



Photo Credit: Ezra Millstein/Mercy Corps

BRIDGING POVERTY GRADUATION AND MARKET SYSTEMS DEVELOPMENT

A Sustainable Solution to Economic Inclusion in Protracted Displacement Settings

JUNE 2024



I. Overview

[Delivering Resilient Enterprises and Market Systems](#) (DREAMS) for refugees provides an innovative solution to drive refugee self-reliance and promote durable solutions in contexts of protracted displacement and humanitarian need. Working in Uganda, Ethiopia, and Tanzania – together home to nearly 10% of the world's refugee population¹ – DREAMS supports the economic inclusion of 150,000 refugees, fostering resilience, dignity, and confidence in the future. Since 2021, the program has integrated two evidence-based approaches to economic inclusion in fragile contexts to maximize reach and sustained impact: poverty graduation² and market systems development (MSD).³ Graduation activities provide the capital and skills to support refugees as they establish new businesses and livelihoods, while MSD creates relationships with private sector actors and increases their ability and incentive to provide technical support, inputs, and sales avenues to economically marginalized populations over the long-term. DREAMS is delivered by [Mercy Corps](#) and [Village Enterprise](#).

This brief highlights DREAMS' operational learnings and initial evidence of its contribution to durable livelihoods for participants, based on programmatic monitoring data. DREAMS will ultimately assess its impact through a rigorous experimental impact evaluation, conducted by [IDinsight](#), with preliminary results in June 2025.

Poverty graduation: a proven approach with the potential for more

Poverty graduation is a holistic “big-push” approach which aims to simultaneously address many of the obstacles faced by the ultra-poor, enabling them to build sustainable incomes through entrepreneurship. The approach was initially [piloted through BRAC](#), and has been scaled globally based on the robust evidence of its impact on household income, health, and well-being.

Village Enterprise uses a light-touch, community-based model of poverty graduation, which prioritizes building sustainable livelihoods as well as climate resilience, gender equity, and access to digital technology solutions. The Village Enterprise process follows six steps:

1. Targeting: select potential graduation participants for each cohort based on poverty and vulnerability score⁴
2. Business Savings Groups: organize three-person business groups (BGs) and 30-person business savings groups (BSGs)
3. Training: conduct technical and business skills trainings through BSGs
4. Seed Capital: provide a start-up grant of \$200 USD to each three-person BG
5. Mentoring: support each BG with targeted coaching from Business Mentors over the 12 months after business start-up
6. Access to Markets and Financial Services: connect entrepreneurs to local markets and financial institutions whenever possible

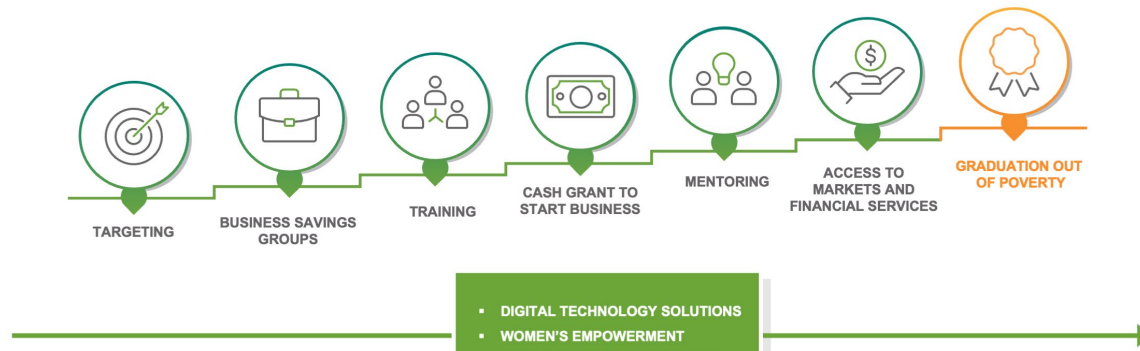
¹ UNHCR, May 2024: <https://www.unhcr.org/refugee-statistics/>

² <https://poverty-action.org/study/variations-ultra-poor-graduation-programming-uganda>

³ <https://beamexchange.org/resources/1543/>

⁴ Each cohort consist of 400 business group of 3 persons in total 1200 individuals for twelve months graduation support

Figure 1: Village Enterprise poverty graduation process



Proven evidence for impactful graduation

In 2018, IPA conducted a [randomized controlled trial](#) of Village Enterprise's graduation approach, which validated its capacity to improve consumption, assets, income, nutrition, and overall well-being among ultra-poor populations:

- The Village Enterprise program led to increased annual consumption of US\$23.82 per capita, and increased assets of \$14.94, and annual cash inflows of \$12.32 at the end of the program.
- Subjective well-being improved and, unlike the other impacts, appeared to increase over time.
- Participants had greater food security, dietary diversity, and nutritional impacts at endline.
- The approach showed strong cost-effectiveness: the cost amounted to 101k UGX per capita using the most conservative estimates, while participants averaged an increase of 26k UGX consumption per capita annually - paying back the investment in four years.

However, key questions - and challenges - remain for implementers seeking to apply poverty graduation in other contexts:

- How can graduation achieve greater scale and positive spillover effects on the surrounding community, given its intensity and costs?
- Which graduation approaches will enable business groups to minimize risk and maximize their enterprises' long-term viability and growth in climate- and conflict-affected environments?
- What are the unique challenges for graduation programs seeking to operationalize poverty graduation at scale in contexts of protracted humanitarian need and displacement, like refugee settlements? What adaptations are needed for thin markets that offer limited local demand?

Connecting to market systems development for scale and sustainability

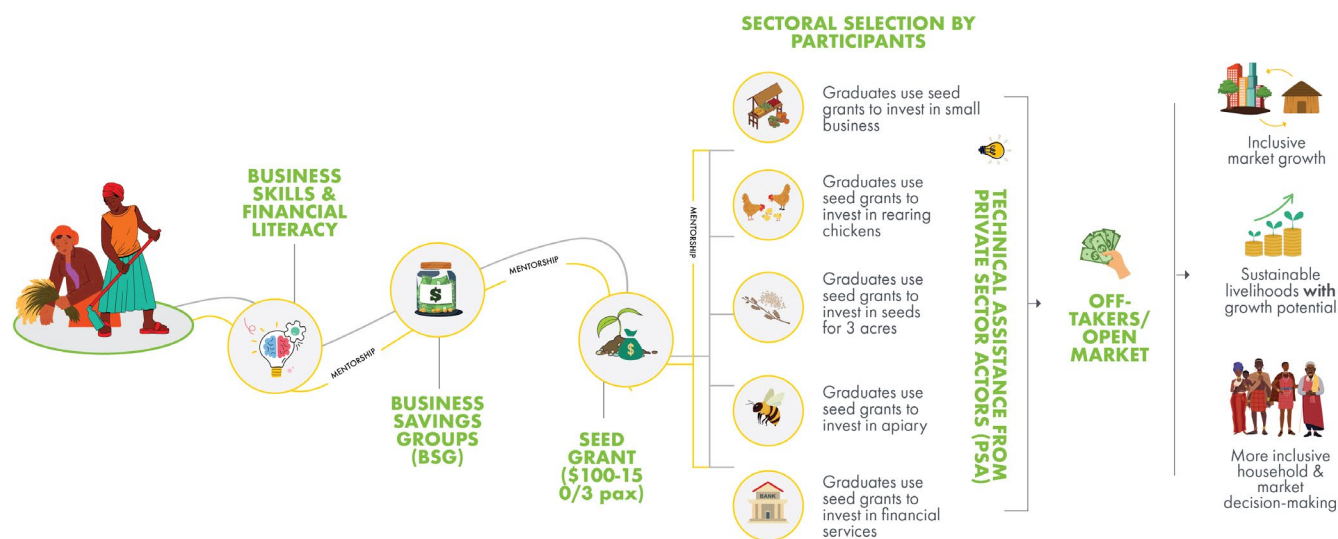
DREAMS addresses these challenges by layering MSD activities on top of the graduation approach. By doing so, DREAMS can connect economically marginalized households to input suppliers, technical support, and guaranteed buyers and off-takers, while also addressing the constraints of the private sector to provide business opportunities to last-mile refugee households.

MSD is a pro-poor approach to economic inclusion that emphasizes market participation, sustainable change, and scale. The model facilitates incentives and linkages for private sector actors to provide critical goods and services to - and buy from - economically marginalized populations and geographies. MSD begins with systems analysis to identify and address barriers to poor households' ability to access goods and services through markets and works through local actors to bolster, rather than distort, incentives for private sector investment. DREAMS followed the process below in Uganda:

1. Selecting value chains: select pro-poor value chains with potential for economic inclusion, and identify constraints for PSAs to link to households
2. Training: Integrate PSAs into technical trainings provided to graduates via PSA staff and community agents
3. Subsidies: \$60 USD subsidies per three-person business group to purchase high-quality inputs (hatchlings, seeds)
4. Developing supporting functions: collaborate with PSAs, government, and communities to build access to finance and land, develop integrated water resource management, and support enabling policy environments for business growth

DREAMS ultimately identified the poultry, cereal, and apiary value chains as holding the greatest potential for pro-poor growth and connecting refugee populations to regional and national markets. By addressing PSA constraints and facilitating market linkages, these households have a more permanent and durable connection to input suppliers, extension agents, and output markets for production that can support their micro-enterprises. The presence of buyers and sellers in local communities also benefits other households who are not connected to the graduation model, creating a catalytic effect on economic inclusion and poverty reduction.

Figure 2: DREAMS participants' interactions with graduation and MSD programming



II. The evidence so far: is DREAMS working?

Improved livelihoods for vulnerable households

The first cohort of 1,200 who completed poverty graduation and were linked to PSAs demonstrated substantial improvements in their economic well-being, with increases in expenditure, assets, and total savings. These results are in line with previous poverty graduation programs and demonstrate short-term benefits in the form of immediate consumption as well as savings and investment which can protect the households' well-being over a longer time period.

Figure 3: Impact data from first graduation and MSD cohort under DREAMS

+22%

Avg. annual consumption & expenditure
\$174.03/month to \$212.37/month

+58%

Assets
\$159.8 to \$253.78

+694%

Average annual savings
\$10.09 to \$80.11

Revenue per 3-person business group

\$751 (2.88M UGX) at 6 months of operation
\$1,256/(4.82M UGX) at 9-10 months of operation

Comparing poverty graduation alone to poverty graduation and MSD

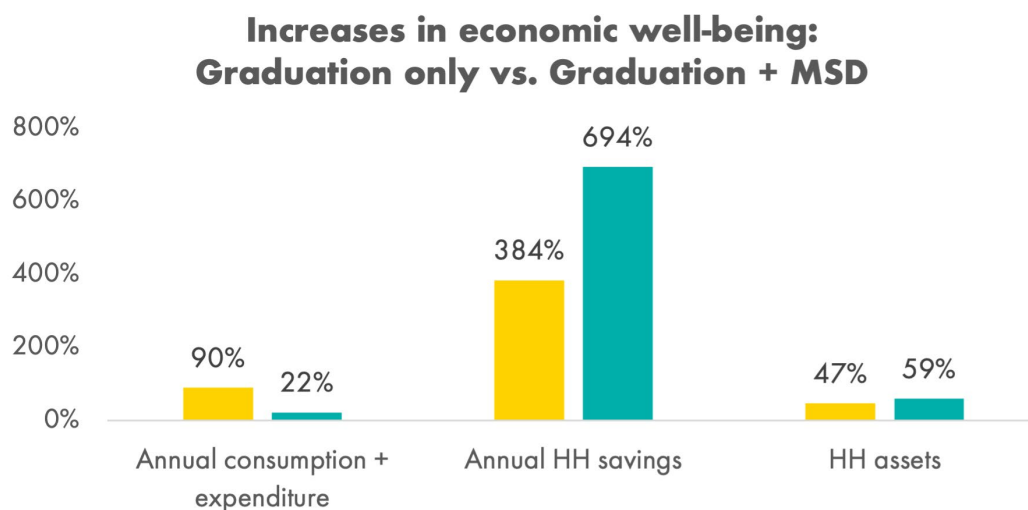
The results above reference the first DREAMS cohort where graduates were partnered with selected PSAs and could select into high-growth sectors like poultry. Another cohort was implemented beforehand, prior to PSA partner onboarding, and affords a small natural experiment in comparing the graduation-only cohort to the second "full-model" cohort that included MSD.

Both cohorts saw substantial improvements in their economic well-being after one year of programming. However, the graduation-only cohort saw greater improvements in consumption and expenditure, suggesting that graduation into small, self-contained microenterprises - usually focused on petty trade and clothing - offer a more immediate boost in liquidity. However, the cohort-linked to MSD saw greater investment in savings and assets. Though not definitive evidence, this suggests households may see greater returns on long-term investments as DREAMS enables them to access external partners and reach markets with growth potential outside their communities.

Strengthened relationships with PSAs and the market system

Beyond short-term growth in income, DREAMS builds strong and lasting relationships between vulnerable refugee households and PSAs who provide critical services, including input sales, technical guidance, and an offtaker market for household production. It is these relationships that will ultimately allow poverty graduates to grow and

Figure 4: Comparison of graduation only vs graduation and MSD



adapt their livelihoods long after the program ends, both through further investment in their initial enterprise and by diversification across multiple opportunities and risk profiles. It is too early to confirm sustainability, but midline results⁵ — collected 6-7 months after graduation activities were completed — show promising markers of positive, durable

relationships with the private sector that support refugees' business, aspirations, and confidence in the future:

DREAMS graduates choose their preferred sector, such as poultry or sesame, during the graduation process, which guides the PSAs they partner with and the technical training they receive. However, they have no obligation to continue working in that sector after the graduation program, and the majority's decision to do so emphasizes their motivation and perception of strong returns from the market. Several groups have also seen the returns in other sectors as new PSAs enter their communities, and have begun to diversify for more growth opportunities and risk mitigation. One group began their enterprise focused on petty trade, but, saw the income available to graduates working in poultry and sesame. While continuing their petty trade, they also reached out to the poultry and seed suppliers to begin their own activities. With market information from the PSAs, they can make informed decisions about crop

Figure 5: MSD results at midline

79%

(81% of refugees)

Still working in sector selected during graduation

86%

(84% of refugees)

Have access to sales avenues for business production

86%

Satisfied with prices received for own business production

71%

Confident in continued income from selected sector

62%

(70% of refugees)

Trust in market information from PSAs

⁵ Sample size of 396 respondents; 277 refugee and 119 national



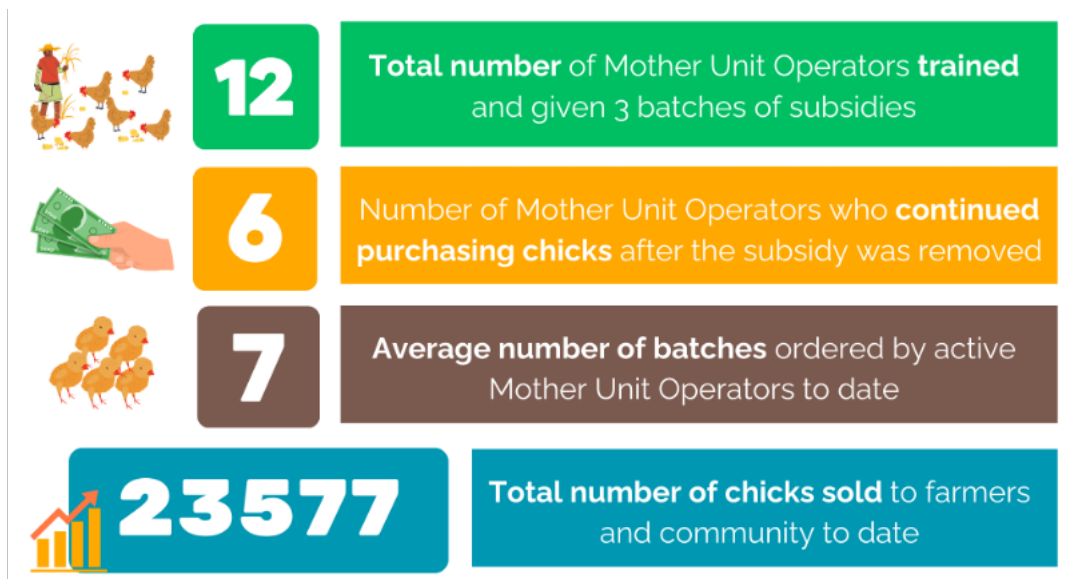
*From left to right:
Flavia, Sarah
and Mary - The
Peacemakers
Business & Savings
Group*

Photo credit: Mercy Corps

Gender and social inclusion

DREAMS specifically aims to increase the economic activity of women within refugee settings, as well as their engagement in household and community decision-making. The program has used community discussions and a participatory approach to address structural barriers such as unequal access to land, financial services, education, and market access, which had been preventing female refugees from participating in agricultural activities. It has also deliberately targeted women and youth as 70% of the participant base, and increased women's representation in household decision-making through family dialogues.

Figure 6: Sales and income figures for poultry



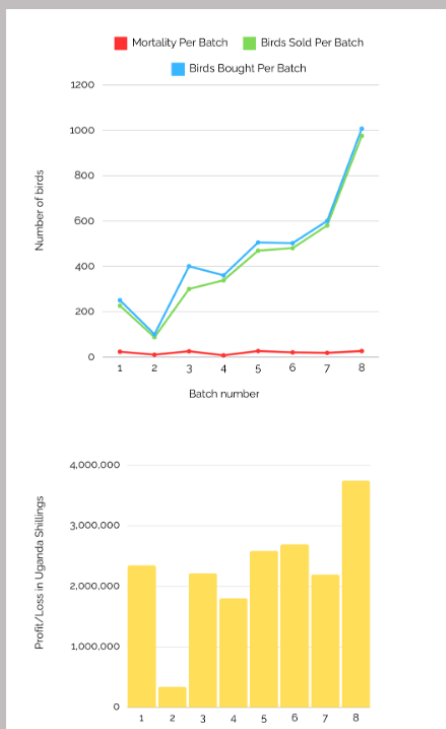
These results have borne fruit by the time of the midline, 6-7 months after poverty graduation activities ended. 72.3% of female graduates make decisions over the cash earnings from agricultural production, while 91% play a significant role in determining how earnings are allocated to cover household expenses, including food,

education, healthcare, utilities, and other necessities. However, structural barriers remain persistent, and although 67.5% of women have improved access to market information through PSAs, many still have limited access to resources such as land, credit, and technology, which are essential for agricultural production.



One MUO, Nixon, demonstrates the full potential of DREAMS' MSD programming to elevate motivated community members to the role of business leaders. Nixon came to West Nile from South Sudan in 2016, bringing with him experience rearing and caring for his animals in his home country. Even before DREAMS, he leveraged this experience to benefit his community by offering guidance on animal health.

“For two years I had supported the community. I can treat the goats, treat the birds and also I supply the community whenever they have some issues or need some poultry products. They came for eggs, they came for live chickens. So I became popular. That’s how I was selected, even in my absence.”



After stepping into his role as an MUO, Nixon has expanded his income and reinvested his own funds into additional batches of chicks. His sales have grown from 250 chicks in the first batch to nearly 1,000 in his latest, the eighth batch he has purchased. This income has allowed him to diversify, investing in crops, and to provide more food and pay school fees for his 19 children:

“Currently I am running two businesses. The crop production and the poultry business. This poultry business is the one supporting my crop production. I use my profits to keep pushing my business.”

Photo: Nixon, Poultry Mother Unit Operator

Strengthened market system to enable sustainability and growth of graduates' businesses

While economic improvements for households are promising, the long-term foundation for the success of DREAMS lies in developing the surrounding market system to provide goods and services for graduates, and for the surrounding community. This spillover effect is intended to only fortify refugee businesses by creating a wider customer base in the settlements and holds the potential for positive economic dividends among other marginalized households. While it is too soon to capture evidence of broad systems change, all nine PSAs — in poultry, sesame, sunflower, soybean, and financial services — are still operating in West Nile seven months after graduation. They employ a total of 66 local agents, including 12 women, and the agents are primarily drawn from the local refugee community.

DREAMS' longest investment has been in the poultry sector, where two PSAs, Chick Masters Ltd and Nutrofeed, have developed 12 local agents to enable access to high-quality chicks at the community level. These local agents — Mother Unit Operators (MUOs) — received subsidies for the first three orders of chicks. As is common in MSD programs, not all of the MUOs continued operating after subsidies ended, but at the midline six of the 12 are operational and ordering new chicks fully without grant support.

III. Operational learnings

- **Aligning timelines:** poverty graduation follows a standardized curriculum and timeframe, but MSD requires context assessment and negotiation of partnerships with PSAs, and awareness of planting cycles for crops. In earlier cohorts, some PSA partnerships were not negotiated in time for the planting cycle, and graduates who were interested in sesame and sunflower instead went into off-farm activities. DREAMS adapted by increasing the number of value chain actors available to absorb graduates from later cohorts. In future implementation, sequencing of MSD and graduation will be planned such that a) MSD starts earlier than poverty graduation, to ensure mature PSA partnerships along several value chains able to absorb poverty graduates at the time of graduation and b) poverty graduates interested in agricultural value chains graduate three to four months ahead of the next planting season, with time to purchase inputs and lease land for production.
- **Addressing land access:** While DREAMS targets cereal crop value chains to reach larger markets, access to land is a critical barrier for refugees to engage intensively in crop production. The Office of the Prime Minister facilitates land access for refugees, but this land is usually not usable for cultivation without expensive clearing and opening. DREAMS is engaging the Office of the Prime Minister and private landlords to cost-share land clearance with households through a cash-for-work approach to allow long-term and large-scale access. In future implementation, a dedicated housing, lands and property (HLP) component will be layered onto the DREAMS model. In addition, successful experiences with poultry and apiary value chains, which require less land, will be emphasised for households with limited access to land.
- **Reducing risk and enabling diversification:** DREAMS business groups select one sector to focus on, but can also see the growth of opportunities through other PSAs who have entered the local market. Some groups reinvest in these other sectors to seek growth and ensure stability of their incomes. The partnerships DREAMS negotiates with PSAs can guarantee market access, reducing the risk and costs for business groups to diversify in this way. One group began in petty trade before renting land to grow sesame under a guaranteed-sale agreement with a PSA: "Ag-Ploutos also brought us a market whereby they buy from us at a good price and

we get a good profit (USD \$72). We are even planning on cultivating more [in the upcoming season].”

- **Building trusted relationships:** graduates feel more confident engaging with specific value chains when training is provided by the PSA’s community agents embedded in the community. The graduates are reassured by the presence of local agents who can provide quality inputs, follow-up technical support, and buy-back guarantee agreements. Additionally, DREAMS has seen that building trusted relationships with financial service providers (FSPs) early, before savings are shared out at the end of the graduation cycle, allows graduates to build familiarity with different financial products and invest their savings in a wider range of instruments.
- **Tailoring graduation to youth and women:** DREAMS uses mixed-age groups, but there is an emerging need to target facilitation to participants’ ages. Additionally, the program has identified a need to work beyond its direct graduates, drawing on the influence of traditional leaders as change agents to normalize gender integration when it counters traditional norms.
- **Incorporating social protection:** Graduates continue to be highly vulnerable households, and DREAMS has successfully used community dialogues to connect these groups to both government and INGO safety nets. These safety nets will enable graduates, and their surrounding community members, to refocus from basic needs to business growth. DREAMS also has the potential to enable these safety nets to reach a wider target - the activity is beginning to cooperate with the World Food Program (WFP) by sharing tracking and screening data from graduates. WFP can use these data to prioritize vulnerable households for further assistance, or deprioritize those who have achieved a degree of stability. This is a tangible representation of DREAMS’ ultimate goal, sustainably moving households out of extreme poverty.

IV. Future learning goals to connect graduation with scalable systems approaches

DREAMS, Village Enterprise, and Mercy Corps will continue to explore variations of the poverty graduation model connected with other approaches. DREAMS itself, implemented in Uganda, Ethiopia, and Tanzania, pairs MSD with poverty graduation for scalability, self-reliance, and continued growth potential in refugee settings where microenterprise growth is limited by thin local markets. A future variation in Tanzania will incorporate mental health and psychosocial support to address the traumatic experience of refugees, as well as climate adaptation for long-term resilience. In Kenya, Mercy Corps’ [Nawiri program](#), funded by USAID, pairs graduation with nutrition education and outreach, and natural resource management, to bolster food security. In Ethiopia, the [USAID-funded Feed the Future Highland Resilience Activity](#) will connect recipients of the government’s Productive Safety Net Program with MSD activities to sustainably build their well-being and shift them out of the safety net targeting criteria. A key set of questions will guide our implementation, research, and reflection as we move forward:

- **Graduation at scale:** how can graduation be scaled cost-effectively and with positive spillover effects, particularly in and around contexts with thin markets like refugee camps?
- **Durability and resilience:** what approaches can be used to strengthen the long-term viability of graduates’ businesses, particularly in areas affected by conflict and environmental changes?

- **Interfacing with safety nets:** how can DREAMS effectively integrate with safety nets provided by government and INGO/multilateral organizations? Can DREAMS sustainably move recipients of direct support out of their vulnerability criteria?
- **Cost-effectiveness:** how do different packages of interventions, building off the foundation of a graduation model, alter cost-effectiveness for self-reliance and increased food security?
- **Bringing together graduation and MSD:** what are the challenges of operationalizing and sustaining impact in contexts of protracted humanitarian need or displacement?

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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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