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EXECUTIVE SUMMARY

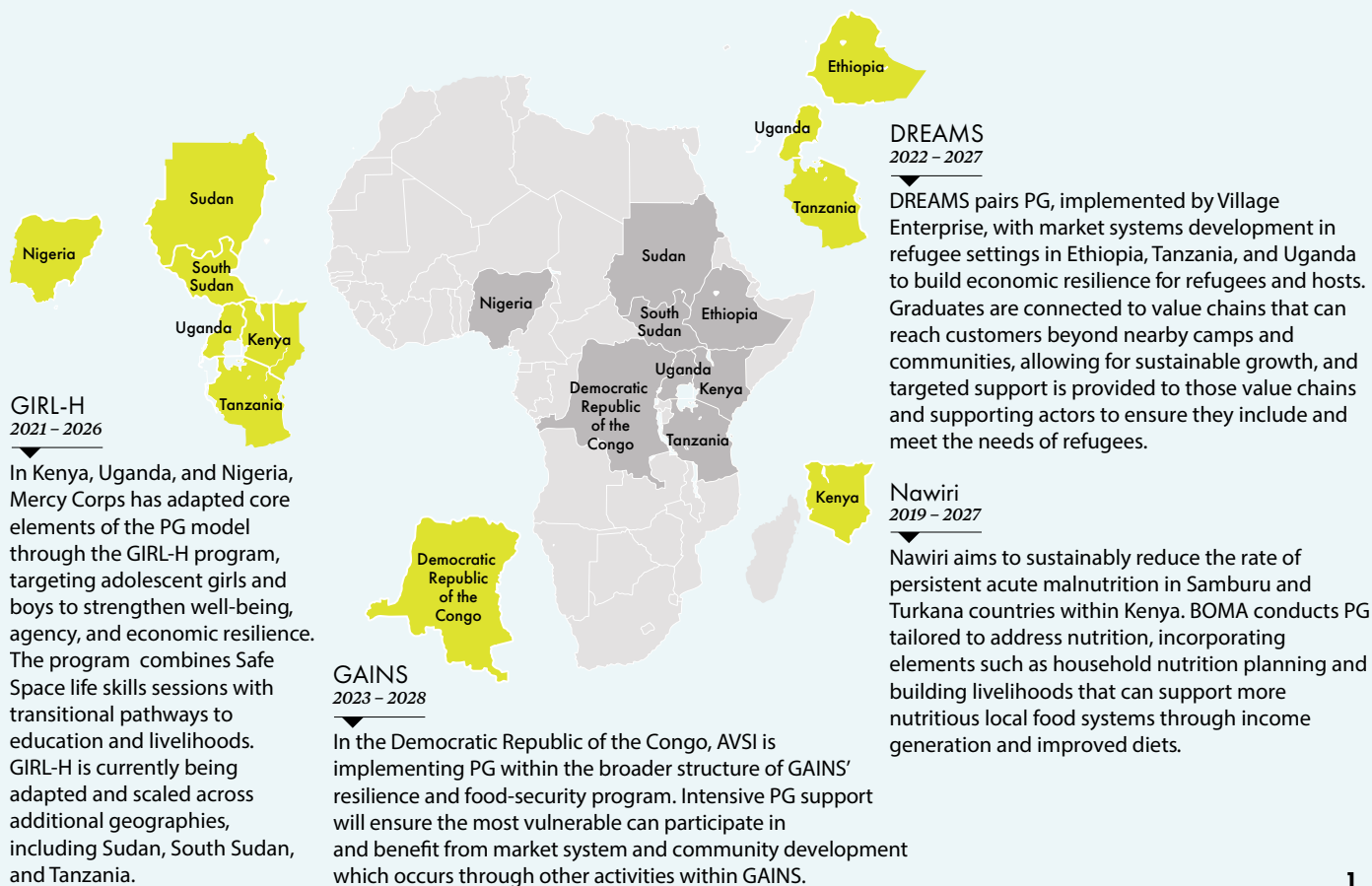
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CLOSING THE GAP

Evidence and Opportunities for Adapting Poverty Graduation for the Most Fragile Contexts



Over the past two decades, Poverty Graduation (PG) has emerged as one of the most promising and rigorously evaluated approaches for improving the well-being of ultra-poor households in low-income settings. Evidence from randomized controlled trials and long-term studies shows that PG can consistently improve income, consumption, food security, savings, and psychosocial well-being ([Banerjee et al., 2015](#); [J-PAL, 2023](#)). These results have prompted interest from donors and governments in embedding PG into broader poverty reduction and social protection strategies. The successes have also led to PG being applied in a wider range of contexts, including with displaced populations.



However, much of the evidence comes from relatively stable rural contexts where markets tend to function, populations are largely sedentary, and basic services are generally accessible. These conditions likely contribute to the long-lasting impacts demonstrated by PG programs, where graduates can draw on support from the systems around them to protect and grow their livelihoods. But they differ from the fragile settings where many of the world's poorest now live. In these contexts, poverty often coexists with displacement, degraded natural resources, thin markets, and limited institutional capacity to prevent, prepare for, or respond to shocks. These challenges raise questions about how PG's core model can be adapted to be most effective, scalable, and sustainable in fragile, conflict-affected, and climate-vulnerable contexts.

With our partners, Mercy Corps is adapting PG to these environments. This report identifies four areas where adaptations are underway, and where further learning

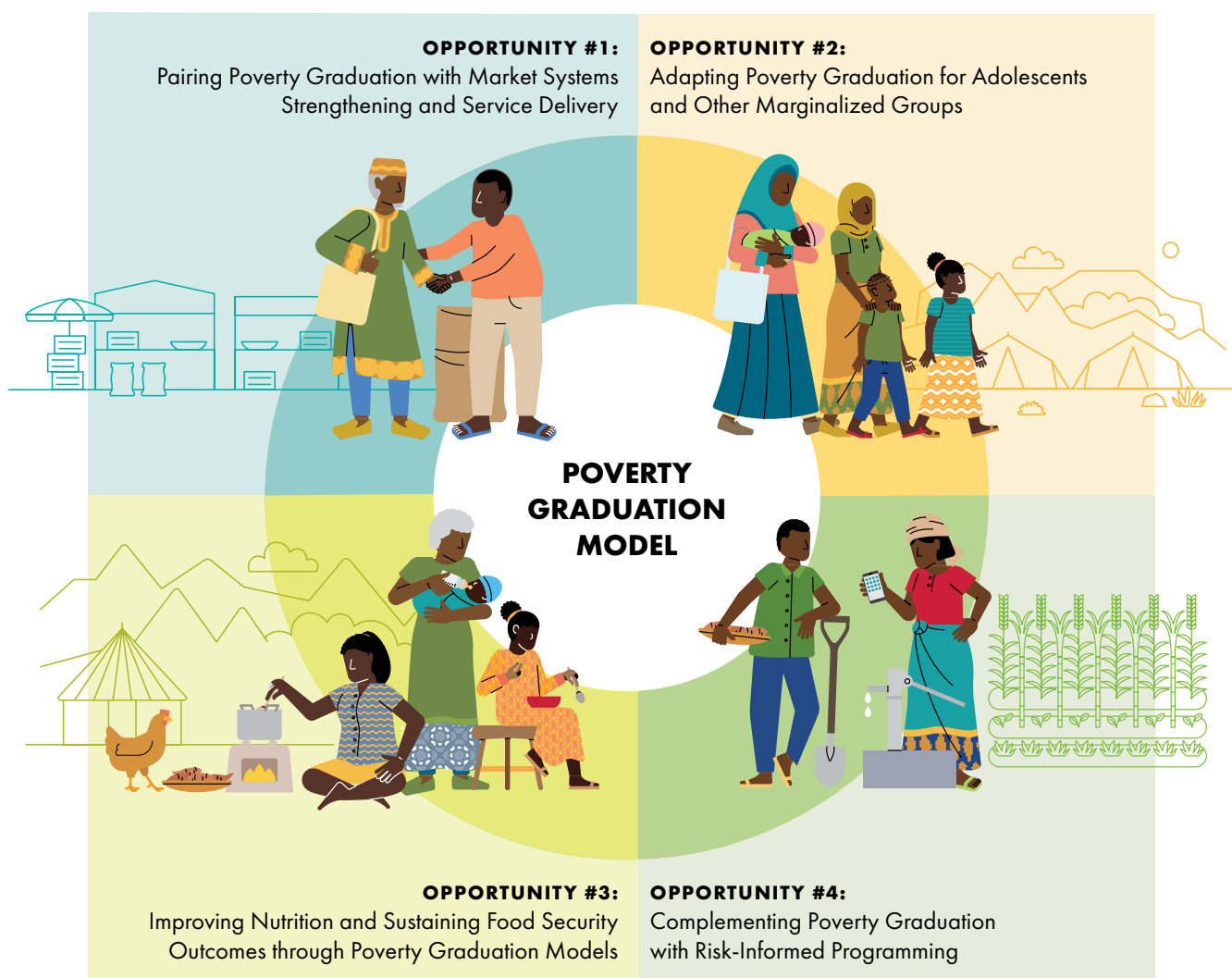
1 Pairing PG with market systems strengthening and service delivery

2 Adapting PG for adolescents and other marginalized groups

3 Improving nutrition and sustaining food security outcomes through PG models

4 Complementing PG with risk-informed programming

These areas are drawn from a review of recent and relevant evidence as well as Mercy Corps and partners' operational experience. Collectively, they demonstrate the potential of PG as a scalable model to lift people out of poverty. Building on this foundation, we identify priority areas for adaptation and evaluation that can shape policy and practice so that PG programs are inclusive, sustainable, scalable, and increasingly cost-effective in the fragile settings where we work.





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PG has proven its ability to improve household-level economic outcomes with high returns on donor investment ([Banerjee et al., 2015](#); [J-PAL, 2023](#)). Impacts often endure years beyond the end of programming, particularly in more robust market contexts like BRAC's Bangladesh programs. Seven years after participation, 95% of BRAC's graduate households remained above the extreme poverty line, with sustained gains in consumption, diversified income sources, and asset accumulation ([Bandiera et al., 2016](#)). The six-country RCT led by [Banerjee et al., \(2015\)](#) similarly found that sustained improvements in income and consumption were more likely where labor or input markets were stronger. IDinsight's 2021 RCT of Village Enterprise's PG programming in Kenya and Uganda found stronger impacts in Kenya, with the difference hypothesized to come from greater access and sales opportunities for the new microenterprises started in Kenya ([Gallardo et](#)

[al., 2021](#)). Evidence from thin or distorted market and service systems is still emerging. In some contexts, PG has been as effective as in stronger markets. In others, its impact has been constrained by a lack of viable and diverse market-based economic opportunities, weak institutions, policy distortions, and frequent economic shocks.

These studies, as well as Mercy Corps and partners' programming experience, suggest that complementing PG with market system strengthening activities may be essential in fragile and thin-market contexts where supply chains are unreliable, services are weak or disrupted, and economic shocks are frequent. Early evidence indicates that integrating PG with market systems strengthening can address these constraints and generate benefits beyond direct participants ([Banerjee et al., 2015](#); [Gallardo et al., 2021](#); [Albu and Osorio-Cortes, 2021](#)). However, the most effective approaches to integration remain underexamined, with gaps in our understanding of which design features—such as sequencing, coordination mechanisms, or digital platforms—most influence scalability and cost-effectiveness. Future learning should focus on testing integration models that preserve PG's flexibility while leveraging existing system capacity for sustainable scale. Such efforts should draw on a mix of evaluation approaches to examine both participant-level impacts and system-wide effects, including spillovers, replication, and unintended consequences.

With our partners, Mercy Corps is responding to this opportunity through the Delivering Resilient Enterprises and Market Systems (DREAMS) initiative in refugee-hosting areas of Ethiopia, Uganda, and Tanzania, through the Nawiri program in Kenya, and through the Graduating to sustainable Agriculture, Income, Nutrition and food Security (GAINS) program in the DRC. In DREAMS, implemented with Village Enterprise, we link refugees and host communities who received the graduation package to private sector actors and extension services. Early results suggest improvements in savings, income diversification, and relationships with value chain actors ([Mercy Corps, 2024](#); [Mercy Corps, 2025](#)). Participants are not only acquiring assets but also building commercial relationships that can support long-term recovery and market growth. Across these programs, we are learning that effective, scalable PG delivery depends as much on household readiness as on functioning markets that demand participants' products and support services that sustain their operations.



Even in stable contexts, evidence suggests that PG benefits are not equitably distributed. Structural and social barriers, including displacement, restrictive gender norms, caregiving responsibilities, and trauma, may limit impacts for the most marginalized ([Banerjee et al., 2015](#)). Early PG evaluations also found that participants with pre-existing advantages, including prior entrepreneurial experience, greater baseline resources, or social networks were more likely to achieve sustained gains ([Misha et al., 2014](#); [Gallardo et al., 2021](#); [Brune et al., 2024](#); [Heil et al., 2024](#)). However, as most studies do not disaggregate results by age, displacement status, or baseline poverty status, there is a limited understanding of how PG can reach and benefit the poorest and most marginalized groups.

While Poverty Graduation (PG) programs aim to address the multidimensional nature of poverty, implementation and evaluation have often prioritized economic indicators like income, consumption, assets, and savings. This focus may obscure the social and structural barriers, such as displacement, caregiving responsibilities, restrictive gender norms, and psychosocial stressors, that influence who benefits and how. Emerging evidence and programmatic insights point to potential adaptations that could make PG models more inclusive and effective for participants facing such constraints. These may include rethinking assumptions around poverty drivers and support readiness, and refining targeting strategies, sequencing, and graduation metrics to reflect a broader set of capabilities. Psychosocial well-being, access to education and essential services, and caregiving practices often underpin sustained poverty reduction, particularly for adolescents, caregivers, and those affected by trauma, yet remain under-evaluated in many programs. More contextualized targeting methods could help reach those least visible in household-level data, and tailoring support to participants' capacities and constraints may improve outcomes. Expanding evaluation frameworks to include disaggregated data and additional dimensions of well-being could offer a clearer understanding of who benefits under what conditions, while also generating valuable learning to strengthen PG models in diverse and challenging contexts.

Mercy Corps and partners are exploring these adaptation opportunities through targeted programming that addresses the structural and social constraints faced by marginalized groups. In Kenya, Uganda, and Nigeria, the Girls Improving Resilience through Livelihoods + Health (GIRL-H) program combined safe space life skills sessions with transitional pathways to education and livelihoods, aiming to strengthen adolescent girls' and boys' well-being, agency, and economic resilience. The program adapted core PG components to adolescents' life stage and unique vulnerabilities, while expanding support for education and reproductive health. A mixed-methods, quasi-experimental impact evaluation found statistically significant improvements in participants' life skills, financial literacy, and sexual and reproductive health knowledge ([IPSOS, 2024](#)). In the DREAMS program in Uganda, mental health emerged as a critical factor influencing economic recovery among both refugee and host populations. In response, Mercy Corps partnered with organizations specializing in Mental Health and Psychosocial Support to integrate Interpersonal Group Therapy into the PG model. This includes screening for depressive symptoms and establishing referral pathways for clinical and protection services. These adaptations aim to recognize and address psychosocial well-being as a core pillar of long-term resilience and economic recovery. These efforts are reducing participation barriers, strengthening enabling environments, and generating learning on how to better sequence support, refine delivery, and expand evaluation to make PG programming more inclusive and sustainable.



While food insecurity and malnutrition are often caused by poverty—stemming from limited income and access to productive resources—they also reinforce it by undermining physical health, cognitive development, and labor productivity ([Hoddinott et al., 2013](#)). These effects can accumulate over time, especially for children and adolescents, constraining educational opportunity, earnings potential, and household resilience to future shocks. In fragile or crisis-affected settings, persistent food insecurity can also lead to harmful coping strategies and reduced capacity to invest in long-term well-being. Addressing food security and nutrition gaps is therefore not just a matter of meeting immediate needs—it may be foundational to achieving sustained poverty reduction. PG programs reliably improve income, consumption, and savings—critical

foundations for food security—by increasing household purchasing power, enabling consumption smoothing during lean periods, and reducing reliance on negative coping strategies. However, evidence on food security is more mixed, and nutrition outcomes remain limited and underexplored. In [J-PAL's 2024 review](#), while 16 out of 19 studies reported income gains and 15 noted improvements in consumption, only 9 found significant improvements in food security (out of the 14 that measured it). These results suggest that while PG can enhance household economic capacity, translating these gains into improved food security and nutrition may require additional investments and design adaptations.

With more deliberate integration of food security and nutrition objectives, PG models could contribute more directly to long-term human capital development and sustained poverty reduction. Achieving this will require more than technical add-ons—it calls for adapted targeting, sequencing, and delivery models that reflect nutritional vulnerabilities, caregiving roles, and the structural barriers to food access, particularly in fragile settings. Several programs are already testing such adaptations. In Uganda, AVSI's Graduating to Resilience program incorporated nutrition-sensitive elements—including home gardening, behavior change communication, and nutrition education—into the PG package. Preliminary results point to improvements in income, savings, and dietary practices, though no significant effects on anthropometric indicators of child growth have been observed to date ([Brune et al., 2024](#)). These findings offer promising directions but also underscore the need for further learning on how PG can sustainably support nutrition outcomes. To more effectively advance these goals, PG programs may need to align more closely with local food systems, address caregiving burdens, and strengthen cross-sector linkages with health, WASH, and social protection systems. Evaluation frameworks should also be expanded to capture nutrition-related outcomes—such as diet diversity, caregiving practices, and anthropometric measures—alongside standard economic indicators.

Mercy Corps and its partners are actively working to address these challenges. In northern Kenya, Mercy Corps partnered with BOMA to design and test REAP for Nutrition (R4N), a nutrition-sensitive adaptation of PG under the USAID Nawiri program. The model integrates core graduation components with context-specific nutrition interventions, such as behavior change communication, savings groups, and diversified livelihoods. A mixed-methods evaluation found positive gains in household income and assets, but limited improvements in child nutrition outcomes ([Mercy Corps and Catholic Relief Services, 2023](#)). These findings underscore that economic gains alone may not be sufficient to generate sustained improvements in food security or nutrition. Advancing these outcomes—particularly in fragile settings—requires building on PG's economic foundations by aligning livelihood strategies with local food systems and addressing the broader social and service environments in which households operate. The Nawiri experience highlights the importance of iterative design, cross-sector coordination, and targeted evaluation to better understand how PG can support sustained food security and nutrition outcomes.



In fragile and conflict-affected settings, recurrent shocks—such as drought, conflict, displacement, and economic instability—often disrupt livelihoods and erode hard-won economic gains. While most PG programs include short-term consumption support, few are specifically designed to help households anticipate, absorb, and adapt to shocks over the long term. As PG is increasingly applied in these high-risk environments, there is growing interest in its potential to build resilience—an opportunity that remains underexplored in the current evidence base.

Recent studies suggest that PG may offer some protection during crises. In Ethiopia, PG participants in the Productive Safety Net Programme experienced smaller declines in income and food security during droughts, with no observed losses for some outcomes like nutrition and partner violence—suggesting a buffering effect ([Hirvonen et al., 2023](#)). In Malawi, flooding temporarily reduced participants’ food security gains, but outcomes converged with those of unaffected participants two years later, indicating recovery capacity ([Bedi et al., 2022](#)). Conversely, in Honduras, poultry disease devastated core livelihoods in BRAC’s PG model, undermining impact and revealing vulnerabilities when risks go unaddressed ([Banerjee et al., 2015](#)).

Despite these insights, most PG evaluations do not track participants’ exposure to or recovery from shocks. Measures like coping strategies, livelihood durability, or time to rebuild assets are rarely captured—nor are PG programs commonly linked to early warning systems, anticipatory action, or shock-responsive social protection. Mercy Corps and partners are working to fill this gap. In Kenya, PG under the Nawiri program was delivered during prolonged drought, layered with emergency assistance, and adapted to local food system challenges. In Uganda and Ethiopia, DREAMS integrates climate risk into value chain and partner selection to help participants safeguard livelihoods. These adaptations offer promising entry points for more risk-informed PG models and highlight the need for further learning on how to design, align, and evaluate PG for resilience in fragile settings.



Looking Ahead: A Call to Learn, Adapt, and Invest

As PG is increasingly applied in fragile, conflict-affected, and climate-vulnerable settings, questions remain about how the model should be adapted, what outcomes it can realistically achieve, under what conditions it performs best, and for whom. This report highlights four opportunity areas that Mercy Corps and our partners are working to address.

Our programming experience and the broader evidence suggest several directions for future learning. First, evaluations of PG should go beyond conventional household-level economic indicators, to better assess its ability to reach marginalized populations, strengthen resilience to shocks, and contribute to sustained improvements in food security and nutrition. Second, operational evidence is needed to identify which delivery models, sequencing, and partnerships are most effective and scalable in thin-market and shock-prone environments. Third, there is a limited understanding of how household-level gains interacts with broader system change, including potential spillovers, replication effects, and unintended consequences. Finally, more evidence is needed on how different PG adaptations influence long-term sustainability and cost-effectiveness to inform strategic investments.



Ezra Millstein / Mercy Corps - Ethiopia

Mercy Corps is committed to generating practical insights from Poverty Graduation programming in fragile, shock-affected, and thin-market environments. Closing the gap between what PG has achieved to date and what it could offer in the most fragile contexts where the world's poorest increasingly reside will require ongoing collaboration, evaluation, and knowledge-sharing. By continuing to test, refine, and document PG adaptations in diverse contexts, we hope to contribute to the next generation of PG programs capable of strengthening resilience and enabling sustained poverty reduction in the world's most challenging settings.



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About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action—helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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