

KEY POINTS

- The graduation approach is an innovation in social protection that builds on a foundation of social assistance with a holistic set of poverty reduction interventions aimed at tackling the multiple facets of poverty.
- Graduation combines cash transfers with asset transfers, financial inclusion, tailored skills training, livelihood development, social inclusion, and life-skills coaching and psychosocial support. Robust evidence from around the world confirms the sustainability of impact.
- Together with government and nongovernment organization partners, the Asian Development Bank is testing several variations of the graduation approach, building on existing social protection programs in the Philippines, to see if program costs can be brought down without reducing the impact.
- The model can be adapted and scaled up across countries and settings, with particularly promising potential for livelihood restoration in the context of involuntary resettlement.

Testing the Graduation Approach in the Philippines

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BUILDING ON SOCIAL PROTECTION FOR LASTING POVERTY REDUCTION

The Asian Development Bank (ADB) places poverty reduction front and center among its operational priorities. But despite the tremendous progress achieved in Asia and the Pacific over the past decades, the region remains home to more than 1.2 billion poor people living below the international poverty line of \$3.20 per day.¹ Addressing poverty and reducing inequality in the region will require innovative approaches to social protection and targeted poverty reduction. The graduation approach—also known as productive inclusion, cash-plus programming, or social protection for employment—is one such innovation. Graduation refers to moving out of or graduating from poverty and into sustainable livelihoods.

The graduation approach builds on a foundation of social assistance (noncontributory transfers) with a holistic set of poverty reduction interventions aimed at tackling the multiple facets of deprivation. It starts from the premise that poverty is multidimensional, so no single intervention such as education, training, or cash support will be able to tackle poverty completely. Pioneered in 2002 by the Bangladesh-based international development organization BRAC, a local nongovernment organization at the time, holistic graduation programs have since been adapted and rolled out to varying degrees in more than 40 countries, with rigorous impact evaluation confirming their benefits as well as the sustainability of results long after the program interventions ended.²

¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. The international poverty line is adjusted for each country through the use of purchasing power parity exchange rates.

² A. Banerjee, E. Duflo, N. Goldberg, D. Karlan, R. Osei, W. Pariente, J. Shapiro, B. Thuysbaert, and C. Udry. 2015. A Multifaceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries. *Science*. 348 (6236). 14 May. 1260799.

With grant funding from several regional technical assistance projects for innovation, civil society participation, social protection, and impact evaluation, ADB is testing and evaluating several variations of the graduation approach in the Philippines, a country with a significant share of its population still living in poverty.³

THE BASIC BUILDING BLOCKS

Graduation programs offer poor participants a carefully sequenced and time-bound set of solutions, usually over a period of 18–36 months. This time-bound nature tends to appeal to governments and implementing partners. The model supports consumption in the short term (through cash transfers or food support, depending on the context) while developing sustainable and resilient livelihoods in the long run. The interventions combine targeted social assistance with an asset transfer, support for financial inclusion, tailored skills training, livelihood development, social inclusion, and psychosocial support. The typical program components are

- **social transfers** (cash or food) to help the families meet their immediate consumption needs;
- an **asset transfer** selected by the participant from a list of options, based on a detailed local market and value chain analysis;
- focused **technical and business skills training** to develop the capacity to turn the asset into a productive enterprise;
- **financial literacy training and financial inclusion**; and
- regular **coaching and mentoring** by a trained facilitator who provides support tailored to each participant's family development plan through frequent home visits.

MEASURING SUCCESS

Together, the complementary components lead to substantial and lasting improvements in people's lives, measured according to graduation criteria that are context-specific and can be modified depending on the situation. In Bangladesh, the criteria include food security and economic resilience (multiple sources of income and increased earnings, savings, and asset value); improved health practices; social inclusion and empowerment (balanced household decision-making and participation in community events); and positive behavior change (higher school enrollment rates for children, reduced incidence of child marriage, and increased uptake of family planning).

The credibility of the graduation approach is rooted in evidence of its positive results and sustained impact across countries and contexts. A multi-country study in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru that included the 2019 Nobel laureates in economics (footnote 2) used the randomized controlled trial (RCT) methodology to compare the effects of the graduation programs on randomly selected groups of program beneficiaries (the treatment group) and on non-beneficiaries (the control group). The positive outcomes found under nearly all criteria when the program ended were still sustained 1 year later. These include significant increases in household consumption, asset value, livestock revenue, and savings.

There was also statistically significant evidence of women's empowerment, improved psychosocial well-being, and better physical and mental health. The returns on investment for every dollar spent on the program were substantial, ranging from 133% in Ghana to 433% in India. A 7-year evaluation from Bangladesh confirms the sustainable impact, with significant increases in annual earnings, productive working hours, consumption expenditures, and savings.⁴

CONTEXT IS EVERYTHING

A key feature of the graduation approach is its ability to build on existing social assistance programs within and across government agencies. An ongoing ADB pilot project in the Philippines integrates elements of the Kabuhayan (livelihood) program run by the Department of Labor and Employment (DOLE) and the ADB-supported Pantawid Pamilyang Pilipino Program (4Ps), a conditional cash transfer (CCT) for poor families implemented by the Department of Social Welfare and Development (DSWD).⁵ Carefully planned and sequenced graduation components are intended to boost the progress of households out of poverty.

Similarly, Pakistan's graduation program, implemented by the Pakistan Poverty Alleviation Fund, complements the cash transfers provided by the national Benazir Income Support Programme, also supported by ADB.⁶ In Pakistan and the Philippines, the graduation approach does not work in isolation but harnesses the resources and operational capacity of the existing social assistance system.

A second important feature of the graduation approach is its ability to be tailored to diverse settings, and to be targeted at specific outcomes, depending on where the most significant gaps lie. Ethiopia expanded its original social assistance program to include

³ ADB. 2015. *Technical Assistance for Unlocking Innovation for Development*. Manila; ADB. 2018. *Technical Assistance for Deepening Civil Society Engagement for Development Effectiveness: Deepening ADB–Civil Society Engagement in Selected Countries in Southeast and South Asia (Subproject 2)*. Manila; ADB. 2018. *Technical Assistance for Enhancing ADB's Support for Social Protection to Achieve the Sustainable Development Goals*. Manila; and ADB. 2013. *Technical Assistance for Developing Impact Evaluation Methodologies, Approaches and Capacities in Selected Developing Member Countries (Cluster TA)*. Manila.

⁴ C. Balboni, O. Bandiera, R. Burgess, and U. Kaul. 2015. *Transforming the Economic Lives of the Ultra-poor*. IGC Growth Brief. London: International Growth Centre, London School of Economics.

⁵ ADB. 2020. Philippines: Social Protection Support Project.

⁶ ADB. 2020. Pakistan: Social Protection Development Project.

graduation components directed at mitigating food insecurity among rural households. Programs in India integrated the use of digital technology with graduation interventions to enhance women's economic empowerment.

Globally, 80% of ongoing programs serve more women than men, and nearly one-third of them target only female participants. In some countries, graduation programs set explicit objectives of increasing women's autonomy (Kenya), promoting gender equity in training (India), and studying the impact on intra-household dynamics and decision-making (Afghanistan and Bangladesh). Evidence indicates that graduation programs, if designed with a gender lens, can enhance women's financial independence, status in the household, and access to resources.⁷

WHAT'S THE CATCH?

The robust multi-country and multi-context evidence of positive outcomes might beg the question: why aren't governments everywhere adopting graduation and scaling it up nationwide? What's the catch?

One barrier to the adoption of this type of program is the fact that it can be relatively expensive. The cost of distributing both cash and productive assets to each participant can be significant. Then there is the coaching component, which is human resource-intensive. Meaningful interaction calls for well-trained coaches to spend time with their clients. Frequent face-to-face coaching sessions require a manageable caseload, especially when families live in remote areas. In most of the region's large social transfer programs, one program facilitator tends to be responsible for administrative tasks related to hundreds of families, which makes the provision of individual attention or support very difficult. The ADB pilot project in the Philippines is exploring whether group-based coaching can bring costs down without reducing the impact.

TESTING THE GRADUATION APPROACH IN NEGROS OCCIDENTAL, PHILIPPINES

ADB is testing several variations of the graduation approach in the province of Negros Occidental in the Western Visayas region. Selected households receive the following: cash transfers and monthly family development sessions from the DSWD 4Ps, asset transfers from the DOLE Kabuhayan program, and additional graduation components from BRAC USA technical advisers and coaches. ADB has also partnered with Innovations for Poverty Action (IPA) to implement an RCT impact evaluation study.

Targeting at 1,800 beneficiaries in 32 *barangays* (villages) across five municipalities, the study began with the random assignment of participants to one of three treatment groups: (i) group livelihood assets with group coaching, (ii) individual livelihood assets with

group coaching, and (iii) individual livelihood assets with individual coaching. A fourth group serves as the control, participating only in the 4Ps. The third variation is the traditional graduation approach, proven to be effective but more costly.

The graduation components include a targeting verification survey (since the original targeting for inclusion in the 4Ps was done about a decade ago); a rigorous local market assessment to inform the selection of viable livelihood options; skills training for enterprise development; business management and financial literacy training for increased revenue and savings; linkages to local resources and services for health and social inclusion; and regular life-skills coaching and mentoring by well-trained facilitators who offer tailored support to participants.

Participants receive 4Ps cash transfers every 2 months; the amount varies, depending on the number of eligible children. Participants selected livelihood assets worth an average of \$300 from a menu of options based on the market and value chain assessment. The options included swine fattening, salted egg production, food carts, chicken raising, massage therapy, and more.

The carefully sequenced and time-bound interventions provide a holistic support package to some of the poorest households to help them deal with the different facets of poverty. The pilot project also introduced government partners to innovative, low-cost, and real-time program monitoring methods using inexpensive tablets and the free [KoBo online platform](#), which provides simple but powerful tools for data collection and analysis.

IPA completed a baseline study of 2,400 households (1,800 treatment and 600 control) in the third quarter of 2018. An end-line survey to assess the immediate impact of the graduation approach will be done in June 2020, while a follow-up survey is planned for the following year to assess the sustainability of results. The total cost of the pilot project is estimated at \$2.9 million. ADB will provide \$1.24 million in grant funding and the government will fund \$1.25 million worth of cash grants and livelihood assets. An estimated \$400,000 more will be sought for future impact evaluation surveys.

WHAT'S NEXT?

Introducing graduation programming does not mean starting from scratch. Programs that already deliver cash transfers, asset transfers, skills development, and/or employment assistance can be adjusted, better targeted and sequenced, and combined with coaching and mentoring as the glue that holds multisector interventions together.

Evaluating and scaling up the Philippine pilot. In the Philippines, ADB, BRAC, IPA, and government partners will continue to implement the Negros pilot project and plan the mid-2020

⁷ World Bank. 2018. *Partnership for Economic Inclusion: 2018 State of the Sector Synthesis Report*. Washington, DC.

end-line survey. The survey will generate a first round of evidence to inform the government's poverty reduction strategy and its approach to social protection for the poor and vulnerable. DSWD is considering adapting and scaling up the approach as more and more of the 4.4 million 4Ps families leave the program. The new CCT law of April 2019 sets a 7-year limit on participation.

Adapting graduation to resettlement. A newly approved ADB technical assistance initiative with grant financing from the Japan Fund for Poverty Reduction will support the Philippine Department of Transportation in adapting the graduation approach to the context of involuntary resettlement, and will cover about 1,200 poor and vulnerable families affected by the Malolos–Clark railway project.⁸ Involuntary resettlement is among the more disruptive shocks a poor family can face. Livelihood restoration—the most difficult aspect of involuntary resettlement—tends to be the least well implemented. Outcomes for affected people around the region have not always been positive.⁹ This first application of the holistic package of support

for displaced people under the graduation approach—with a strong emphasis on the mentoring component—is expected to demonstrate how graduation can improve resettlement planning in the Philippines and in other ADB developing member countries. Efforts are underway to explore how the approach may be applied to government infrastructure programs requiring resettlement in Tamil Nadu, India.

Sharing knowledge. In 2019, the ADB Social Development Thematic Group established a graduation working group to coordinate bank-wide initiatives, connect operational departments to the growing body of evidence from around the region and the world, and organize learning events to share knowledge—including knowledge gained through a new project that will support research on the graduation approach in Mongolia.¹⁰ In 2020 and beyond, working-group members from across the institution will continue to explore and promote the graduation approach as an innovation that can play a significant role in the social protection and poverty reduction landscape by adopting a holistic “cash plus” approach.

⁸ ADB. Philippines: Strengthening the Transition of Vulnerable Communities Affected by the Malolos–Clark Railway Project.

⁹ J. Perera, ed. 2014. *Lose to Gain: Is Involuntary Resettlement a Development Opportunity?* Manila: ADB.

¹⁰ ADB. 2020. Mongolia: Building Capacity for an Effective Social Welfare System.

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