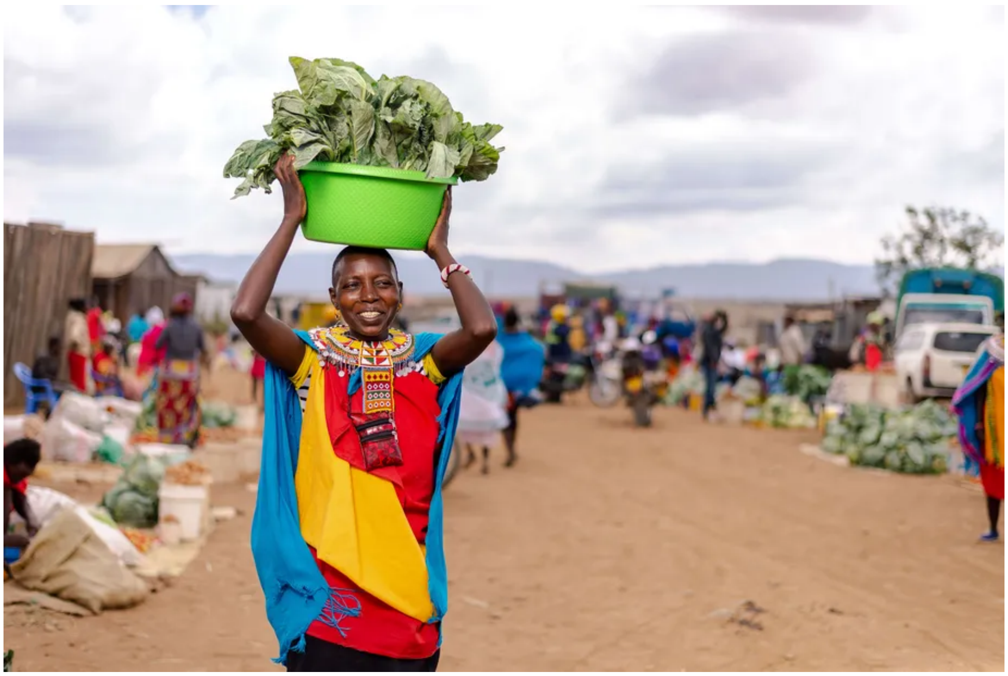
Vox

What's the best way to help extremely poor people? After 20 years, the evidence is in.

Is it really useful to "teach a person to fish" or should you just give them the damn fish already?

By Sigal Samuel | Jun 24, 2022, 9:00am EDT



Through planning and shared responsibilities, Ntetekwa now has a permanent spot at the local market and can sell her family's produce at a fair cost that will allow her business to expand in Samburu, Kenya. | BRAC/BOMA

FUTURE PERFECT

Finding the best ways to do good.

If you want to fight poverty, you probably intuitively feel that the worst-off people are the ones who should be prioritized. As difficult as it is to live on a few bucks a day, someone who's living on just **$1.90 a day** clearly has it worse, and it makes sense to think you should try extra hard to help the poorest of the poor.

It's a big moral problem, then, that a lot of anti-poverty programs fail to successfully do that.

That problem has bothered Shameran Abed since the 1990s. Back then, he was working on voguish anti-poverty programs with the international development organization he directs from Bangladesh, known as **BRAC**. **Microfinance** was all the rage then, but it was **becoming clear** that microloans weren't reaching the poorest households. Nobody wanted to lend to them because who knew if they could pay back the loan? And the poorest households often didn't want to borrow because they weren't confident that they could figure out how to turn a profit and repay.

Like many other charities, BRAC had also been distributing food to very vulnerable households. But Abed grew disenchanted with the model of simply giving away food, or even giving away money via cash transfers.

"It's very important, but not transformative," Abed told me. "You're keeping people alive, you're helping them to survive to the next day, but you're not helping them move out of that situation. They're going to need you to come back again and again."

To put it in terms of a classic slogan: You're giving them a fish, but you're not teaching them how to fish.

Abed and his team decided they needed to try something new if they wanted to lastingly improve life for the worst-off — the "ultra-poor," as they put it. So in the early 2000s, they went into village after village in Bangladesh, deliberately looked for the poorest people, and talked to them. And what they realized was that the ultra-poor aren't only poor in terms of cash — they also lack knowledge about how to invest cash, lack confidence in themselves, and lack social ties to the broader community.

"We started realizing that it's not going to be a simple sort of solution," Abed said. "It's going to have to be a package of things, because it has to address multiple vulnerabilities. So then there was this idea of a 'big push' investment."

That "big push" is the idea that offering a combo of assets and training and cash — instead of just, say, cash — can trigger a virtuous cycle that ultimately helps ultra-poor people escape poverty. For example, you can offer people livestock plus training on how to make money off that livestock plus a bit of cash to sustain them while they get things up and running. This premise became the bedrock of what BRAC called the "**ultra-poor graduation program**," which aims to "graduate" recipients out of extreme poverty.

Participants of the graduation pilot run in Bamyan, Afghanistan, meet weekly for life skills and literacy training. They also meet bi-weekly with a coach who monitors their progress and provides business and livelihood lessons to ensure resilience long after the program is complete. | BRAC

BRAC pioneered this program in 2002, at a time when some of the world's top development economists — like the 2019 Nobel Prize winners Abhijit Banerjee and Esther Duflo — were starting to champion a more scientific, evidence-based approach to figuring out what helps people in poverty. These economists decided to study the ultra-poor graduation program over many years to see its long-term effects. Because the **graduation program in Bangladesh** seemed to do a good job of lastingly **increasing earnings**, that model started spreading around the world. It's currently in use in **50 countries**, generating even more research aimed at evaluating the impacts.

On a certain level, it seems intuitive that doing more for people — giving assets and training and cash — will produce better outcomes than just giving one thing, like cash. But the downside is that it takes more time, effort, and money to run a more complex intervention.

So a major question looms over the graduation program: Is it worth spending that money on the program or is it more efficient to just give all the money directly to people in need? In other words, is it really useful to teach the person to fish or should you just **give them the damn fish already**?

Now, 20 years later, the results are in. Here is what they teach us about how to address extreme poverty.

The evidence on ultra-poor graduation programs looks very good

In 2015, a group of economists including Banerjee and Duflo published **a huge randomized study** looking at a graduation program in six countries: Ethiopia, Ghana, Honduras, India, Pakistan, and Peru. The program had been implemented from 2007 to 2014, and the results showed that it significantly increased incomes and savings, while also improving mental health and reducing hunger. The only exception was Honduras, where the chickens that people were given died of disease.

The study is definitely encouraging, but it looked at impacts only one year after the program. That's key: Sometimes an anti-poverty experiment will show promising results after a year or, say, four years — but by year nine, the **results tend to look much less rosy**, perhaps because the control group catches up with the treatment group. So it's very helpful when economists do a 10-year follow-up to check whether the initial results persisted over time.

That's why it's worth drilling down into another **randomized controlled study** published by Duflo, Banerjee, and co-author Garima Sharma just a few months ago. This study followed up on an experiment conducted in West Bengal, India. Ultra-poor people were given two cows or two goats, together with training on how to generate income from the livestock and a small subsistence stipend to keep them going. The researchers found that the initial results persisted, with study subjects enjoying higher income and consumption even a full decade later.

How exactly did this experiment help people escape poverty in the long term? What was the mechanism by which it worked?

At first, the beneficiaries were richer than the control group simply because they had the stipend and the transferred asset: the cows or goats. (They immediately could sell the animals' milk, for one thing). By year three, many were using that as a jumping-off point to start up small non-farm businesses, like a seamstress shop, and earning more money as a result.

Piloted in Samburu, Kenya, by the BOMA Project and BRAC UPGI, these women work together to raise their families and build their livelihoods and savings as part of their participation in the PROFIT Financial Graduation program. | BRAC/BOMA

By year seven, however, a good chunk of their wages was coming from a different source: work in cities via migration. Rural families who had received aid built up enough resources to be able to send a member of their household to work in a big city. That migrant worker would then send money back home. By year 10, much of the beneficiaries’ money was coming from these remittances.

Some households in the control group also sent members to big cities to work. But the members of beneficiary households migrated for longer on average and went to more distant urban centers with greater economic potential. That might’ve been because mounting a longer migration is more expensive, and only possible with the platform provided by the initial aid, or it might’ve been because they were more confident after getting a big-push head start. Either way, it translated into higher earnings for them and their families.

Other research has found similarly positive long-term results elsewhere. For example, a study in Bangladesh showed that participants experienced **sustained benefits** seven years after starting the program. That included a 37 percent increase in earnings and a 9 percent increase in consumption. Altogether, the evidence suggests that the graduation model can lastingly improve life for the poorest of the poor.

Is the graduation approach always better than just giving cash? Not so fast.

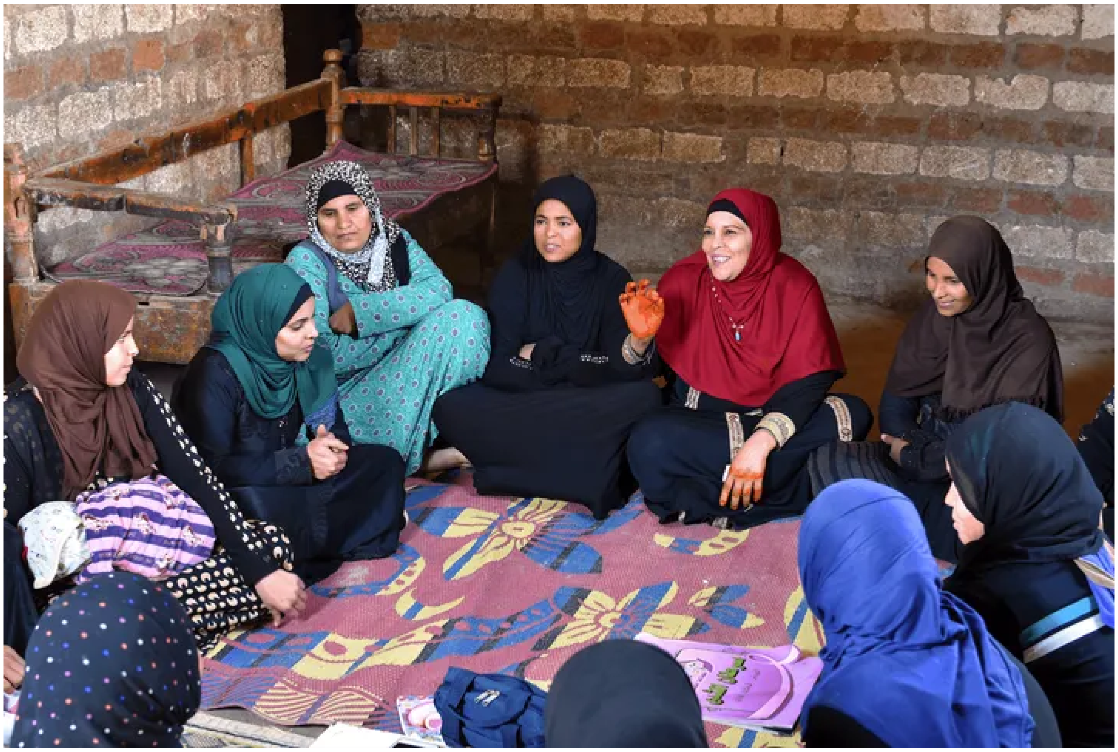
In recent years, development experts have moved toward an important idea called "cash benchmarking," which basically says that cash is the benchmark against which all other anti-poverty interventions should be judged. Since giving people cash is easy, efficient, and respectful of their autonomy, aid agencies should only run a different type of program if testing shows that it works better than cash would.

Nowadays, when studies come out showing positive results for graduation programs, there's a tendency to think that this particular combination — cash plus assets plus training — does work better than simply giving cash. But just because the graduation approach works great in some scenarios doesn't mean it's always the most efficient approach.

For starters, though, let's look at the evidence suggesting that cash-plus programs work better than simple cash programs. Three studies have run this sort of comparison.

In South Sudan, **a study** looked at what happened to 250 households that got a full graduation program, compared to 125 households that got only cash and 274 households that received neither. Both graduation and cash increased consumption, but only the graduation group saw a significant increase in assets, a sign of more durable wealth. Although the cash group shifted a bit from agriculture to other types of work, they didn't set up their own lasting businesses that may have been higher-paying.

In Uganda, **researchers evaluated a graduation-style program** run by a group called Village Enterprise. It offered training and a capital grant to extremely poor people so they could start a small business. The researchers found that it worked well, increasing self-employment income and consumption. In fact, it **outperformed cash on these measures**. The authors speculate that, "left to themselves — without training and mentorship — beneficiaries [of cash transfers alone] struggled to make productive investments, maintain them, and derive sustained value from them."



This savings group in Sohag, Egypt, not only teaches participants financial literacy and sound savings practices, it also gives them an outlet to discuss things such as how to prevent child marriage and female genital mutilation. | BRAC

In Niger, **a new randomized study** has highlighted the benefits of taking a multifaceted approach to extreme poverty. The study evaluated women who were already enrolled in a government cash transfer program. The goal was to understand how psychosocial issues — like feeling depressed or disconnected from your community — might make it harder to seize economic opportunities. The study found that the women who got psychosocial support showed rates of returns that were higher than those who got only cash. Offering psychosocial support was the most cost-effective route 18 months after the intervention.

When Abed looks at all this evidence, he thinks the upshot is clear. “Graduation programs are much more impactful in the longer term,” he said. “I know that for the ultra-poor.”

But others, like Banerjee, are more circumspect. “I don’t think we can say that yet,” he told me. “I think it’s hard to read the evidence.”

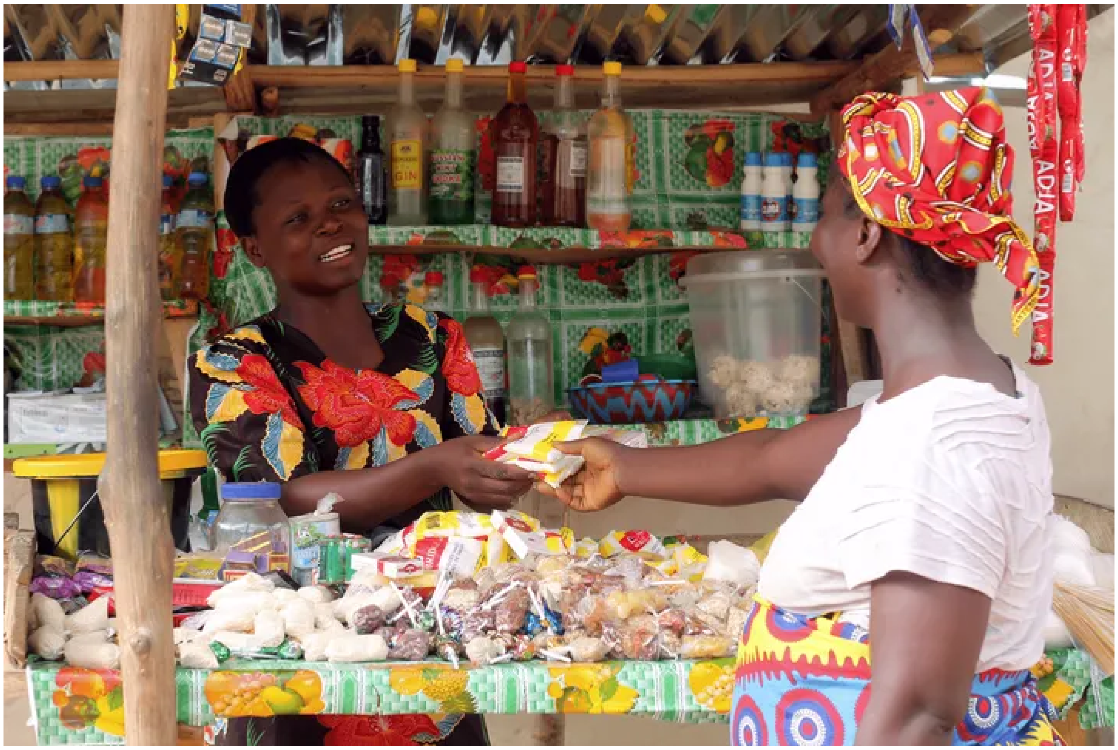
Why? For one thing, while graduation programs appear to work great in some places, they’re dependent on the market — and they can run into problems in places where the market is either too dysfunctional or, ironically, too functional.

One **randomized trial** in India, published in 2012, is an example of the latter. It found that a graduation program yielded no net impact. Although it shifted participants away from agricultural jobs to other sorts of work, they could've earned just as much in their original agricultural jobs. While those original jobs were far from big money-makers, wages for agricultural labor had been improving in India, thanks to programs like the ambitious **National Rural Employment Guarantee**, so adding in a graduation program didn't really help.

Dysfunctional markets produce their own obstacles. Abed told me about his experience trying to run a graduation program in Balochistan, an extremely dry, desert-like province in southwestern Pakistan, where participants were taught how to run a small business. One problem: There wasn't a functional market for the businesses to thrive in. "Once they graduated, there wasn't much to go to," said Abed. "And there wasn't microfinance available. So it was very, very difficult."

Arguably, this points to an issue with the graduation approach's reliance on the concept of the "**poverty trap**." The idea here is that poverty works like gravity: to help someone escape it, you have to get them above a certain escape velocity. If you don't give them a big push that gets them above that threshold, they'll eventually sink back into poverty.

"I think the poverty trap concept is very simplistic," said Miriam Laker-Oketta, a Uganda-based research director at GiveDirectly, which runs cash transfer programs. "It makes it look like you just need to get this one person out of poverty. But because they're human beings, they're all connected. The community is all connected. I think we need to be thinking of poverty in terms of communities rather than individuals. It has to be more systemic."



Once she received her initial asset transfer of three pigs, Oretha set into motion a plan to expand her business and climb out of poverty in Bong County, Liberia. | BRAC

In other words, if we're not thinking about increasing opportunities in the broader community or marketplace, it'll be hard for any individual to flourish. (Laker-Oketta said this is one benefit of GiveDirectly's "geographical saturation" approach, where everyone in a relatively poor community is eligible for cash transfers even if they're not quite ultra-poor.)

Another way a graduation program can flop is if it fails to be cost-effective. In the huge 2015 **randomized study** that looked at graduation programs in six countries, Banerjee and his co-authors **note** that although the program proved extremely cost-effective in some places, easily paying for itself within 10 years, other countries don't have such low costs and high benefits in the short run. In Peru, for example, such a program wouldn't break even.

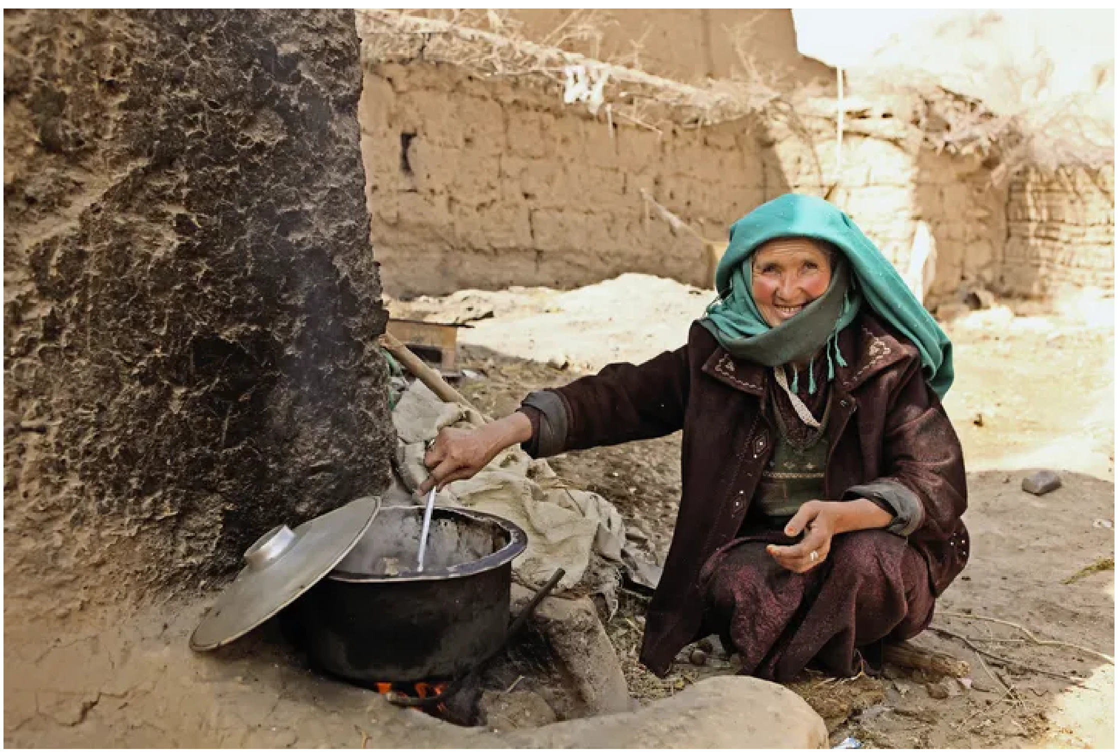
"The cost numbers depend on how easy it is to get effective hand-holders," Banerjee said, referring to the program staff who offer training and mentorship. It's cheaper to hire such people in Bangladesh, say, than in Peru.

When comparing graduation programs and simple cash programs, it's also important to note the possibility that the results of the graduation programs look so great specifically because they're targeting the most extremely poor people.

“In many cash transfer studies, effects dissipate over time not because the initial impact wasn’t large, but because the control group caught up. They were poor but not especially so,” the economist Chris Blattman **pointed out**. “My hypothesis is that part of the sustained impacts of ultra-poor programs is not the nature of the program (asset transfers plus other services) but the fact that the people the programs served had really terrible counterfactuals.”

In other words, maybe graduation isn’t intrinsically more effective than cash. Maybe the reason cash programs sometimes show less amazing contrasts between the control group and treatment group after a few years is just that the control group manages to catch up. Unlike the ultra-poor, the moderate poor might have some basic business savvy, literacy skills, or social connections that enable them to increase their income over time.

Abed is convinced that graduation is the best approach for the ultra-poor, but he acknowledges that what makes the most sense for the moderate poor is a somewhat open question. Also, while graduation may be best for ultra-poor people who are young and healthy enough to go start businesses if given half a chance, it may not work for those who are elderly or disabled. For those groups, the answer may well be cash transfers.



Fatema proudly shows off her cookware, signifying a step out of poverty in Bamyan, Afghanistan. She is now able to provide herself and her family daily, nutritious meals. | BRAC

"We're not trying to pit graduation against anything else. Nothing we do is the one magic bullet to end poverty," Abed told me. "But we think graduation is extremely powerful, extremely compelling, and the evidence suggests that. So we would really like to see a much greater uptake of graduation-type programming globally."

The "minimum viable" graduation program

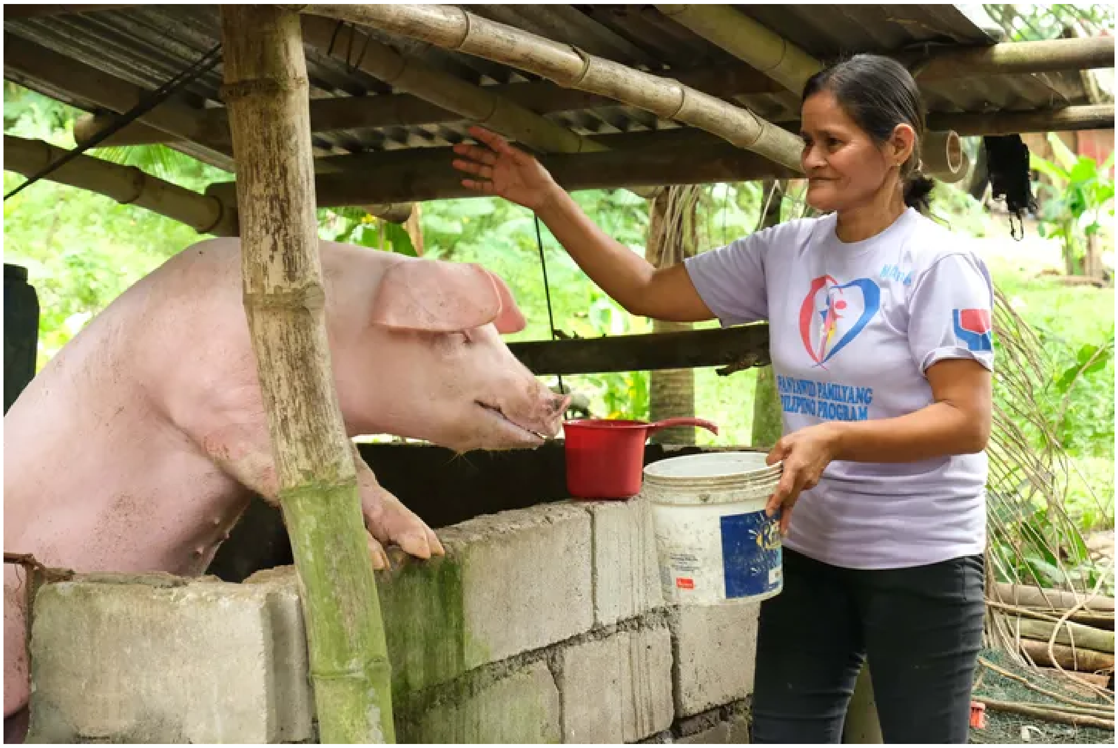
When you talk to people in the pro-graduation camp and people in the pro-cash camp, you start to realize a funny thing: These two camps are actually moving closer and closer together over time. The gap between "teach a man to fish" and "give a man a fish" is narrowing.

Abed is keenly aware that there are more than 600 million people in ultra-poverty around the world, and that trying to help them all through an organization like BRAC would be impossible. So the key is to partner with governments and see if a graduation program can be integrated into broader government programming. "We need governments to scale at a rate that only governments could do. We need governments to buy in."

Of course, governments tend to shy away from expensive programs, and the full suite of offerings in a graduation program is expensive. So in the interest of designing a program that's as cost-effective as possible, the graduation camp is realizing that it should try to peel back some of its offerings to determine which ones are crucial to success and which may be dispensable.

"We're working now on what we're calling a minimum viable product," Abed said. "You know, what needs to happen for us to have a quality graduation program?"

Banerjee told me he doesn't know whether all the graduation program's components are necessary, so he wants to do new research exploring whether a lighter-touch approach works. "We want to see if we can do cash plus handholding," he said. "That could be one possibility that would make it a little less clunky."



Corazon Gaylon, a single mother of three in Salvacion, Philippines, was well prepared to make it through the intense Covid-19 lockdowns in the Philippines unscathed as part of her participation in the DOLE Graduation project funded by the Asian Development Bank. | BRAC

Over at GiveDirectly, Laker-Oketta is thinking along similar lines. Her organization gives unconditional cash transfers and trusts recipients to spend the cash as they see fit. One of her issues with graduation is that it might not respect people’s agency so much.

“I think it’s quite paternalistic to come to a community and say because 80 percent of that community has cows as their livestock, the right thing to do will be to give everyone cows,” she said. “Maybe the other 20 percent don’t have cows because they don’t want to raise cows!”

Nevertheless, Laker-Oketta said that GiveDirectly is now looking at the possibility of offering cash plus handholding, or cash plus education. “What we’re saying is, if we’re going to add a plus, maybe let’s tell people what opportunities are available in their setting — better seeds, cows, chickens — but at the end of the day what they do is up to them,” she said. “In one of the projects we’re starting now, the plus is education. But it has to be given in a way that the recipients do not feel like they have to use the cash for that intervention because, ‘Oh, the people who are giving us money say it’s a good thing.’”

In other words, however gingerly, both camps are taking steps toward each other, realizing that the best approach could lie somewhere in the middle.

In addition to getting clearer on what to offer, Banerjee wants the research to clarify where it’s best to offer cash-plus programs and to whom. We have some preliminary hints now, but there’s more work to be done on fine-tuning our understanding of which market contexts and which categories of people should be targeted with cash-plus programs, and which might be well-served by just plain old cash.

With this, Laker-Oketta agreed. After all, “teach a man to fish” was never a bad idea in theory. The practical problem researchers faced was that they didn’t know how to do that in a way that is effective, durable, and non-paternalistic. After 20 years of gathering evidence, they’ve made some real headway, but there’s still more work to do, especially on that last point. Researchers need to ask recipients what outcomes matter most to them and how they do and don’t want to achieve those outcomes.

“We still need to be fine-tuning our programs to meet the needs of the recipients the way they want them to be met,” Laker-Oketta said. ”It’s never going to be one-size-fits-all.”