

Is the Graduation Approach effective in dealing with friction-driven poverty traps in fragile and conflict-affected contexts (FCACs)?

Written by **Olasunkanmi Akindele**

Master programme	Masters in International Development Practice
University	University of Galway
Supervisor	Una Murray (University of Galway) and Jenny Swatton (Concern Worldwide)
Research Questions	How effective is the Graduation Approach in dealing with friction-driven poverty traps in Fragile and Conflict-affected contexts (FCACs)?

Introduction

A poverty trap refers to a situation where individuals, households, or communities find themselves caught in a cycle of poverty that is difficult to escape. In this cycle, those who begin with limited wealth and resources struggle to improve their economic outcomes¹. This self-perpetuating cycle implies that the current conditions of poverty persist and become entrenched over successive generations.

Ghatak (2015) defines poverty traps as “scarcity-driven” and/or “friction-driven”.² **Scarcity-driven poverty traps** stem from severe shortages of essential resources such as food, healthcare, education, and self/wage employments. These traps can coexist even with varying effects on individuals/households within a population.

Friction-driven poverty traps occur when individuals or households remain impoverished due to exposure to external shocks like political unrest, economic stagnation, and climate disasters. External factors create barriers that prevent individuals from escaping poverty despite the availability of resources. These are further influenced by anti-poverty policies which can be categorised into three groups, namely those that:

- 1) redistribute income at individual level
- 2) facilitate access to the market
- 3) enhance access to public services and infrastructure.³

¹ Kraay, A. & McKenzie, D. (2014). [Do Poverty Traps Exist? Assessing the Evidence](#). Journal of Economic Perspectives, 28 (3): 127-48.

² Ghatak, M. (2015). [Theories of Poverty Traps and Anti-Poverty Policies](#). The World Bank Economic Review, 29, S77–S105.

³ Redistributive interventions include social transfers, for example, cash and in-kind transfers. Examples of access to market policies are credit, savings, insurance, training and access to information. Public services and infrastructure policies are advocacy and human rights-based with the primary objective to improve public actions and accountability to greater effects for the marginalized population.

Friction-driven poverty traps are commonplace in FCACs. Characterised by compounding risks, people living in these settings are 10 times more likely to be living in conditions of extreme poverty⁴. Approximately 24% of the world's population (1.9 billion people) reside in fragile nations⁵. Of these number, 700 million people (37%) are living in conditions of extreme poverty⁶.

Furthermore, two-thirds of the world's extreme poor are projected to be living in FCACs by 2030. Although fragility is a global phenomenon, it is more concentrated in some regions than others. For example, between 2010 and 2022, Central Africa, the Sahel, and the Horn of Africa witnessed significant challenges to stability, alongside the devastating impacts of the COVID-19 pandemic and extreme weather events⁷. Sub-Saharan Africa is projected to host 87% of those living in conditions of extreme poverty globally by 2030⁹. This trend implies that many states in Sub-Saharan Africa may continue to experience conflict and humanitarian crises for the foreseeable future.

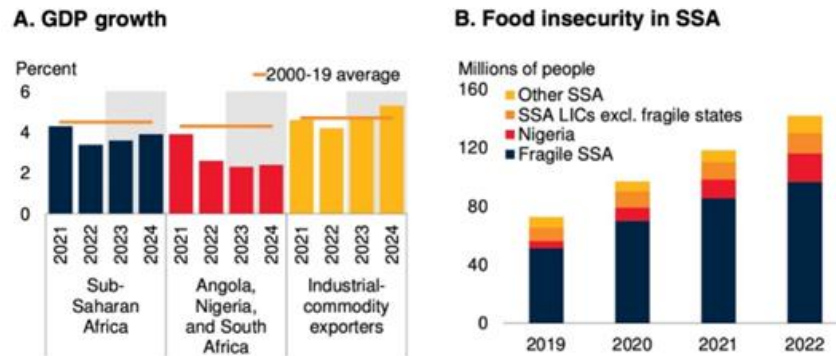


Figure 1: [GDP growth and food insecurity in Sub-Saharan Africa 2021-2024](#)¹⁰

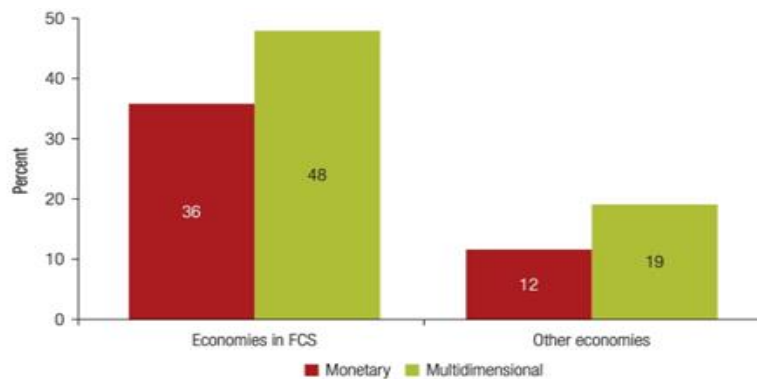


Figure 2: [Monetary and Multidimensional poverty are higher in economies in FCACs](#)¹¹

⁴ Corral et al. (2020). [Fragility and Conflict: On the Front Lines of the Fight against Poverty](#). Washington, DC: World Bank.

⁵ OECD (2022). [States of Fragility 2022](#). The report presents insights on the main drivers of fragility and the nuances of its varied causes and outcomes in a number of contexts. More importantly, it debunks commonly held assumptions about fragile and c

onflict-affected states that humanitarian and development partners should pay attention to.

⁶ World Bank (2015). [Fragility, Conflict and Violence Overview](#).

⁷ World Bank. (2021). [Anticipating Large and Widespread Seasonal Deprivation in the Sahel](#), SASPP Policy Note Series, November 2021

⁸ FAO (2024) in its latest report titled *the Unjust Climate* found that extreme weather events—floods and heat stress—widen the income gap between poor and non-poor households in rural areas by approximately USD 41 billion/year. And heat stress equally robs poor households 5 percent of their total income in a year.

Food and Agriculture Organization of the United Nations. (2024). [The Unjust Climate: Measuring the impacts of climate change on rural poor, women and youth](#). Rome.

⁹ See Corral et al. (2020).

¹⁰ World Bank. (2023). [Global Economic Prospects 2023](#)

¹¹ See Corral et al. (2020).

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It is worth noting that fragility is not exclusively limited to a single continent. Eastern Europe is currently grappling with arguably its most severe FCACs since the turn of the millennium. Elsewhere, Myanmar and Afghanistan witnessed the most significant escalation in political fragility compared to any other context globally between 2019 and 2021.

The Graduation Approach is an example of a 'big push' intervention designed to facilitate a pathway out of conditions of extreme poverty by simultaneously boosting income, providing access to financial services and improving social wellbeing. Graduation programmes provide a comprehensive and sequenced package including income support, technical and business skills training, coaching and mentoring, support to access basic and financial services and the provision of capital or asset transfer. As a result, they are particularly effective in addressing multiple constraints that reinforce extreme poverty, especially those driven by chronic scarcity. Figure 4 illustrates components of Concern's adapted graduation approach.

Implementation is usually between 24 and 36 months, depending on the design and delivery for each programme and context. In addition to providing a comprehensive package of support at household level, programmes consider institutional, societal and cultural barriers that prevent individuals from fully engaging in society. As such, the Graduation Approach is characterised by redistributive and access to market policies – attributes that have made it an effective social policy instrument.

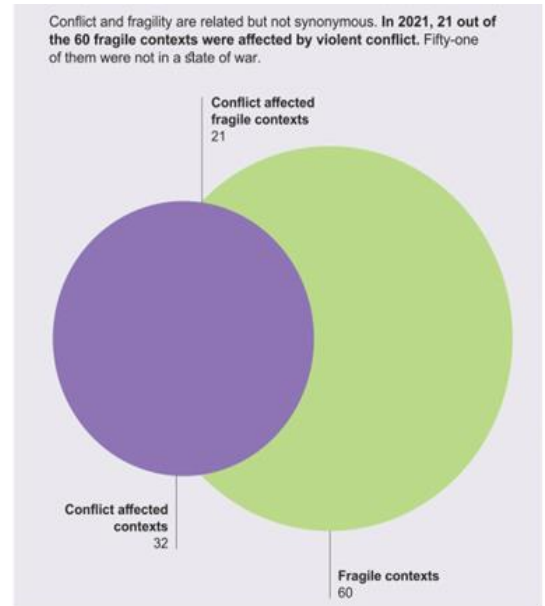


Figure 3: [Fragile and Conflict-affected contexts 2022](#)¹²

Methodology

The Graduation Approach has contributed significantly towards global efforts to eradicate conditions of extreme poverty. There is evidence of impacts ranging from improved consumption, gender dynamics, asset ownership and income among others.¹³ However, less is known about the effectiveness of the Graduation Approach within FCACs, where multiple exogenous threats exist, and friction-based poverty traps are more pertinent. This study aims to address the gap by examining the effectiveness of the Graduation Approach in FCACs, with a particular focus on its capacity to mitigate both friction-driven and scarcity-driven poverty traps.

Our hypothesis is that the multifaceted nature of the Graduation Approach equips it with the requisite mechanisms to tackle the intricate dynamics of extreme poverty prevalent in FCACs. By integrating complementary interventions spanning financial inclusion, livelihood support, social protection, and capacity building including protection and

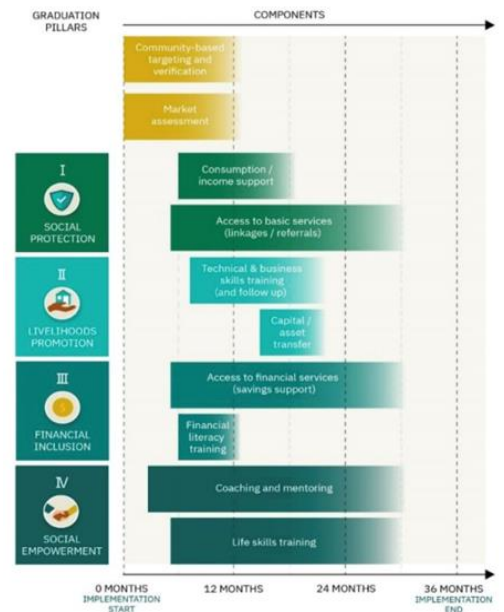


Figure 4: [Components of Graduation Programme](#)¹⁴

¹² OECD (2022). [States of Fragility 2022](#).

¹³ Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., Shapiro, J., Thuysbaert, B., & Udry, C. (2015). [A multifaceted program causes lasting progress for the very poor: Evidence from six countries](#). Science, 348(6236), 1260799.

¹⁴ Concern Worldwide. (2021). [Concern's experience and learning from the graduation approach](#). Knowledge Matters: Issue 30, May 2021.

psychosocial supports¹⁵, we posit that the Graduation Approach has the potential to foster sustainable pathways out of extreme poverty within FCACs.

We examined 6 cases tested through randomised controlled trials (RCT) across 10 low-income countries in Sub-Saharan Africa, Middle East and North Africa, Latin America, and South Asia (see Table 1). Poverty rates in these regions stood at 35.4%, 9.6%, 4.3%, and 10.1% respectively as of 2018¹⁶.

We excluded 2 studies from the review because, even though both were situated in FCACs, their objectives are outside the scope of the review¹⁷. Notwithstanding the studies offer relevant insights for consideration. Chowdhury et al. (2017) compared treatment effects between the Graduation Approach and unconditional cash transfer in South Sudan. Though the AVSI's Women Income Generating Support (WINGS) Program, evaluated by Blattman et al. (2016), is not based on the Graduation Approach per se, it offered identical components to those of graduation programmes: cash grant, business skills training, one-on-one supervision, and group formation.

Table 1: Case Selection

Author(s)	Country(s)	Size	Poverty Traps	Treatment Effects
Balboni et al. (2022)	Bangladesh	21,000 households	Occupational (Scarcity-driven)	Improved productive assets, income and savings.
Bandiera et al. (2017)	Bangladesh	6,000 households	Occupational (Scarcity-driven)	Increased consumption and diversified asset base.
Bossuroy et al. (2022)	Niger	22,500 households	Capital and psychosocial (Scarcity-driven)	Increased consumption, food security, coupled with improved women-led enterprises, and psychosocial well-being.
Banerjee et al. (2015)	Ghana, Honduras, India, Peru, Pakistan & Ethiopia	10,495 households	Nutrition and asset (Scarcity-driven)	Improved income, consumption, food security, and productive asset.
Bedoya et al. (2019)	Afghanistan	1,219 households	Fragility, occupational and nutrition (Scarcity- and friction-driven)	Increased livestock and household assets, consumption, income and savings, and food security.

¹⁵ Graduation Programmes targeted at displaced populations and refugees are increasingly adapting intervention supports to include psychosocial supports and protection to deal with trauma and enhance social inclusion between refugee and host communities.

¹⁶ [Global and regional poverty estimates, 1999- 2021](#) at \$2.15 (2017) power purchasing parity (PPP).

Baah, S., Aguilar, R., Diaz-Bonilla, C., Fujs, T., Lakner, C., Nguyen, M. C., & Viveros, M. (2023). March 2023 global poverty update from the World Bank: the challenge of estimating poverty in the pandemic. Washington, DC: World Bank.

¹⁷ Chowdhury, R., Collins, E., Ligon, E., & Sulaiman, M. (2017). [Valuing Assets Provided to Low-Income Households in South Sudan](#), 1–26.

Brune et al. (2020)	Yemen	1,002 households	Conflict, asset and occupational (Scarcity- and friction-driven)	Relatively significant treatment effects on asset accumulation and savings period.
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Findings

Based on the research hypothesis that the Graduation Approach can effectively address both friction-driven and scarcity-driven poverty traps, our findings suggest promising evidence in two different contexts:

- In Balkh Province, Afghanistan, the Graduation Approach was implemented in 80 villages and significant improvements were observed in consumption and asset ownership 12 months post-intervention.¹⁸ The decrease in the percentage of households below the national poverty line from 82% in the control group to 62% in the treatment group indicates a notable positive impact on poverty reduction¹⁹.
- Similarly, in Yemen, the Graduation Approach demonstrated positive effects on asset accumulation and savings behaviour 4 years after baseline²⁰. Although the outcomes were substantial, they were notably lower than the initial value of transfers distributed.

Overall, these findings support the hypothesis that the multifaceted approach of the Graduation Approach has the potential to address various poverty traps, including those influenced by chronic scarcity and in FCACs. However, further research and evaluation are necessary to fully understand the approach's effectiveness and to optimize its implementation in such environments.

Recommendations

The findings further highlight key considerations relating to context, programme design and implementation:

- In FCACs, poverty stems from and contributes to political instability. Narrow conceptualisation of vulnerability as merely the exposure to persistent poverty and weak adaptive capacity may be inappropriate in FCACs. The precise political and economic factors driving exclusion and exploitation should be determined, and vulnerability framed relative to poverty and powerlessness. This approach ensures that interventions mitigate harm and address structural inequalities.
- FCACs are shaped by the condition of the state and the dynamics of the war economy. Understanding the power dynamics at play between the poor and the rich is essential. Without this insight, livelihood support might inadvertently perpetuate exploitative patterns, benefiting perpetrators of violence rather than the victims.
- Households' livelihoods strategies evolve rapidly in FCACs. Recognising and factoring the preferences and priorities of a target population in designing livelihood interventions is a better approach.

¹⁸ Bedoya, G., Coville, A., Haushofer, J., Isaqzadeh, M., & Shapiro, J. P. (2019). [No Household Left Behind: Afghanistan Targeting the Ultra Poor Impact Evaluation](#). NBER Working Papers, no. 25981.

Excluding the effects on psychological well-being, hours spent on productive activities, financial inclusion, and women's empowerment, the treatment effect remains significant, particularly in a fragile setting. However, it remains unclear whether these effects persist over a longer period. The estimated consumption effect, valued at \$24 PPP (\$7) in absolute terms, is relatively small without significant spillovers. Nevertheless, this does not diminish the overall positive impact of the intervention on participants and villages.

¹⁹ The program, funded by the World Bank under the Access to Finance initiative, deviated from the standard graduation model significantly. It provided a health subsidy of USD 81 PPP and coaching for only 12 months. Additionally, the programme provided veterinary support and replaced sick or deceased animals during its operation.

²⁰ It is important to note that the programme ran concurrently alongside government's unconditional cash transfer scheme. The extent to which spillovers of this scheme impact on treatment households is unknown.

- Livelihoods strategies are strongly linked to policies and practices across levels of governance. Trickle Up proposes a three-level analysis – individual, local, and institutional – of the specific context for effective design and implementation of the graduation approach²¹. Whichever livelihoods strategy is adopted cannot substitute for actions at the other levels.
- Drawing inferences from pilot projects to scale interventions nationwide should be approached with caution. Context and variables will differ considerably across sites/countries. Thus, it is impracticable to expect a one-size-fits-all solution. Nevertheless, there are common elements which, when complemented with systemic analysis, can enhance planning, implementation and outcomes.
- Persuading governments to allocate public funds to scale up graduation programs amidst limited financial resources and competing demands, even in the post-conflict era, may be challenging. Even where that is feasible, objectives could differ considerably between the government and development partners²².
- Data gaps could limit effective targeting²³. According to the OECD’s States of Fragility 2022, data on progress against the UN Sustainable Development Goal (SDG) in fragile contexts are missing for more than 50 per cent of the indicators across nine SDGs. With limited data availability and conflicts polarised along ethnic or religious divides, targeting becomes contentious and monitoring technically difficult²⁴. Importantly, targeting groups perceived as economically viable for market growth over the most vulnerable is a recipe for intra-community tensions²⁵

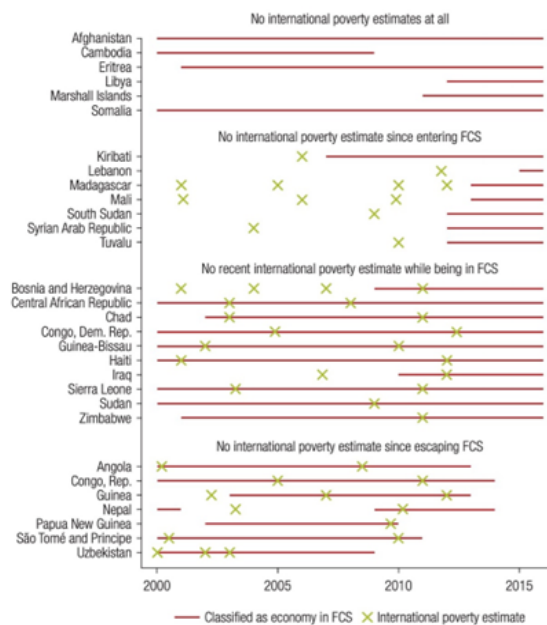


Figure 5: [Pattern of International Poverty Data Gaps in FCACs](#)²⁶

²¹ Arevalo and Simanowitz. 2019. [Lessons from Trickle Up & UNHCR: Applying a Refugee Lens to Graduation](#)

²² In Yemen, government had a macro-level objective to decrease the population of individuals who rely on receiving unconditional cash stipends for an unspecified duration.

Moqueet, N. (2013). [Graduation Out of Poverty in Yemen: Impact of the Political Crisis on the Extreme Poor](#). BRAC Development Institute.

²³ [Data deprivation](#) underscores the situation where the state has outdated or no poverty estimates. Without relevant data, those living in extreme poverty and marginalised will be without a voice and difficult to locate.

²⁴ The lack of regular delivery during the crisis period was a challenge for poor households. The interruptions of the regular household visits may have reduced the effectiveness of the intervention. There were also delays in distributing consumption support. Brune, L., Karlan, D., Kurdi, S., & Udry, C. (2022). [Social protection amidst social upheaval: Examining the impact of a multi-faceted program for ultra-poor households in Yemen](#). Journal of Development Economics, 155, 102780.

²⁵ World Bank. (2022). [Targeting in Ultra-Poor Settings: Evidence from Six Countries in rural Sahel](#), SASPP Policy Note Series (4), October 2022.

²⁶ See Corral et al. (2020), pg. 9

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- FCAC states are susceptible to sudden outbreaks of violence, even during periods of relative peace, which can disrupt implementation. For instance, political crises severely undermined implementation and outcomes in Yemen barely a year after the programme was initiated in a stable state²⁷. Forced displacement can cause attrition as people flee into and out of programme site(s). This movement, regardless of its direction, can disrupt programme implementation in unpredictable ways. Faced with food insecurity and the fear of losing assets to theft or negative market prices, participants are more likely to consume or sell off assets²⁸.
- *Elite capture* is a common phenomenon in conflict settings. For example, asset transfers became a tool for power brokering by local elites in northern Uganda. Reliance on community leaders to access beneficiaries in Pakistan resulted in patronage networks that diverted support to close associates²⁹.

In conclusion, the findings of the review underscore the potentials and challenges of implementing the Graduation Approach in FCACs. While current evidence remains limited, the findings of this review indicate that the Graduation Approach has the potential to deliver meaningful impact even in some of the most difficult settings. And by embracing a nuanced understanding of “local specificities”³⁰ and incorporating systematic analysis, the Graduation Approach is potentially a viable social policy instrument capable of effectively addressing extreme poverty in FCACs globally.

²⁷ See Moqueet (2013) and Brune et al (2022).

²⁸ See Banerjee et al (2015).

²⁹ Vervisch, T., Titeca, K., Vlassenroot, K., & Braeckman, J. (2013). [Social capital and post-conflict reconstruction in Burundi: The limits of community-based reconstruction](#). *Development and Change*, 44(4), 147-174.

Levine, S. (2016). [Livelihood Recovery in Post-Conflict Northern Uganda](#). Working Paper 42. Researching Livelihoods and Services affected by Conflict. Somerville, MA & London, UK: Feinstein International Center & Overseas Development Institute (ODI); Secure Livelihoods Research Consortium.

Shah, Q. A., & Shabaz, B. (2015). [Perceptions of post-conflict livelihood interventions in Khyber Pakhtunkhwa, Pakistan: Targeting, access and relevance](#). Working Paper 29. London, UK: Secure Livelihoods Research Consortium, Overseas Development Institute.

³⁰ Banerjee et al. (2015) posit that negative results observed in the pilot interventions were due to “local specificities” and probably pure luck. Perhaps those local specificities are friction-driven poverty traps which were not captured in market/needs assessment and political economy analysis.

Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., Shapiro, J., Thuysbaert, B., & Udry, C. (2015). [A multifaceted program causes lasting progress for the very poor: Evidence from six countries](#). *Science*, 348(6236), 1260799.



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