelihoods is more time-consuming and complex.	15 HH visits/day is feasible as there is a mix of farm and non-farm livelihoods amongst beneficiaries as participant households are close to one another.



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## Savings

After the pilot, Bandhan Konnagar stopped collecting weekly savings due to changes in fiscal laws. Instead, they opened individual bank accounts for THP participants either at a Bandhan MFI branch or at the nearest national bank or Post Office if there was no Bandhan MFI branch in reasonable proximity. It was eventually found that participants made very few deposits, not because of travel costs or distance but due to inappropriate behavior of staff at the non-Bandhan facilities. It was a common experience for participants to be turned away from banks for attempting to deposit very small amounts.

So Bandhan Konnagar devised a new savings strategy, consisting of mandatory savings and “capital” savings (the remainder of enterprise profits after reinvestment). Mandatory savings is set at the equivalent of USD 0.45 cents a day, considered a manageable amount and unlikely to cause a strain on household consumption. Participants are expected also to make a bank deposit of “capital” savings of about USD 1.50-2.20 at least once a month. Capital savings are normally utilized for household purposes, especially housing repair, healthcare costs and children’s education. For the next phase, in areas where Bandhan MFI operates, participants will be able to access Bandhan’s doorstep banking service, which makes

it possible for participants to deposit and withdraw in the convenience of their homes thanks to MFI representatives who make house calls.

### LESSONS LEARNED: IMPLEMENTATION

#### Savings

- Savings is comprised of daily mandatory savings and “capital” savings (remainder of profits after reinvestments).
- Daily mandatory savings amounts should be kept at a bare minimum so as to not create a strain on household consumption, but to inculcate a regular savings habit.
- Field staff encourage participants to utilize their capital savings on housing repair, healthcare costs and children’s education.



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## Life Skills Coaching

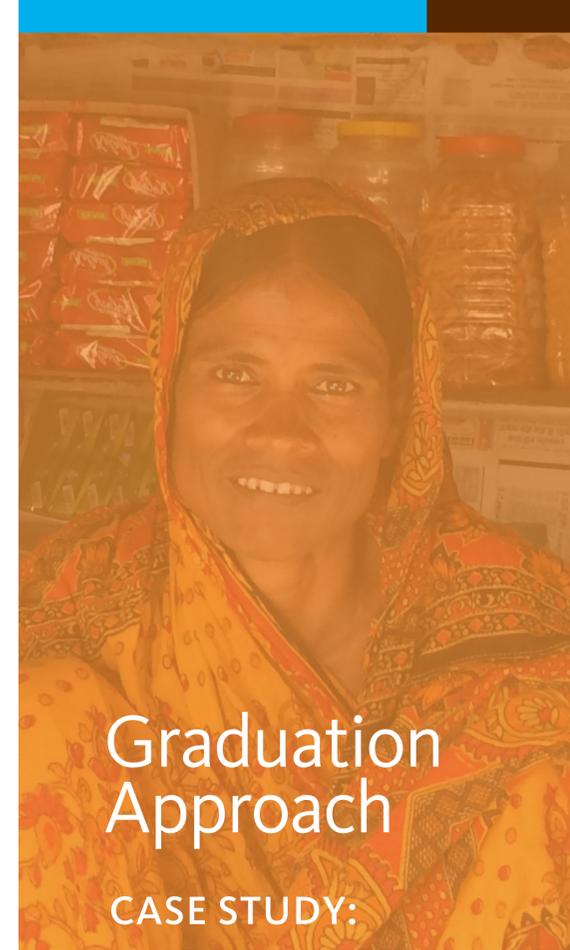
At Bandhan Konnagar, as with other Graduation Approach implementations, the life skills coaching is considered one of the most critical elements for participants' success. It is important to remember that the extreme poor live not only in a state of material deprivation but also one of social isolation: the only people with whom they come into meaningful contact are other extremely poor people. The life skills coaching provides them with ongoing, stable access to someone with a different perspective who can encourage them to imagine a different life, and then set the course to achieve that life, giving them a sense of hope and boosting their confidence and self-esteem.

Field staff play a critical role as the face of program implementation. They are on call 24 hours a day, seven days a week (participants have cell phone numbers of all branch staff). During the pilot phase, each branch had two COs covering 75 households each. With Bandhan Konnagar now operating in sites with lower population density or more difficult terrain, the ratio has been reduced to 1:50. Bandhan Konnagar believes the coaching component is scalable, but that the ratio of CO to participant should be maintained at between 1:50 to 1:75 households to preserve the personalized attention that is the coaching component's essential element. As noted earlier, Bandhan Konnagar delivers

the life skills coaching via both group and household visits. Weekly group meetings begin immediately after the enterprise selection process, whereas household visits begin once a participant receives her asset. At the group meeting, participants learn to sign their names and write the numbers 1 through 10 in their mother tongue. One of the 10 topics below is also discussed, on a weekly rotating schedule.

- Child marriage
- HIV/AIDS
- Deworming
- Kitchen gardens
- Women and child trafficking
- Family planning
- Dowry
- Birth registration
- Marriage registration
- Death registration

There are a number of reasons why weekly group meetings are considered important. First, it is more comfortable for the young male COs to discuss sensitive issues in a group rather than a one-to-one setting. Group meetings also foster transparency as the meetings are held outdoors, and community members can observe these meetings. Group meetings also



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create a sense of solidarity amongst THP participants, and those who are able to grasp the messages easily can explain to those who are struggling. Finally, weekly visits are time-efficient and reduce the CO's travel requirements.

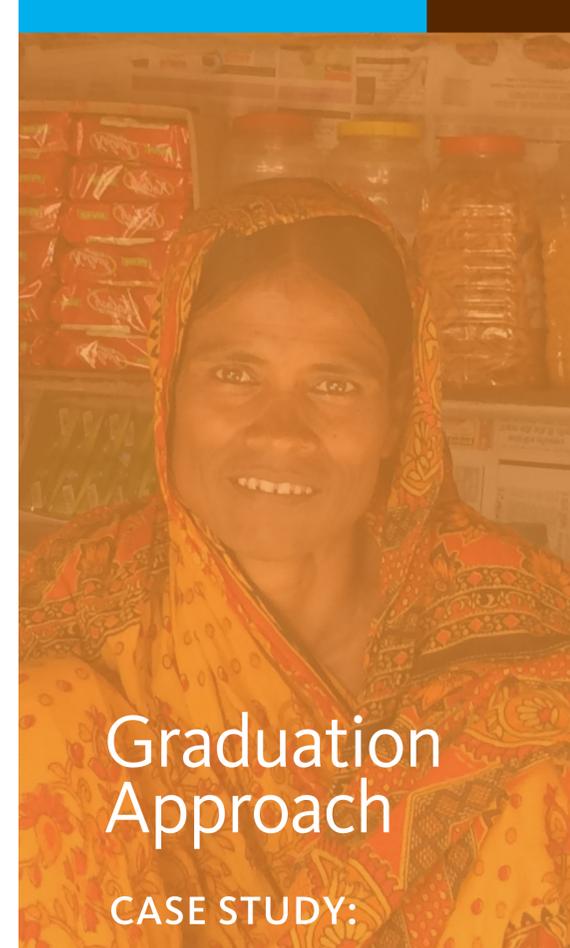
Household visits are nonetheless equally critical, but the focus during these personal visits is asset follow up. Especially during the initial stages, the COs' guidance and support in asset management and enterprise development is crucial. The impact on THP participants of local market dynamics and competition with more experienced traders counts heavily when COs are advising participants. For petty trade participants, the CO reiterates a list of items with their costs and recommended selling prices, prepared by the supplier. For the first two to three months, the participant is expected to follow this list until she begins to grasp the concepts of pricing and market trends, and can more confidently set prices on her own. Daily household records are normally maintained with the help of their school-going children or any literate member of the extended family. COs also check on other aspects of the household, such as maintenance of the garden, children's school attendance, use of latrines, and housing conditions. Any urgent problem is either immediately addressed (if it is within the CO's capacity) or else reported at the branch at the end of the day.

In the last four months of implementation, Bandhan Konnagar organizes Graduation training for participants, which sets in motion the phasing-out of the program. During the pilot, the Graduation process had been a quiet affair. Now, realizing the intensive human element that binds the program from start to end, Bandhan Konnagar organizes the Graduation training, conducts handover meetings with the VAC, and organizes a festive THP graduation ceremony. Weekly meetings with the CO end in the second to last week of the program period, at which point the VACs take over responsibility.

### LESSONS LEARNED: IMPLEMENTATION

#### Life Coaching

- This component is indeed scalable but to preserve effectiveness, the ratio of CO to participant should be maintained at 1:50/1:75 households.
- Weekly group meetings are important because they facilitate discussion of sensitive issues, create transparency within the community, and create a sense of solidarity amongst group members.



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## Monitoring

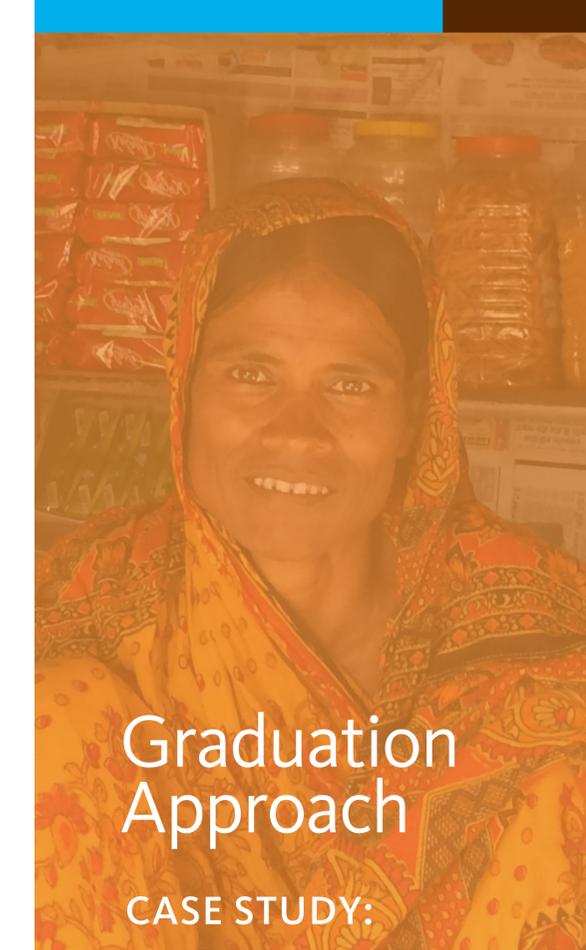
Since the pilot, strict monitoring at every level has been a major priority both for internal quality assurance purposes and to gauge outcomes (asset growth, savings, achievement of graduation indicators, cost-benefit analysis). Monitoring has thus facilitated successful scaling of the program in various parts of the country without compromising its quality and effectiveness.

The strategy has been to keep experienced and responsible staff members as on-site AC/ACIs—they are expected to be very alert and to keep branch staff at peak performance. Bandhan Konnagar is well aware of the potential risks involved in having young men work closely with vulnerable single women, especially in the cultural context of India. The sensitive nature of the participant/CO relationship requires close monitoring, strict rules, and swift enforcement. Any form of harassment of participants by COs generally translates into immediate termination of employment, and legal steps may be taken depending on the severity and nature of violation. Another concern is the potential for

embezzlement of funds. Strict monitoring has ensured that there is no siphoning of funds especially during asset transfers. The household visits, achievements of graduation indicators, field-level challenges, and all monetary transactions are all recorded by the branch and then reported to headquarters.

The key to Bandhan Konnagar's monitoring system has been detailed documentation and triangulation of different information sources (including the registers as given below) at each level of management. The asset transfer, for example is recorded in at least three registers: 1) the asset transfer register, 2) Ledger/Cash book, and 3) Information register.

*Household-level monitoring.* The first tier of monitoring is of the participant household by the CO, which is probably the most critical step in ensuring that program objectives are met. COs cover an average of 10-14 participant households per day. They manage this volume by keeping a mix of farm and non-farm livelihoods. Household visits for farm livelihoods take about 15-20 minutes (because they do not have weekly or daily sales) and visits for non-farm livelihoods



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## Documentation for monitoring

### REGISTERS AND REPORTS

#### Participant household level:

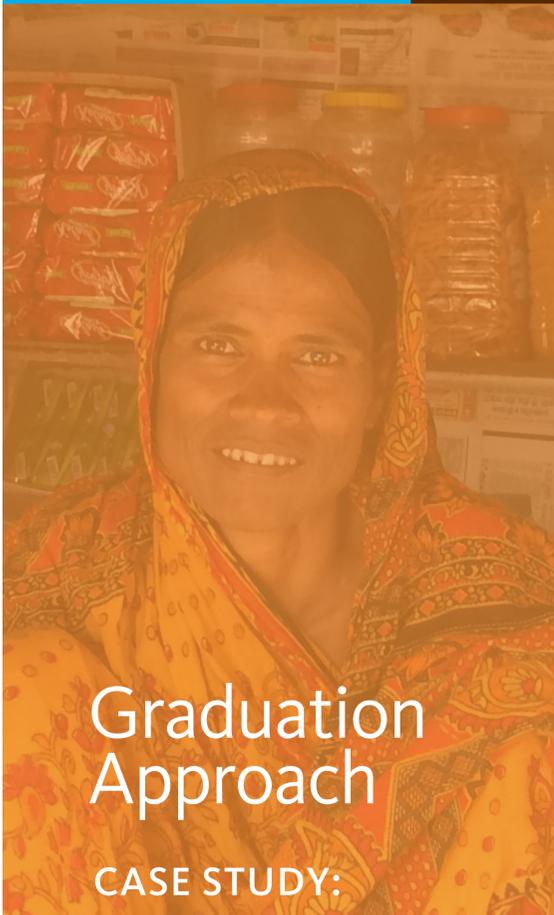
- Practice book: to practice writing numbers 1-10 and name signing during group meetings
- Information register: summary of participant's weekly income, expenses and profits; *kept with participant for her entire lifetime*
- Stock inventory register: weekly stock inventory done by COs
- Daily bookkeeping register: daily bookkeeping done by participant households

#### Branch level:

- CO Movement register
- Staff Meeting Registers (2)
- Asset transfer register
- CO register – details of each HH as per schedule of weekly visits
- Ledger/Cash Book/Daily sheet *to be filled in every evening at the branch office*
- Leave register/Security/Bicycle register
- Problem register and vaccines registers (farm livelihoods)
- Cash dispensation registers
- Fund plan – budget of branch expenses (administrative + participant disbursements)
- Mess (staff quarters) expenses register

#### Headquarter level:

- Monitoring register maintained by the AC
- Internal audit report
- MIS report



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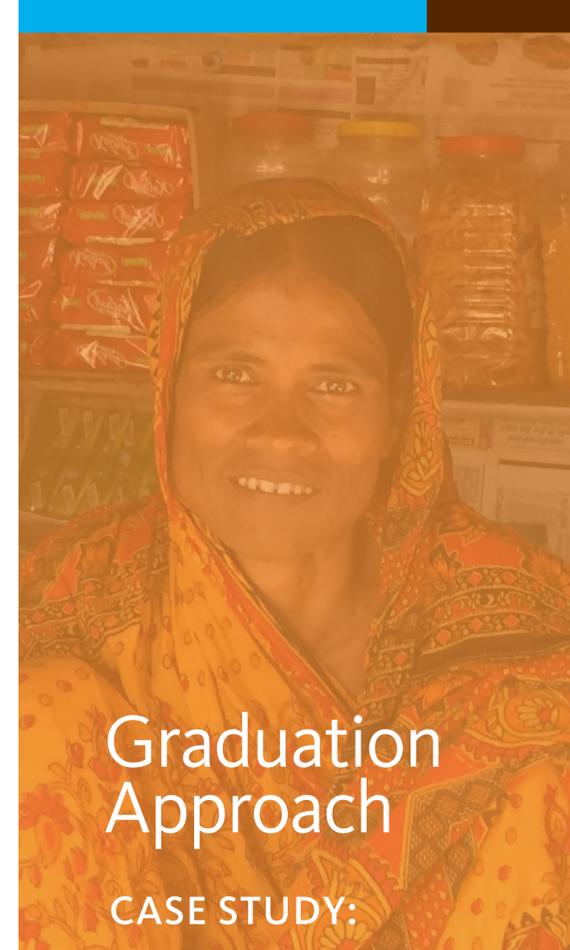
take about 20-30 minutes. There are four registers maintained at the household level (see *Documentation for Monitoring* box on previous page) so that every detail of the enterprise is easily verifiable. The participant keeps the Information register even after the program ends. It is intended to serve as a constant reminder of her accomplishments for the rest of her lifetime. For the recently launched programs, the Information register has been further revised to clearly portray a) total working capital appreciation b) income from farm livelihoods relative to targets, and c) income from secondary enterprises. COs check participants' progress on the Graduation indicators and on the weekly mandatory savings. The field staff believe that strict monitoring makes participants strive harder—both from a sense of personal discipline as well as accountability towards the program.

*Branch-level monitoring.* The next level of monitoring includes two tiers. First, COs are monitored on a daily basis by their COI or team leader. Second, the branch itself is monitored by the AC/ACI once every 15 days. To monitor and guide COs, staff meetings are held at the end of each day to recount participant achievements and challenges and to discuss various field-level or staff-related issues. Every evening, COs fill out daily transaction registers and their ledger/cash book. When a participant achieves a graduation target, a record of it is made in the CO register. The AC/ACI assesses

**Example: Branch office monitoring visit by Area Coordinator (AC)**

- The AC first seeks an update from the Community Officer in Charge on any households whose performance may have been flagged in the previous monitoring report and personally follows up on these households.
- The AC also follows up with the branch staff on other problems (staff performance and discipline, monetary issues) that may have been flagged in the previous monitoring report.
- Once all the issues from the previous monitoring report have been addressed, the AC will conduct a new round of spot checks on weekly meetings and households not visited in the previous month.
- Finally, every register maintained by the branch is checked, and the AC also observes COs' behavior and execution of tasks.
- At the end, AC holds a meeting to discuss strengths and weaknesses of the branch staff and possible solutions.

a branch office performance primarily on the basis of participants' performances in their livelihoods and achievement of graduation indicators. On the basis of personal observations and branch level documentation, the AC/ACI prepares a consolidated monthly monitoring report on branch-wide program outcomes for the Head Office.



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*Head Office-level monitoring.* AC/ACI are responsible to program officers, who are required to visit all branches in their designated areas at least once every three months (although this is becoming logistically difficult as THP's geographical coverage expands). The internal audit department also conducts an independent check on each branch every three months, and program officers follow up with branches that have the most red flags. Head office staff also hold monthly monitoring meetings to analyze and discuss branch monthly monitoring reports, auditing reports, and Management Information System (MIS) reports. As the program expands, the organization is gradually switching from manual data entry to a software tailor-made for maintaining a new participant-centric MIS.

### LESSONS LEARNED: IMPLEMENTATION

#### Monitoring

- A thorough monitoring and documentation system is crucial to successful scaling of the program that maintains quality and effectiveness.
- The CO/participant relationship calls for close monitoring and strict rules must be laid down on any form of harassment of participants by COs.
- Embezzlement of funds is another primary concern and strict monitoring ensures that there is no siphoning of funds especially during asset transfers.

## Post-Graduation Program

### Initial results and impact studies

During the CGAP / Ford Foundation Graduation pilot by Bandhan Konnagar, the rate of successful graduation was 98 percent. Jameel Latif Poverty Action Lab (J-PAL), in collaboration with Institute of Financial Management and Research (IFMR) and Innovations for Poverty Action (IPA) conducted a Randomized Control Trial (RCT)<sup>8</sup> on the pilot. Since program completion, there have been three endline surveys: Endline 1 (a year after program completion); Endline 2 (conducted another year later as discussed below); and Endline 3 in 2012. At the end of Endline 1,<sup>9</sup> it was found that treatment households had an increase of 25 percent in the per capita consumption expenditure and there was an obvious jump in their productive asset base. They were found to be less insecure, happier, and reported an overall improvement in their health. The report found a significant decrease in income from agricultural wage labor, marking a successful shift in livelihoods. As most pilot participants chose livelihoods from the farm-based livelihoods menu, income from livestock has a cumulative increase of 594 percent. Fewer participants requested non-agricultural enterprises, but on a blended (farm- and non-farm livelihood) basis, income increased by 46

<sup>8</sup> In a randomized control trial, a treatment group receives the program inputs, and is compared against a control group of a similar profile in the same region, who do not receive any inputs or interventions.

<sup>9</sup> Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyay and Jeremy Shapiro. 2011. *Targeting the Hard Core Poor Program: Impact Assessment*. Cambridge, MA: Abdul Latif Jameel Poverty Action Lab.

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percent. Participants earned on average USD 1.17 per capita more than the control group, and spent USD 1.25 per capita more on consumption. There was no significant impact on physical health, empowerment, or willingness to take calculated risks (such as likelihood of accessing credit).

### Costs

The cost-benefit analysis of such an intensive program has been at the heart of discussions regarding the Graduation Approach’s feasibility at scale. An important article in favor of the Graduation Approach appeared in the journal *Science*<sup>10</sup> in 2015, discussing the combined RCT findings by J-PAL and IPA from the graduation pilots in six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru). This study has been an important advocacy tool for the Graduation Approach in India. Overall, the study concluded that benefits of the programs more than justified the costs, and that the program was both sustainable and cost-effective. Bandhan Konnagar’s THP program was found to be the most cost-efficient model out of the six pilots, with 433 percent return on investment.

Bandhan’s average cost per participant now stands at USD 347. Bandhan Konnagar, as we see below, has kept administrative costs to a minimum (approximately 39 percent of total cost) and maximized investments

<sup>10</sup> Banerjee, A., et al, 2015.

in direct inputs. In comparison, an indefinite safety net program which targets the rural poor (including the poorest), the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), gives households below the poverty line the right to 100 days of work over 12 months with an average wage allocation per beneficiary of approximately USD 280 (averaged state-wise wage for MGNREGA 2015).<sup>11</sup> Various state governments are further attempting to link the MGNREGA to the standard minimum wage rate, which would increase<sup>12</sup> the annual wage allocation per beneficiary to approximately USD 386<sup>13</sup> (more than what is spent on a THP participant in two years). The breakdown of costs of the THP program in 2015 follows below:

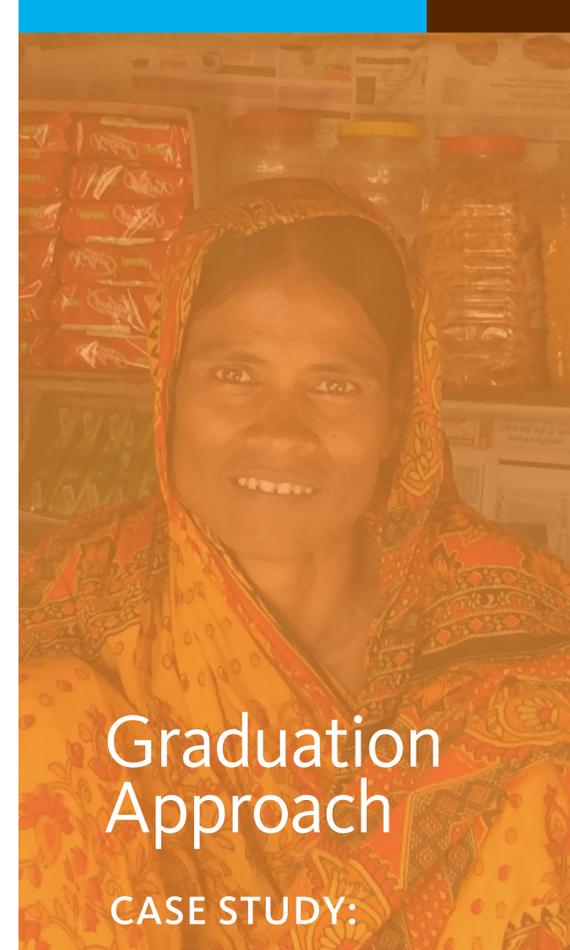
THP Program Costs, by Component	Cost (INR)	Cost (USD)
Asset transfer	12000	181
Consumption stipend	1500	22.65
Participant training	500	7.55
Program costs *	9000	135.80
Total	23000	347

\*Program costs include salary, staff training, office maintenance, communication & telephone, traveling allowance & food expenses, and other overhead costs.

<sup>11</sup> The MGNREGA wages paid to women laborers is significantly lower than men

<sup>12</sup> This is without considering government administrative costs or accounting for the indefinite time period for which beneficiaries may participate in this scheme.

<sup>13</sup> Average wage rates taken are for male laborers. For female laborers the average agricultural wage is INR 189 a day.



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At the end of the CGAP / Ford Foundation global pilots, there was a recognition that a blanket approach of including *all* poorest households with able-bodied adults was not always the most effective or financially justified. Instead, it is important to identify which demographic populations *among the poorest* that are mostly likely to benefit. Whether it is possible to anticipate successful graduation based on individual and household profiling has been an important discussion point on taking the Graduation approach to scale. This can be explored through a comparative analysis of household data and participant performance from MIS of ongoing programs, which may shed light on the question of who not only *needs*, but also *succeeds* in a Graduation program. This discussion will doubtless shape donors' and governments' decisions about whether to adopt the Approach, as it may be difficult both financially and politically (i.e., accountability to taxpayers) to approve substantial grant funding for large numbers of vulnerable households.

### Plans for scaling up

In light of staff capacity and the other challenges discussed, Bandhan Konnagar's new principle for scaling up is to "carry it forward"—that is, to transfer technical capacity to other livelihoods-focused NGOs and MFIs and scale the program through those organizations rather than trying to achieve scale through Bandhan Konnagar's own resources exclusively. Bandhan Konnagar has already linked up with several small-scale MFIs to implement the THP program. Using an approach of funding + advocacy, Bandhan Konnagar will provide 75 percent funding and

## IS THE PROGRAM WORTH THE COST?

Initial results of impact studies suggest that not only do benefits outweigh costs, but also that the program outcomes are sustainable.

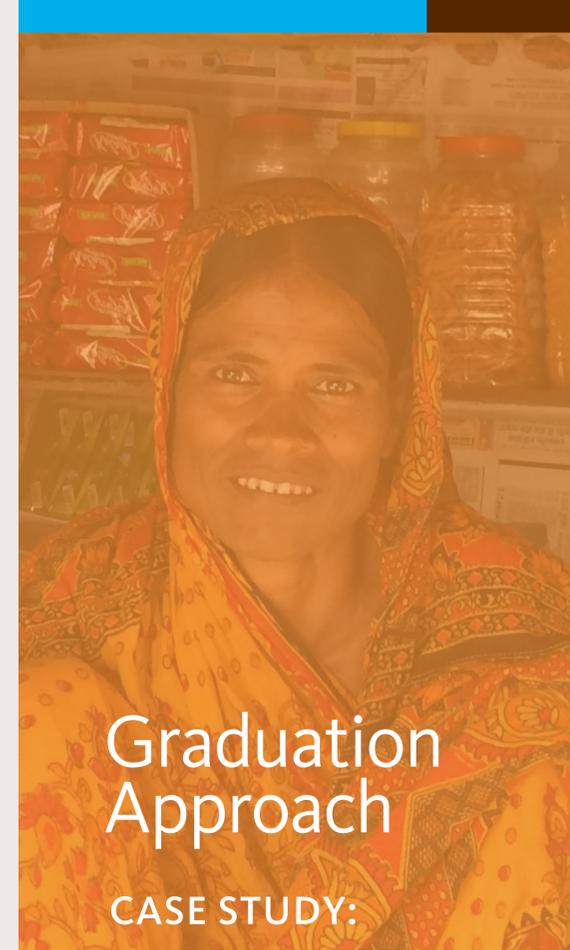
Bandhan Konnagar's program was the most cost-efficient model out of the six CGAP/Ford Foundation pilots surveyed, with a 433 percent return on investment

### Key to Bandhan's strategy has been:

- Keeping administrative costs to a minimum and maximizing investments in direct program inputs.
- Showing that expenditures per participant are significantly less than an existing, open-ended public works program.

Including *all* the poorest households with able-bodied adults has been found to be neither the most effective nor the most financially sound approach.

WHAT MORE DO WE NEED TO KNOW? Who succeeds with the Graduation Approach, i.e., to identify which demographic populations *among the poorest* are mostly likely to benefit.



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technical assistance to four MFIs in West Bengal that will target 100 participants each. Bandhan Konnagar will also provide technical assistance to a large MFI, Swantrantra, which operates in central and western India. The technical assistance model consists of classroom-based training, exchange visits, and periodic reviews of the partner organization. (The implementing organizations will not keep an in-house expert from Bandhan Konnagar, since doing so would substantially increase overhead costs.) Bandhan Konnagar has created a separate department, under an experienced senior staff member, to manage these knowledge-transfer and capacity-building transfers aimed at scaling up the THP approach.

### LESSONS LEARNED: POST GRADUATION PROGRAM

#### Initial results

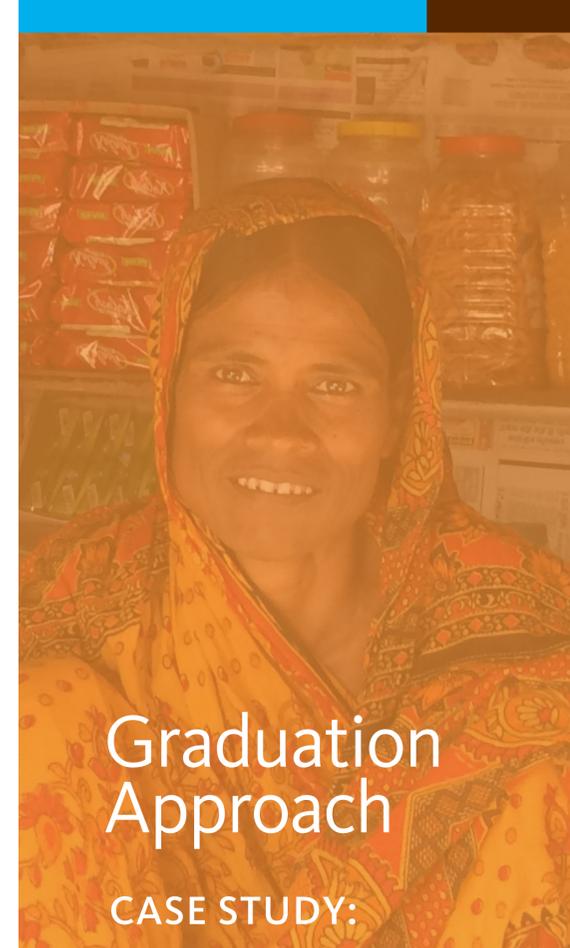
- Treatment households had an increase of 25 percent in the per capita consumption expenditure.
- There was a drastic increase in their productive asset base and a shift of livelihoods from agricultural labor to micro-entrepreneurship.
- Treatment households were found to be less insecure, happier, and reported an overall improvement in their health.
- Findings were attributable to program components.

#### Cost

- IPA/J-PAL study shows that benefits of the programs were estimated to be higher than the costs in five out of six sites, ranging between 133 percent to 433 percent return on investment, and concludes that the program is cost effective, and that outcomes are sustainable.
- Bandhan Konnagar’s THP program was the most cost-efficient model out of the six pilots, with 433 percent return on investment.
- Administrative costs have been kept to a minimum, with maximum investments going to direct inputs for the program.
- Budgeted expenditure per participant is less than for an indefinite public works program.
- Including *all* the poorest households with able-bodied adults has been found to be neither the most effective nor the most financially sound approach.
- Efforts should be made to identify those households who not only need the Graduation program the most but are also the most likely to succeed in it.

#### Plans for scaling up

- Current scaling approach is to “carry it forward”—that is, to transfer knowledge and build capacity of other organizations instead of containing it solely within Bandhan.



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# CONCLUSIONS AND IMPLICATIONS: REACHING THE POOREST AT SCALE

Bandhan Konnagar has come a long way since the pilot phase, and currently boasts, after BRAC, one of the largest Graduation scale-ups by an NGO. The THP program has gone through multiple rounds of learning, adaptations, refinements, and further learning. But the organization sees the expansion of the program as an ongoing learning process.

The THP program seeks to create a fundamental transformation in the participant household by developing alternative livelihoods and inculcating behavioral change. The core element of the THP program is that it is not limited to social protection but rather integrates livelihoods development and financial services. Its strength lies in developing the incomes and asset base of an extreme poor participant household. However, the THP program should be seen only as a first step for participants progressing out of poverty, and a suitable set of ongoing opportunities or pathways must be identified. These might include linking graduates to government programs on financial inclusion, healthcare, or education (including skills training). For the next phases of the program, Bandhan will prioritize participants' entry into self-help groups, forming new SHGs if necessary, as this will mark participants' first point of access to the mainstream state system, and will increase the odds of a permanent exit from poverty.



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## Key Lessons Learned

### LESSONS LEARNED: THEORY OF CHANGE AND PROGRAM OBJECTIVES

- Households without able-bodied male members are the most vulnerable.
- The key eliminator of extreme poverty is stability of income and creation of a solid, diversified asset base.
- A critical component is the weekly life skills coaching of participants.
- Entry into microfinance as a sole graduation criterion does not reflect the holistic goals or achievements of an extreme poor household.

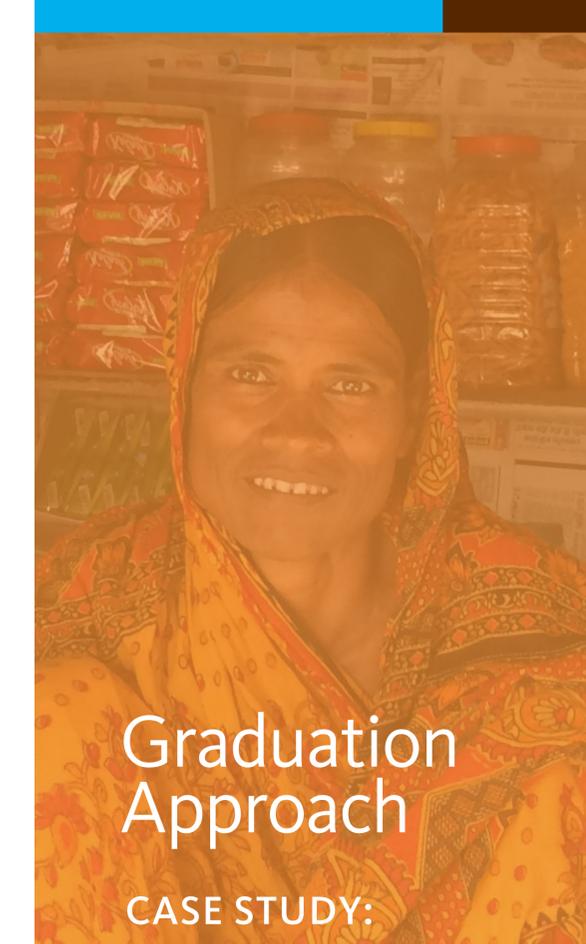
### LESSONS LEARNED: PLANNING

#### Key donors

- Non-traditional funders should be pursued, such as companies that focus on supporting micro-entrepreneurship and development of local markets.
- Corporate donors often prioritize narrowly defined quantitative metrics, such as increase in monthly income, over holistic development.

#### Graduation criteria

- Sustainable graduation criteria should encompass a range of context-relevant economic and non-economic achievements at the end of the program cycle.
- Standard metrics must be established for measuring outcomes on each progress indicator to maintain comparability of outcomes across operational sites.



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## LESSONS LEARNED: IMPLEMENTATION

### Program duration

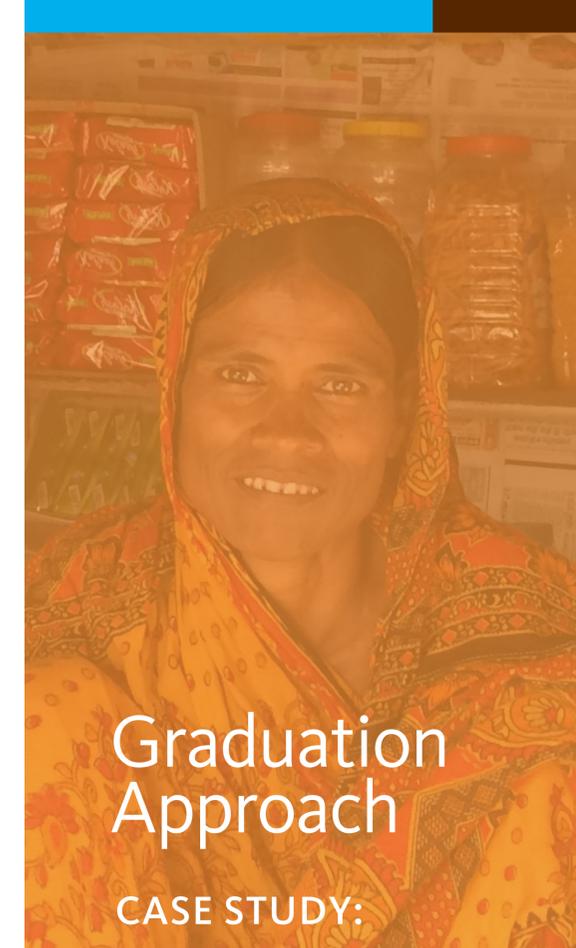
- 36 months is considered ideal for implementation period, allowing 24 months after asset transfer for livelihoods development — though Bandhan has found it difficult to secure funding for such an extended program period.

### Staffing

- Recruitment: Field staff turnover is high in the initial months of a new program cycle, due to the physical and emotional demands of the job, coupled with difficult living conditions.
- Recruitment criteria should be tailored to context.
- Women are difficult to hire due to the long work hours, their frequent inability to relocate, and a lack of appropriate housing facilities.
- Staff training: Classroom training spread over a period of 7-8 months after recruitment, and refreshers are conducted on an ‘as needed’ basis. Daily branch meetings and experiential learning are critical aspects of staff training.
- Retention: Field officers need to be incentivized with a vision for a long-term career trajectory through promotions.
- The psychological well-being of staff is also crucial for staff retention.

### Targeting

- The feasibility of establishing a branch office is an important pre-determinant for implementing the THP program in a particular area.
- The possible ramifications of the cultural context on such an intensive program have to be carefully considered; implementing in extremely conservative areas resistant to change may prove ineffective.
- Village Assistance Committees: The VACs can play a crucial role in developing and maintaining a relationship of transparency and trust within the community.
- Contextual differences are only uncovered through experience, and staff must be alert to these nuances and exercise discretion during the selection process.
- Care should be taken so as to not exclude a large number of vulnerable households on the basis of technicalities such as ‘presence of able-bodied male’ or ‘no active loans in the past 5 years.’ Appropriate weight must be given to other contextual factors to gauge extent and nature of household poverty.



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### Consumption support

- Cash stipends are found to be rarely used for household consumption because participants prefer to invest in asset related costs.
- Cash stipends are essential for farm livelihoods because households incur a high initial asset-related expenditure but with very slow turnover. Such support is not as essential for petty traders because they have an income from the first day of asset transfer.
- A new successful in-kind consumption support model is to establish petty trade participants as suppliers of animal feed and household consumables for other participants.

### Market analysis and enterprise selection

- A purely livestock-based model has been done away with as there is little opportunity for asset growth in 24 months.
- Because participants operate at a commercially insignificant scale, an analysis of the local market is more relevant than a deeper value chain/commercial market analysis.

### Asset transfer

- Working capital is transferred in installments so as not to overwhelm inexperienced participants.
- The budget takes into account local prices and contingency funds for any asset loss in the initial months of the program.

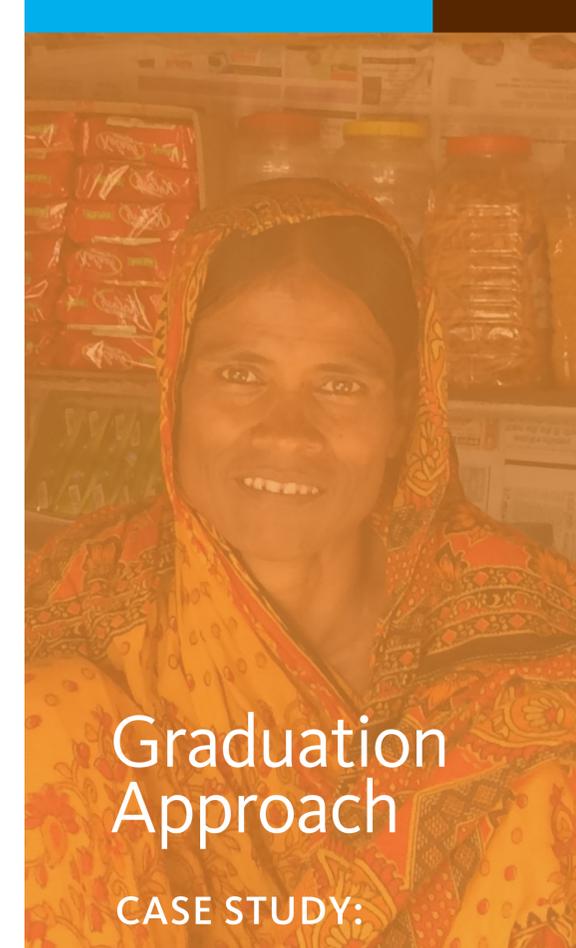
- Local market dynamics and their impact on the confidence and performance of THP participants is an important consideration.

### Technical Skills Training

- Systematic refresher training proved necessary for all participants, farm and non-farm alike. Refreshers take place every three months.
- Financial literacy-building is also mandatory for all participants.
- One day of the three-day skills-building is devoted to confidence-building and motivational training, drawing on success stories from past participants.
- Two days focus on technical skills for farming or (for non-farm participants) business skills.

### Savings

- Savings is comprised of daily mandatory savings and “capital” savings (remainder of profits after reinvestments).
- Daily mandatory savings amounts should be kept at a bare minimum so as to inculcate a regular savings habit without creating a strain on household consumption.
- Field staff encourage participants to utilize their capital savings on housing repair, healthcare costs and children’s education.



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### Life Coaching

- This component is indeed scalable but to preserve effectiveness, the ratio of CO to participant should be maintained at 1:50/1:75 households.
- Weekly group meetings are important because they facilitate discussion of sensitive issues, create transparency within the community, and create a sense of solidarity amongst group members.

### Monitoring

- A thorough monitoring and documentation system is crucial to successful scaling of the program that maintains quality and effectiveness.
- The CO/participant relationship calls for close monitoring and strict rules against any form of harassment of participants by COs.
- Embezzlement of funds is another primary concern. Strict monitoring ensures that there is no siphoning of funds especially during asset transfers.

## LESSONS LEARNED: POST GRADUATION PROGRAM

### Initial results

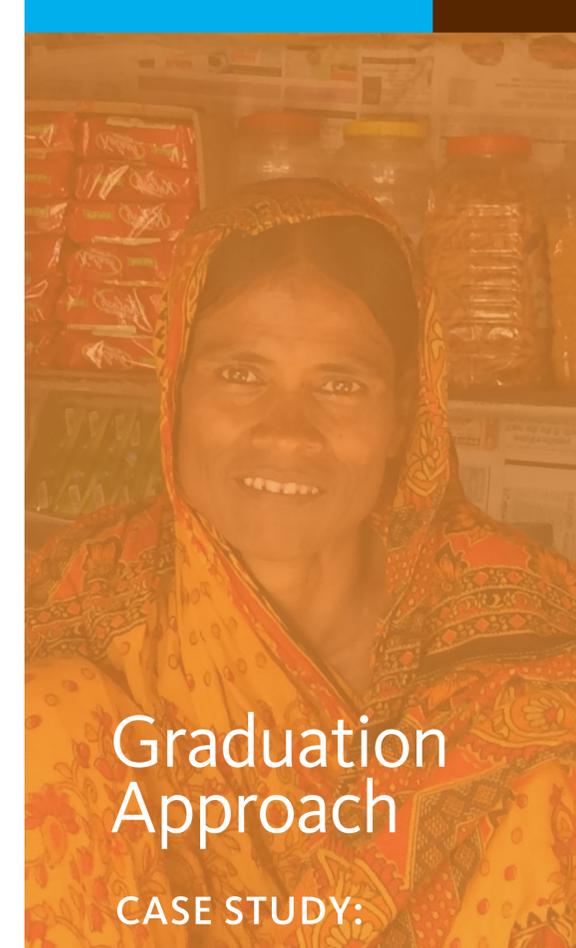
- Treatment households had an increase of 25 percent in the per capita consumption expenditure.
- There was a drastic increase in their productive asset base and a shift of livelihoods from agricultural labor to micro-entrepreneurship.
- Treatment households were found to be less insecure, happier, and reported an overall improvement in their health.
- Findings were attributable to program components.

### Cost

- IPA/J-PAL study shows that benefits of the programs were estimated to be higher than the costs in five out of six sites, ranging between 133 percent to 433 percent return on investment, and concludes that the program is cost effective, and that outcomes are sustainable.
- Bandhan Konnagar’s THP program was the most cost-efficient model out of the six pilots, with 433 percent return on investment.
- Administrative costs have been kept to a minimum, with maximum investments going to direct inputs for the program.
- Budgeted expenditure per participant is less than for an indefinite public works program.
- Including *all* the poorest households with able-bodied adults has been found to be neither the most effective nor the most financially sound approach.
- Efforts should be made to identify those households who not only need the Graduation program the most but are also the most likely to succeed in it.

### Plans for scaling up

- Current scaling approach is to “carry it forward”—that is, to transfer knowledge and build capacity of other organizations instead of containing it solely within Bandhan.



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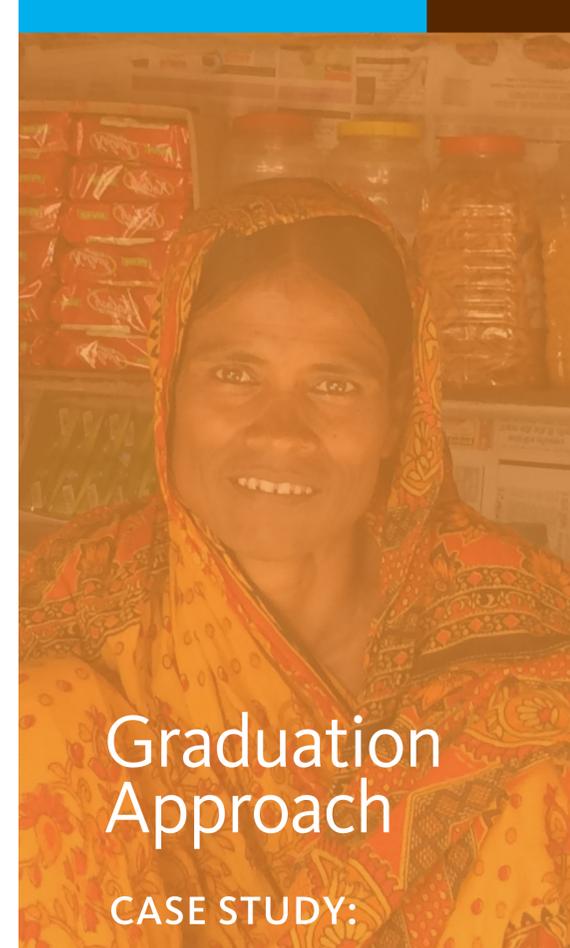


## The future of the THP program: Opportunities and challenges of scaling the Graduation Approach in India

Unlike BRAC, Bandhan Konnagar now faces a number of limitations in scaling its program in India, an extremely diverse country more than five times the size of Bangladesh and one with a strong government presence. The organization recognizes that as a practical matter, only the government of India has both the funds and the operational footprint to reach the poorest at nationwide scale. J-PAL has been playing a critical role as an advocacy partner, and has been pitching the Graduation Approach to regional governments using the positive results of their study. Senior staff at Bandhan Konnagar believe that the Graduation Approach is worthy of a stand-alone government program for mainstreaming the poorest into credit-based social programs. Bandhan Konnagar envisions that the THP can be placed as a precursor program for the poorest households to join the NRLM (the revamped self-help group program). In other words, entry into NRLM self-help group programs would be one destination to which the THP program leads. In reality however, this may be only a long-term possibility in India given that major policy reforms often take decades. There are a number of bureaucratic, procedural, and policy roadblocks to overcome before collaboration with state or federal governments can come to fruition.

As noted earlier, there has been a significant rise in the number of non-traditional development donors, especially CSR-motivated private corporations. But Bandhan Konnagar cannot scale such a cost-intensive program solely on the basis of time-bound donor money, whether public- or private-sector donors. Bandhan Konnagar also has finite in-house capacity for direct implementing the program.

Instead, Bandhan Konnagar has found technical assistance to be a practical scale-up model, and has chosen to become a technical assistance provider and training organization on the Graduation Approach. There are a number of livelihoods-focused organizations that transfer assets and one-time skills training to poor households. But technical assistance is especially important for designing the life skills coaching and household monitoring component which is unique to the Graduation Approach. World Vision, for example, has been transferring agricultural assets and providing skills training for more than 20 years, but visible impact has been limited in many of their participant households. Now they are partnering with Bandhan Konnagar with an aim to learn and absorb the Graduation Approach into their portfolio of economic development interventions. A senior staff member of World Vision put it this way, *“We realized that Economic Development Activity—which we always considered as a single activity—is a two-year program of asset transfer + training by Bandhan.”* The concerted, systematic, and sustained investment that characterizes the Graduation Approach is undeniably more challenging to implement, but the evidence suggests that such an approach is in fact what is required to achieve meaningful and lasting economic empowerment for extremely poor households.



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## Scaling the Graduation Approach: Challenges Faced by Bandhan Konnagar

### Staffing challenges

By the end of 2016, in a span of 10 years, the organization will have reached 50,000 households. The organization plans to limit direct outreach to 10,000-15,000 participants per year, based on present staff capacity. To increase staff capacity rapidly, Bandhan Konnagar has tweaked minimum qualifications (for example, to find suitable candidates in states with lower levels of literacy). It is also hiring new local management teams where the language is a major communication barrier to establishing the program. Staffing procedures have to be adapted to different contexts and remain flexible. An implementing organization in developing countries needs to take into account the cultural and linguistic obstacles where local communities in operational sites have a culture and language of their own, do not speak the official state languages, and have little in common with the capital cities where the organizations are based.

### Financial inclusion after graduation

Bandhan Konnagar's vision of a graduation pathway, the next step for achieving "socioeconomic mainstreaming" (as they call it), is *financial inclusion*.

While it is not mandatory, the program aims to facilitate participants' entry into a) Bandhan MFI b) another microfinance institution or c) self-help groups. This has proven challenging; Bandhan Konnagar is unable to adequately facilitate the process because its branch offices are permanently closed when the program ends, and the onus falls on graduates to successfully join a microfinance group. Most MFIs, including Bandhan, also have stringent eligibility criteria which many THP participants still do not meet at the end of the program. Out of the 22,309 THP graduates through late 2015, only 14,258, or approximately 64 percent, have accessed microfinance services. But the good news, according to Bandhan MFI, is that only about 1 percent of these participants drop out soon after joining the MFI groups, whereas the majority remain active for more than two cycles. The loan amounts range from USD 226-1508, although THP graduates rarely borrow amounts beyond USD 450.

Moving forward, credit linkages will be a mandatory Graduation criterion with entry into existing self-help groups or formation of new ones as the main platform. Bandhan Konnagar has realized that savings accounts in formal banks are not a good proxy for a credit linkage (it is assumed to be easier to access credit from a bank where one has a savings account) because individual loan procedures in national banks are cumbersome and extremely difficult for THP graduates.

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## Large scale funding

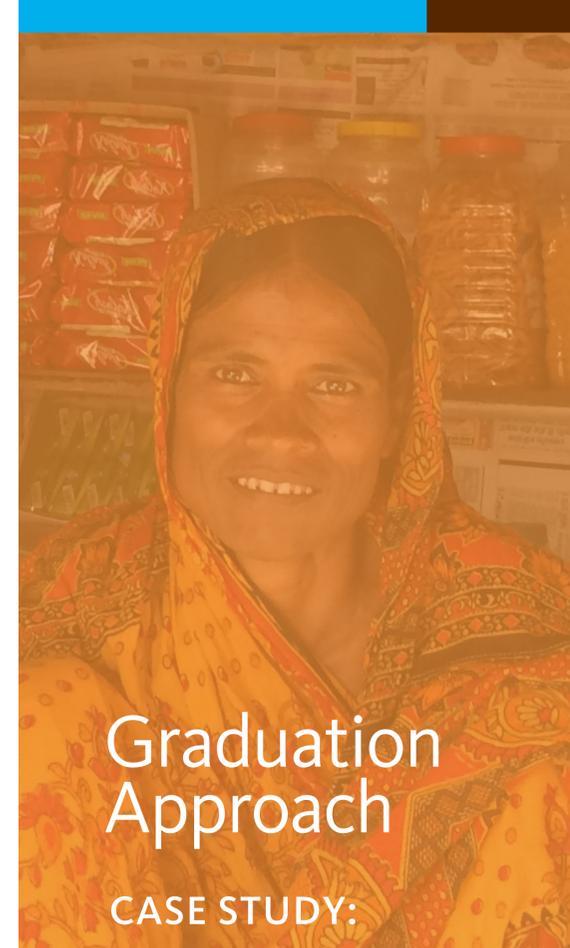
For an NGO like Bandhan Konnagar to access sufficient funds to implement the Graduation program at scale, it has two options: public sector companies or state administrative departments/ministries.

Public sector companies such as the Oil and Natural Gas Corporation (ONGC) hold CSR funds that are much larger in comparison to those available from the private sector. This remains a challenge as key personnel in these companies are difficult to approach, a common problem in the Indian government bureaucracy, and approval for funding is an extremely lengthy process.

Government departments/ministries: As discussed earlier, securing government funds would translate into regional or even nationwide operations. Bandhan's efforts are underway to reach out to various regional governments with a proposal to work with the poorest 1 to 2 percent of target populations. These discussions however are in the preliminary stages, and possibilities of partnering with the government are still speculative.

Bandhan Konnagar has already gauged a number of potential issues to be addressed.

- *Funding.* This will be the most critical stumbling block. Large-scale funding for a national Graduation program would require a major policy change by the central government. At present, regional governments only have the power to pilot the THP program with any surplus (that is, non-allocated) funds they may have available—such funding is insufficient for major scaling up.
- *Bureaucratic hurdles.* Regional governments are wary at the prospect of one or two organizations monopolizing such a vast area of intervention, and how it would be perceived politically. Many officials are reluctant to explore new approaches, and prefer to stick with the familiar.
- *Coordination.* Reporting lines would need to be clarified as it would not be logistically feasible for Bandhan Konnagar to be responsible to the multiple tiers of governing bodies in rural areas in India.



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## CONCLUSIONS AND IMPLICATIONS > SCALING THE GRADUATION APPROACH: CHALLENGES FACED BY BANDHAN KONNAGAR

Bandhan Konnagar, one of the original pilot sites of the CGAP/Ford Foundation Graduation Program, has remained deeply committed to addressing the needs of the extreme poor. They have developed a two-pronged approach to scaling up their Graduation work: (1) **by expanding their own efforts** through reaching new households in the pilot sites and by launching in new regions, developing increasing cost-effective approaches; and (2) **by providing technical assistance to other organizations** interested in implementing the Graduation Approach in areas where Bandhan Konnagar does not operate. They have also begun a process of engaging with government authorities, in the hope that the Government of India will recognize the unique value of the Graduation Approach and integrate it into its social protection programs—though Bandhan Konnagar recognizes that this may be a long process. Bandhan Konnagar serves as one model for how an NGO can implement the Graduation Approach to meet the needs of the extreme poor at large scale.



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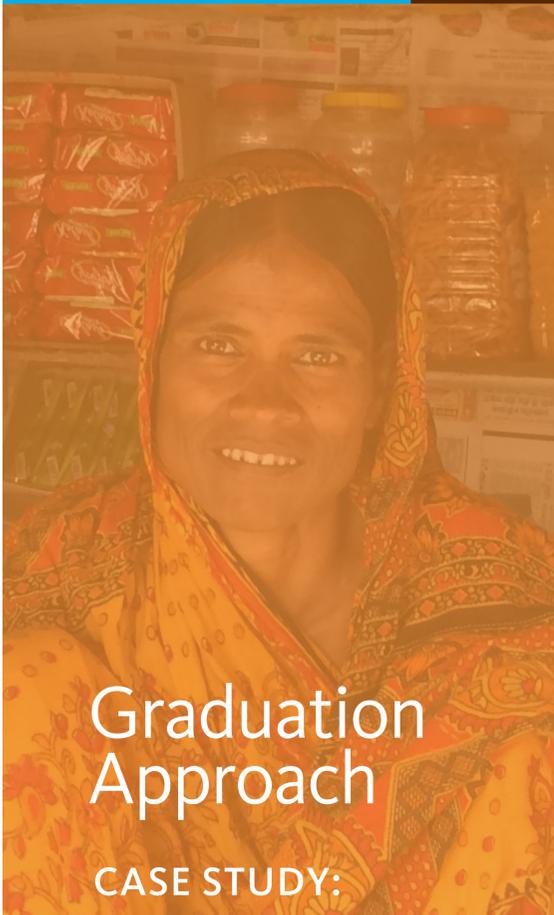
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## ABOUT THE AUTHOR

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*All photos taken by the author, Anasuya Sengupta, during research visits for this case study; used with permission.*



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The author and editor are also grateful to all those implementers and scholars whose published work has advanced the understanding and state of practice of the Graduation Approach. Where possible, we have provided URLs where interested readers can download the works cited in this report. Please note that URLs were valid at the time of writing. We regret that we cannot be responsible for any links that may break or decay over time, nor can we ensure that downloads are or will remain free of charge.





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