The Ultra-Poor Graduation Model: Leveraging Rigorous Evidence for Impact at Scale

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Innovations for Poverty Action
Which do you want to drive?
Effective?
What if we made effectiveness drive our innovation for development?
How to support micro-entrepreneurs?

“Micro-credit has been changing people's lives and revitalizing Communities”

UN, 2005, Year of micro-credit

“Most of the poor ... are in deep trouble due to these loans ... Poor people are committing suicides because of ... pressure for repayment.”

Andra Bhoomi, 9/4/06
Evaluating Microcredit with a Randomized Evaluation

Population is split into 2 groups by random lot

Outcomes for both groups are measured
Microcredit Results

• Helps some establish small businesses
• Not a silver bullet to bring millions out of poverty
• Does not lead to increased entrepreneurship
So what to do?

1. Innovate on lending (more flexible lending models?)

2. Microcredit → Microfinance (better access to savings; better access to insurance)

3. Multi-faceted grant program for social protection
Who Are the Ultra Poor?

www.poverty-action.org
Social Protection & Poverty Traps

• **Cause of poverty trap?**
  - Financial: Microcredit & Savings & Risk
  - Information
  - Markets
  - Behavioral
  - Health
  - Education
Income and Revenues

Monthly livestock revenues
Pooled endline 1: $85.81 (control mean $73.52)
Pooled endline 2: $55.50 (control mean $80.62)
Per Capita Consumption

- Per capita consumption, month
  - Pooled endline 1: $4.55 (control mean $78.80)
  - Pooled endline 2: $3.36 (control mean $68.80)
Food Security

Everyone gets enough to eat each day
Pooled endline 1: treatment 47%, control 42%
Pooled endline 2: treatment 45%, control 40%
Cost Effective?

Total Benefits / Total Costs by Country

Ethiopia  Ghana  Honduras  India  Pakistan  Peru
Graduation vs. Asset

Effects of Graduation Multi-Faceted Grant Model vs. Asset-Only "Goat Drops"

- **Goat value**
  - Graduation Grant Program: 69.075***
  - Asset-Only "Goat Drop": 47.423***

- **Livestock value**
  - Graduation Grant Program: 64.072***
  - Asset-Only "Goat Drop": -4.251

- **Business Revenue**
  - Graduation Grant Program: 9.766***
  - Asset-Only "Goat Drop": 1.915
Leveraging evidence: Expanded to 58 projects in 37 countries
But remember...

• No silver bullet

• Nothing works everywhere for everyone

• Something, inevitably, is always better
Ultimately we need to maximize a simple formula:

\[ \text{SUCCESS} = \text{A} \times \text{B} \]

\(\text{A} = \text{choose good ideas} \)
\(\text{B} = \text{implement chosen ideas} \)
Innovation drives improvements

• Cash vs in-kind assets?

• Husband, wife or both?

• Field agent incentives?

• Conditional transfers?

• Psychological interventions first?
Even with Tech, Relationships Still Matter

- More work is needed to learn how to implement ideas at scale
- Technologies (i.e., shiny things) do have potential for providing consistent implementation at scale
- BUT: beware the removal of the human touch
Lots of good ideas: testing helps us decide what’s best
Questions? contact@poverty-action.org
Thank you
Which would you buy?

$100
Free School Uniforms

$100
Information on Returns
Additional years of student participation per $100

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Return</th>
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<tbody>
<tr>
<td>Menstrual cups for teenage girls (Nepal)</td>
<td>0</td>
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<tr>
<td>Remedial tutoring by community volunteers (India)</td>
<td>0</td>
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<tr>
<td>Computer-assisted learning curriculum (India)</td>
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<tr>
<td>Camera monitoring of teachers' attendance (India)</td>
<td>0</td>
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<td>Progresa CCT for primary school attendance (Mexico)</td>
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<td>Merit scholarships for girls (Kenya)</td>
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<td>Free primary-school uniforms (Kenya)</td>
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<td>Iron fortification and deworming in preschools (India)</td>
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<tr>
<td>Information on returns to education, for boys (Dominican Republic)</td>
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<tr>
<td>School-based deworming (Kenya)</td>
<td>13.9</td>
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<tr>
<td>Information on returns to education, for parents (Madagascar)</td>
<td>20.7</td>
</tr>
</tbody>
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SOURCE: J-PAL
Rigorous evaluation: powering innovation

On-going cycle of learning → successful cost-effective innovations for development