Partnership for Economic Inclusion (PEI):
Increasing the Income Earning Opportunities of Poor and Vulnerable People

PEI is a new global partnership hosted at the World Bank's Social Protection and Jobs Global Practice (SPJ). Its mission is to accelerate innovation and scaling of the “graduation approach,” which provides a timebound package of support to extreme poor and vulnerable people so they can build viable livelihoods and increase their income, assets and resilience. Rigorous impact evaluation of graduation programs in diverse countries and contexts demonstrate that participants achieve increases in food security, consumption, income, assets, financial inclusion and reported health and well-being that are sustained and grow over time. PEI was spun off from CGAP, the global partnership that promotes financial inclusion and will have its own governance, a dedicated Multi-Donor Trust Fund and a small secretariat to support Partnership programs. PEI will advance graduation practice and knowledge by ensuring that governments and private graduation implementers, TA providers, funders, and researchers have access to the latest evidence, guidance on best practices, innovations, training, tools and metrics needed to accelerate targeted economic inclusion programming worldwide.
Background

The share of the world’s poor living in extreme poverty has seen spectacular reductions, plummeting from almost half the global population (1990) to just 10% (2015). Yet an estimated 750+ million people still live below the $1.90/day extreme poverty line. Through the Sustainable Development Goals (SDGs), the global community has committed to end extreme poverty by 2030. While continued global economic growth and better macroeconomic management will be powerful drivers in the reduction of extreme poverty, as they have been for the past quarter century, more targeted and concentrated approaches will be necessary to fulfill the SDG objective of “leaving no one behind.”

The Approach

The “Graduating the Extreme Poor into Sustainable Livelihoods” approach (“graduation” in shorthand) is one of the most effective means to directly address extreme poverty by enabling poor and vulnerable households to develop sustainable livelihoods and build their income, assets, well-being and resilience (see Figure 1). Based on a model developed in 2002 by BRAC in Bangladesh, there are now more than 100 graduation programs in nearly 50 countries. Graduation is a carefully coordinated multi-sectoral, “big push” intervention that comprises: social assistance to ensure basic consumption, skills training, seed capital or access to employment opportunities to jump-start an economic activity, financial education and access to saving options, and mentoring to build confidence and reinforce skills. The interventions are time bound (generally 18–36 months) to avoid long-term dependence. Better linkages to market opportunities or the labor market, as well as effective access to social protection systems enable a sustained upward trajectory after program completion.
The Impact

Graduation has been tested in varied contexts over the last 15 years, yielding rigorous evidence of impact on extreme poor households, setting them on an upward pathway out of poverty and mitigating the risks of backsliding. To test whether the BRAC model could achieve similar results in other contexts beyond Bangladesh, CGAP and the Ford Foundation launched a partnership in 2006 to adapt and evaluate the approach through 10 pilot programs in eight countries (Ethiopia, Ghana, Haiti, Honduras, India, Pakistan, Peru, and Yemen), largely in rural settings. Innovations for Poverty Action and The Abdul Latif Jameel Poverty Action Lab conducted rigorous RCT impact assessments at six pilot sites, which documented increased household incomes and consumption at all but one site (where the asset, chickens, caught a disease and died) (Banerjee et al., 2015). The programs had statistically significant impact on consumption (7.5 percent increase in food consumption), beneficiaries’ productive assets (15 percent increase), and savings (96 percent increase) one year after the program ended (that is, three years after the assets are transferred and training is conducted). In addition, beneficiaries spent more time working, went hungry on fewer days, and experienced lower levels of stress. New results from one of the CGAP–Ford Foundation sites in India six years after the end of the program revealed even greater impact, with a doubling in per capita consumption compared with the three-year mark (The Economist, 2015).

The programs also demonstrated high cost-effectiveness and returns on investment, particularly because the gains in income, assets and well-being were sustained over time. Among programs that target the extreme poor (livelihood development, lump-sum cash transfers, or graduation) and for which there is long-term evidence, the graduation approach has the greatest impact per dollar of cost, with positive impact on economic indicators that persists over time (Sulaiman et al., 2016).

In Bangladesh, a follow-up study (Bandiera et al. 2015) to an earlier randomized control trial (RCT) evaluation of BRAC’s Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor program (CFPR/TUP) found sustained positive impacts on employment, income (37 percent increase in earnings), assets (household asset value more than doubled), savings (cash savings increased nearly nine-fold), and consumption (9 percent increase in per-capita nondurable consumption). The gains held two years later and impacts were found to be even larger seven years after the asset transfer (which was five years after the end of the program). CFPR/TUP has supported over has supported over 1.7 million very poor households since 2002 to increase their income and assets in a sustained fashion.

The Opportunity

The past few years have seen a sharp rise in experimentation and scale-ups focused on adapting and scaling the approach. Data collected by PEI in September 2017 show that efforts to extend economic opportunities to the poorest and most vulnerable populations are gaining traction among governments, donors, and NGOs, with 114 programs in 45 countries (vs. 59 programs in the 2016 survey). This includes an increasing number of government-led programs that are working to incorporate graduation programming into government social protection systems. Graduation programs in several countries have already gone through multiple phases and are now serving hundreds of thousands of households: flagship programs include Ethiopia’s Productive Safety Net Program, Indonesia’s Kelompok Usaha Bersama and Keluarga Harapan Program, and Peru’s Haku Winay Program. Among those “crowding in” to implement graduation, since 2015 we see a 70% rise in government-led initiatives (now 36% of the total).

Governments and other implementers are innovating to adapt the approach to additional vulnerable segments, such as refugees and displaced persons, people with disabilities, extreme poor urban households, or disadvantaged young people; boost productivity by expanding the range of income-earning options beyond rural livelihoods or improving access to markets and connections to value chains; and improving cost-effectiveness through measures such as exploiting synergies with other safety net interventions, digitizing payments and financial services, or organizing group-based delivery of coaching and social support.
Partnership for Economic Inclusion: Driving Advances in Graduation Policy, Practice and Knowledge

Implementing graduation at scale, including as an integral part of public-sector social protection systems, can make a substantial contribution to eliminating extreme poverty. PEI will accelerate the adaptation, innovation and scaling of graduation programming through:

1. **Policy evidence and engagement**: PEI will provide strategic advice and assistance to selected governments and international aid agencies; facilitate high-level exchange of experience with policy reform and investment in targeted economic inclusion programs; generate and share policy-relevant impact evidence, including cost-effectiveness analysis on graduation in comparison with other micro-level interventions, as well as strategic, operational and systems lessons; assess and analyze the global state of policy and practice on a regular basis and serve as the “go-to” place for information on graduation for governments and other partners.

2. **Knowledge generation and innovation**: PEI will develop and implement a strategic learning agenda including an Innovation Facility to accelerate R&D, in partnership with members of the global graduation Community of Practice. This includes innovations to support increased scale and cost-effectiveness (e.g., digitization, new models of coaching and psychosocial support) and operations research on the scale-up process and required systems change. PEI is also launching innovation and learning initiatives to adapt graduation to priority segments (e.g. urban youth, refugees and displaced persons) and contexts (e.g. fragile and conflict-affected areas).

3. **Knowledge management and quality standards**: PEI will capture and share lessons from government scale-up; conduct a “boot camp” to expand the pool of technical experts equipped to provide TA for program design and implementation and match up needed expertise to demand from governments and development partners; develop and disseminate tools, quality standards and metrics to assess operations and impacts; and distill and disseminate emerging best practices.

4. **Sustainable resourcing for graduation scale-up, innovation and systems change**: PEI will mobilize additional financial support for country-level implementation and the global learning agenda. One immediate priority is supporting governments that want to utilize IDA 18 resources to invest in graduation-style programs, and to provide additional research, peer learning and capacity building. PEI will support and document innovative financing arrangements such as “pay-for-performance” or “outcomes contract” models or Social/Development Impact Bonds, of which several are already underway in the graduation field.

PEI estimates that as many as 50 million extreme poor and vulnerable individuals (10-15 million households) could be impacted by its efforts, through direct engagement with governments, international agencies, and INGOs, and through its facilitation of the graduation Community of Practice, disseminating tools, guidance, good practices, and evidence on what works when adapting and innovating the graduation approach, ultimately helping targeted “economic inclusion” interventions like graduation provide a sustainable pathway out of extreme poverty.

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