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The Role of Development Finance Institutions in Leveraging the Graduation Approach for Post-Conflict Livelihood Recovery in Borno, Adamawa and Yobe (BAY) States

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***Background Statement:** This article draws on both field-level coaching experience and practice-based innovation programming. It reflects insights from ongoing work to adapt the Graduation Approach to fragile settings in Nigeria, with emphasis on youth and women's economic inclusion. The perspectives shared are shaped by GFA Consulting Group's expertise in graduation programming and NEHIH's applied research—implemented through the Social Impact & Research Institute (SIRI). The views expressed are solely those of the authors and do not necessarily represent the official positions of their institutions or partners.*

***Abstract:** This study explores how Development Finance Institutions (DFIs) can strengthen post-conflict livelihood recovery through integration of the Graduation Approach. The motivation lies in addressing persistent ultra-poverty in fragile regions, particularly the BAY states of Nigeria, where prolonged conflict has undermined markets and displaced populations. Secondary data was drawn from World Bank, UNDP, and DFI reports, complemented by program evidence from existing graduation pilots. Methodologically, the paper applies a conceptual analysis linking financing instruments—blended finance, grants, and guarantees—to graduation pillars such as asset transfers, coaching, and financial inclusion. Findings suggest that DFIs can bridge the humanitarian–development gap by financing scalable livelihood programs, reducing investment risks, and aligning with government safety nets. Policy implications highlight the need for governments to integrate graduation into national protection strategies, for DFIs to prioritize de-risking fragile contexts, and for donors/NGOs to co-design adaptive interventions. The study recommends sequenced program design, climate-resilient financing, and outcome-based measurement to enhance sustainability and scaling. Future research should investigate cost-effectiveness and long-term impacts of DFI-supported graduation models in diverse fragile states.*

***Keywords:** I32 (Measurement and Analysis of Poverty); O16 (Financial Markets; Financial Development); F35 (Foreign Aid); H53 (Government Expenditures and Welfare Programs).*

I. INTRODUCTION

The Borno, Adamawa, and Yobe (BAY) States in northeastern Nigeria have borne the brunt of the Boko Haram insurgency and recurrent violence for over a decade, producing large-scale displacement, market disruption, and chronic humanitarian need that continue to undermine household livelihoods and service delivery in the region (United Nations Office for the Coordination of Humanitarian Affairs [OCHA], 2025). Beyond immediate emergency assistance, the central development challenge in the BAY States is how to support internally displaced persons (IDPs), returnees, and vulnerable host-community households to transition from short-term aid dependence to resilient, sustainable livelihoods in a context marked by fragile institutions, intermittent market functioning, and security risks (OCHA, 2025; World Bank, 2022).

The Graduation Approach (also called the Ultra-Poor Graduation approach) offers a sequenced, "big-push" model designed to enable ultra-poor households to build sustainable income streams through combined interventions: targeted consumption support, asset or cash transfers, skills and business training, savings facilitation, and ongoing coaching (BRAC, 2015). Originating with BRAC in Bangladesh, the model has been adapted and tested in multiple countries and evaluated in rigorous multi-site trials that show meaningful, often lasting improvements in consumption, assets, and livelihoods for participants (Banerjee et al., 2015; J-PAL/Poverty Action Lab, 2024). Implementation toolkits and sector guidance further codify core components and provide operational lessons for adaptation (BRAC, 2015; World Vision, 2019).

Development Finance Institutions (DFIs) are well positioned to bridge humanitarian relief and longer-term recovery financing in fragile settings. By using blended finance, concessional lending, risk-sharing instruments, and technical assistance, DFIs can help underwrite pilot programs, strengthen market linkages, and crowd in private capital for livelihood-focused interventions where perceived risks would otherwise deter investment (IFC et al., 2023; African Development Bank [AfDB] & Islamic Development Bank [IsDB], 2025). Recent multilateral initiatives emphasize DFI engagement on fragility and resilience, underscoring the opportunity to align financial instruments with integrated approaches such as Graduation in FCV (fragile, conflict, and violence-affected) contexts (AfDB & IsDB, 2025; World Bank, 2022).

Despite promising evidence and growing practice, there remains a notable gap in the literature and in programmatic guidance about how DFIs can systematically leverage the Graduation Approach in active or post-conflict environments like the BAY States. Systematic reviews and recent assessments of Graduation programs in displacement or FCV settings report positive but heterogeneous results and highlight important implementation constraints — including measurement limitations, market fragility, land/tenure issues, and sustainability concerns — that require targeted financing and institutional strategies (Yan et al., 2025; World Bank, 2022).

This paper therefore examines how DFIs can support and scale Graduation-style livelihoods interventions in the BAY States. Its objectives are to -

1. Map the socio-economic barriers to household recovery in the BAY region;
2. Assess the adaptability and evidence base of the Graduation Approach in FCV settings;
3. Identify financing instruments and operational roles DFIs can play to de-risk and scale programs; and
4. Draw policy and programmatic recommendations for resilient post-conflict livelihood recovery in northeastern Nigeria.

II. LITERATURE REVIEW

2.1 The Graduation Approach

The graduation approach first appeared as an innovative response to extreme poverty and aimed at moving households from a point of dependence to a place of sustainable livelihood. The approach which first originated in South Asia and was later adopted across Africa has evolved through multiple and global pilots demonstrating a flexibility in both fragile and diverse contexts.The report, the UN High Commissioner for Refugees (2016) outlines how the graduation approach seeks to strengthen household-level resilience capacities by delivering an integrated set of interventions to build on each other and help households address the root causes of poverty. Another report opines that the approach is designed to move people out of conditions of extreme poverty by simultaneously boosting livelihoods and income, providing access to financial services and improving social wellbeing (Concern Worldwide, 2021). The approach first used by BRAC in Bangladesh in 2002 seeks to address the needs of those who are too poor for microfinance services. Unlike traditional poverty alleviation programs that support those who are on the margins of poverty thresholds and are often fragmented, the graduation approach targets the “ultra poor,” those who suffer from chronic food insecurity and fragile livelihoods and are acutely vulnerable to shocks and stressors to deliver a timebound, sequenced, multisectoral set of interventions at the household level that targets women and youth as primary participants and the point of entry to the household, but it engages all members through different activities. These populations tend to lack access to markets, social services, and even local and international support.

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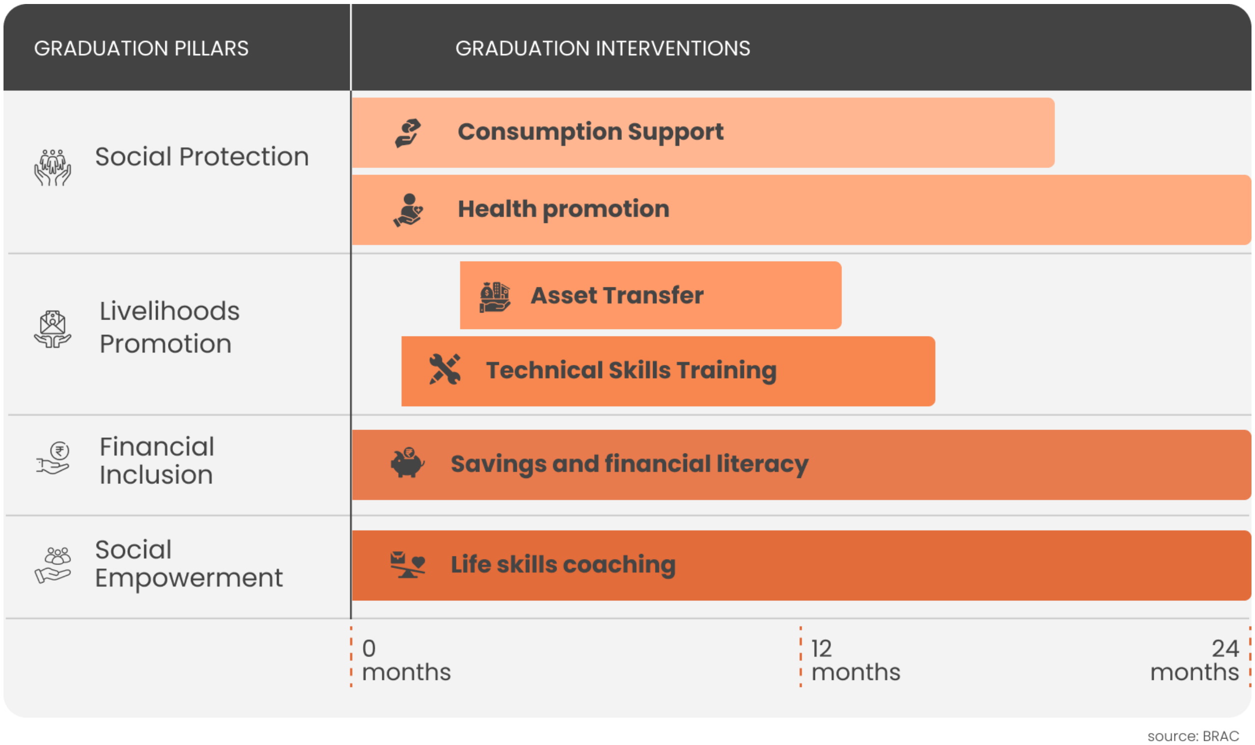

Figure 1: Graduation Approach Pillars & Intervention (Give Grants, 2024).

According to Propel Toolkit (2015), the interventions include regular life skills training and home visits, technical skills training, asset transfers, enterprise development, consumption stipends, financial literacy and savings, health care and social integration. Working together, these interdependent interventions lead to strong outcomes at the house-hold level including increased or improved assets, food security, savings and financial inclusion, health outcomes, social integration and productive skills.

Data across areas of implementation have proved that the graduation approach significantly improves income, food security, and resilience.These further reinforces its potential as a scalable model in addressing extreme poverty in diverse contexts. GOAL (2022) asserts in the report "Assessing Graduation from Humanitarian Assistance in Afrin using the Self-Reliance Index", that even in the face of a substantial shock, and with short term emergency interventions, vulnerable households participating in Graduation Approach programming are recovering and have become more resilient when compared to baseline scores.

2.2 Post-Conflict Livelihood Recovery

Fragile and post-conflict economies are often marked by widespread poverty, weak governance, insecurity, and limited productive opportunities (ILO, n.d.). The World Bank (as cited in CGD) defines post-conflict reconstruction as rebuilding the socio-economic framework of society and restoring the enabling conditions for peace, including governance and the rule of law. In northeast Nigeria, the protracted conflict—now in its eleventh year—has devastated the BAY states (Borno, Adamawa, Yobe). Insecurity has triggered mass displacement and heightened humanitarian needs, driven by poverty, unemployment, marginalization, governance deficits, rapid population growth, and climate shocks (UNDP, 2008). Despite government amnesty offers to armed groups, sustainable solutions remain elusive.

Post-conflict countries face extraordinary constraints in mobilizing resources for both immediate relief and longer-term recovery. Challenges include preserving peace, reintegrating ex-combatants, resettling displaced populations, rehabilitating infrastructure, rebuilding institutions, and restoring investor confidence (UNDP, 2008). At the same time, governments must revive public finance systems, generate employment, and re-establish the rule of law—tasks that often exceed fragile state capacities.

In the BAY states, livelihood recovery responses highlight tensions between short-term humanitarian aid and long-term development finance. Ada and Abdullahi (2022) warn that isolating humanitarian aid from development support risks fostering dependency, undermining local coping strategies, and increasing long-term vulnerability. Earlier studies echo this, stressing the importance of linking humanitarian and development interventions to ensure resilience and sustainability (Food Security Unit, IDS, 1993/1994; Bidder, 1994; Dieci, 2006).

2.3 DFIs in Development Finance

Development Finance Institutions (DFIs) have the mandate of providing catalytic funding, mitigating risks, and stimulating private sector activity, especially in fragile and conflict-affected regions where traditional finance is often absent. According to Development finance International (2025), DFI's have the mission to help governments, international organizations, CSO's parliaments, trade unions to mobilize the best development finance and use it to fight poverty and inequality.

Boiardi and Stout (2021) highlight how development finance institutions (DFIs) are at the forefront of advancing impact management and measurement (IMM) practices in the development sector, driving efforts toward greater harmonisation and adoption of best practices. DFIs, thereby play an important driving role in mobilising significant resources to support the achievement of the 2030 Agenda.

Experiences from BOI in Nigeria and African Development Bank (AfDB) across Africa exemplify how targeted credit, technical assistance, and risk-sharing are unlocking livelihood opportunities in challenging markets. The report "Madagascar's Rural Revival: How two African Development Bank-supported programs Are Transforming Agriculture and Entrepreneurship", asserts that the ripple effects of the initiatives by African Development Bank extend beyond economic gains. Entrepreneurs are empowered to reinvest in their communities, ensuring farmers earn sustainable incomes and contribute to the country's broader development. Bank of Industry through its activities Over the years, has mobilized over $7 billion in catalytic capital, backed businesses in all 36 states and the FCT, supported over 5.4 million enterprises and helped create more than 15 million direct and indirect jobs (Bank of Industry, 2024).

2.4 Linking DFIs and the Graduation Approach

Aligning Development Finance Institution (DFI) instruments with the pillars of the Graduation Approach can unlock financing for assets, coaching, and market linkages at scale, thereby creating a pipeline from social protection to enterprise growth. Extremely poor populations are often excluded from market-based development approaches due to their isolation and the complex, multidimensional nature of their poverty (de Montesquiou, Sheldon, DeGiovanni, & Hashemi, 2014). By addressing these barriers, DFIs can play a catalytic role in extending investments that deliberately reach the ultra-poor.

The Graduation Approach—designed to meet the needs of the most vulnerable—provides a viable model for integrating those who have recently entered the market economy but remain marginalized. DFIs can deploy productive assets such as concessional loans, guarantees, or blended finance instruments, while complementing these with technical assistance grants. These grants may support business training, digital literacy, or specialized coaching in farming, trading, or small-scale manufacturing. To facilitate a transition from survival to stability, DFIs should also expand access to financial services, including savings accounts, lines of credit, and longer-term financial tools that build resilience. Moreover, by aligning their investments with public safety nets, DFIs can foster an enabling ecosystem in which the poorest gradually acquire the skills, resources, and connections necessary for self-sufficiency.

Nevertheless, several constraints limit the effective integration of DFIs and the Graduation Approach. Security risks, thin markets, weak delivery capacity, and data gaps for measuring outcomes continue to deter investment and impede program scale-up. The Durable Solutions Platform and RYSE (2022), in their report *Barriers and Opportunities for the Use of the Graduation Model in Jordan*, further highlight challenges including labor market restrictions, the broader legal and regulatory environment, difficulties in participant targeting, and limited motivation among participants for graduation programming. Addressing these barriers is essential for ensuring DFIs can effectively adapt and scale Graduation initiatives in fragile contexts.

III. METHODOLOGY

This paper adopts a conceptual–analytical approach to examine how Development Finance Institutions (DFIs) can apply the Graduation Approach to strengthen livelihood recovery in the BAY States. Rather than relying on primary fieldwork, the study synthesizes evidence from global literature, policy frameworks, and program evaluations, and then contextualizes these insights within the post-conflict realities of northern Nigeria. This allows for a critical reflection on both theoretical linkages and practical opportunities.

The analysis draws on secondary data sources. These include academic and practitioner literature on poverty graduation and resilience, institutional reports from DFIs such as the Bank of Industry, African Development Bank, and World Bank, and program documentation from livelihood and recovery interventions in the BAY States. Together, these materials provide a comprehensive evidence base that captures both global best practices and localized experiences of recovery programming.

To guide the discussion, the study employs an integrative analytical framework linking three dimensions: (i) the financing role of DFIs, including de-risking and blended finance mechanisms; (ii) the core pillars of the Graduation Approach—asset transfer, financial literacy, market integration, and coaching; and (iii) post-conflict livelihood outcomes such as resilience, poverty reduction, and gender inclusion. This framework enables the identification of pathways through which DFIs can embed the Graduation Approach into recovery programs in fragile contexts like the BAY States.

IV. THE BAY STATES CONTEXT

The BAY States—Borno, Adamawa, and Yobe—have become emblematic of the complex challenges of fragility, protracted conflict, and humanitarian crisis in Nigeria's northeast. Since the Boko Haram insurgency emerged in 2009, the region has faced widespread violence, insecurity, and destruction of infrastructure (International Crisis Group, 2020). Communities have endured displacement, the loss of human capital, and the collapse of traditional livelihoods. According to humanitarian assessments, millions remain internally displaced, with Borno alone accounting for the largest share (International Organization for Migration [IOM], 2023).

BAY States (WHO, 2023)

The region's economy, which had long relied on agriculture, livestock, and trade, has been severely disrupted by conflict, climate change, and weak market systems (United Nations Development Programme [UNDP], 2022). These dynamics create a volatile environment where households struggle to meet basic needs, and where pathways to sustainable recovery are limited.

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Table 1: Conflict and Livelihood Impacts in BAY States

Impact Dimension	Key Evidence/Trends	Sources (examples)
Displacement	Over 2.2 million internally displaced persons (IDPs), majority women & youth	UNHCR (2016); Ada & Abdullahi (2022)
Employment/Income	70% youth unemployment; collapse of farming and petty trade	ILO (2016); World Bank (2012)
Market Disruptions	Insecurity reduces cross-border trade; supply chain bottlenecks in food and livestock	UNDP (2008); AfDB (2025)
Social Protection Gaps	Limited access to safety nets, exclusion of displaced women and youth	OECD (2019); UN Women (2020)

The socioeconomic impacts of this crisis are far-reaching. Displacement has disrupted community cohesion and weakened informal support networks, leaving vulnerable groups—particularly women, youth, and children—exposed to food insecurity and protection risks (United Nations High Commissioner for Refugees [UNHCR], 2021). Agricultural production has declined significantly due to landmines, restricted mobility, and loss of access to farmland, while markets face erratic supply chains and insecurity that limits trade (Food and Agriculture Organization [FAO], 2022). Unemployment is especially acute among young people, who make up the majority of the population but face limited opportunities for education or work (World Bank, 2020). This creates a vicious cycle of dependency on humanitarian assistance, heightened vulnerability to recruitment by armed groups, and deepened poverty (Mercy Corps, 2019). In addition, market disruptions have weakened access to inputs, credit, and financial services, further isolating communities from formal economic participation (USAID, 2021). The combined effect of insecurity, displacement, and economic stagnation reinforces a multidimensional poverty trap. Despite these challenges, numerous livelihood interventions have been implemented in the BAY States by government, development partners, and humanitarian organizations. Programs have included cash transfers, food assistance, vocational training, small-scale agricultural support, and microfinance initiatives (UNDP, 2021; World Food Programme [WFP], 2022). These interventions have provided critical relief, particularly in stabilizing food security and offering temporary income opportunities. However, significant gaps remain. Many interventions are short-term, fragmented, and largely humanitarian in nature, often lacking the integrated design needed to address structural poverty (CGAP, 2016). Skills training programs, while useful, are frequently disconnected from functioning markets or access to finance, resulting in limited sustainability. Similarly, microfinance and loan schemes struggle in a context where displaced populations have little collateral, irregular incomes, and high levels of vulnerability (BRAC, 2015). As a result, many households fall back into poverty once assistance ends.

A further gap is the limited engagement of Development Finance Institutions (DFIs) in structuring scalable livelihood recovery in the BAY States. While DFIs such as the Bank of Industry and the African Development Bank have developed financing models for SMEs and infrastructure in stable regions, their role in fragile contexts has been less pronounced (African Development Bank [AfDB], 2021). Yet the BAY States require precisely the kind of risk-sharing, concessional lending, and blended finance tools that DFIs are well-positioned to provide (World Bank, 2022). Humanitarian programs alone cannot address the long-term development deficit, and commercial finance is often inaccessible or unwilling to operate in insecure areas (OECD, 2020). Bridging this gap requires a shift toward approaches that combine relief with structured pathways out of poverty.

In this regard, the Graduation Approach offers a compelling framework. By combining asset transfers, financial literacy, livelihood coaching, and access to markets, it addresses the multifaceted barriers faced by extremely poor households in fragile contexts (Dharmadasa et al., 2015; AVSI International, 2024). In the BAY States, where livelihoods have been disrupted by both conflict and climate shocks, embedding the Graduation Approach within DFI-supported programs could provide a pathway from short-term humanitarian aid to long-term economic inclusion. Current interventions show the importance of support, but without integrated and scalable strategies, they remain insufficient to reverse the entrenched cycle of poverty and fragility. Thus, the BAY States context underscores both the scale of the challenge and the urgency of rethinking livelihood support through mechanisms that can build resilience and foster inclusive recovery.

V. DFIS AND THE GRADUATION APPROACH: PATHWAYS FOR LIVELIHOOD RECOVERY

5.1 Financing Models

Financing models are central to how Development Finance Institutions (DFIs) support the Graduation Approach, as they determine the flow of resources, risk-sharing mechanisms, and the ability to extend sustainable solutions to the ultra-poor. One of the most important instruments is blended finance structuring, which combines concessional or catalytic capital with commercial investment to improve project viability and attract private sector participation. Blended finance allows DFIs to reduce investment risk and enable interventions that would otherwise not be financially feasible, particularly in fragile contexts (Climate Bonds Initiative, 2024). Another key mechanism is grant financing, which often mobilizes private capital by covering the riskiest portion of an investment, sometimes as a component within blended structures.

Risk management is equally crucial, as DFIs help meet financing needs in developing and fragile countries by enhancing risk appetite and deploying project de-risking instruments such as guarantees, political risk insurance, and first-loss capital (Ingram, 2023). Through these approaches, DFIs can unlock capital flows to underserved markets, making recovery and livelihood programs more scalable and sustainable. Ultimately, the goal is not only to finance projects but also to create an enabling ecosystem where short-term assistance evolves into long-term resilience and growth.

When financing models are linked to program design, DFIs can translate resources into tangible livelihood outcomes through the Graduation pillars. Successful Graduation programs integrate core elements—productive assets, financial literacy, savings mechanisms, coaching, and social protection—sequenced in a time-bound and adaptive manner (BRAC, 2015). By embedding these essentials, DFIs ensure that financing translates into meaningful and sustainable livelihood recovery.

5.2 Program Design & Implementation

Effective program design is critical to translating DFI financing into sustainable livelihood outcomes through the Graduation Approach. One pathway is for governments to align national social protection programs with DFI financing pipelines, ensuring that safety nets evolve into platforms for market entry and self-reliance. In this way, beneficiaries can transition from receiving humanitarian or social transfers into active participation in local markets. DFIs can also co-design programs with NGOs and development partners already implementing graduation pilots, bringing the financial capital required to scale models that have demonstrated success in fragile and post-conflict contexts. By deploying concessional finance and risk-sharing tools, DFIs can de-risk investments in vulnerable regions, making it possible to support communities where livelihoods are most at risk.

From the financial services perspective, program design must pay attention to the needs of newly included market participants who remain poorer and more marginalized than typical clients. This requires building a nuanced understanding of their financial knowledge, behaviors, and the barriers that prevent them from using formal financial services. DFIs and financial service providers should jointly promote inclusive product design, such as flexible savings, micro-insurance, and small-ticket credit, coupled with delivery channels that reflect the realities of fragile environments (Innovations for Poverty Action, 2025).

Beyond product design, providers must adopt a long-term perspective that values the resilience and growth potential of these new clients, rather than focusing solely on their lack of immediate profitability. Through these measures, DFIs can ensure that program design effectively integrates Graduation pillars and delivers sustainable outcomes.

5.3 Gender and Youth Inclusion

Gender and youth inclusion has emerged as a central consideration in poverty alleviation and livelihood interventions, particularly within the Graduation Approach. Concern Worldwide (2020) emphasizes that rigid gender norms frequently dictate that men dominate intra-household decision-making and take responsibility for the principal income generation, while the division of household labour and childcare responsibilities fall disproportionately to women, reducing their capacity to play a productive role within the family. It is important that graduation programming integrate a gender lens and a gender transformative approach to tackle deep rooted gender norms at every stage.

Historically, women and young people—especially in fragile and low-income contexts—face systemic barriers such as limited access to resources, restricted mobility, unequal educational opportunities, and exclusion from decision-making spaces (World Bank, 2012; UN Women, 2020). These disparities not only widen social and economic inequality but also weaken the potential of development initiatives to achieve sustainable impact (Kabeer, 2015). By embedding gender- and youth-sensitive strategies into program design, interventions can address structural disadvantages and empower these groups to play an active role in shaping their economic futures (OECD, 2019).

5.4 Sustainability and Scaling

For livelihood interventions in fragile contexts like the BAY States to succeed, they must be designed with both sustainability and scalability in mind. A central pathway is through building climate resilience, since the region is not only conflict-affected but also highly vulnerable to climate shocks such as droughts, flooding, and desertification. Embedding climate-smart agricultural practices, renewable energy solutions, and ecosystem-based livelihoods into Graduation programs can strengthen household resilience while positioning communities to benefit from the green transition (UNDP, 2022). DFIs can play a catalytic role by financing green innovations and providing concessional loans for climate-adaptive SMEs, ensuring that livelihood recovery is not only immediate but future-proof.

Equally important is the role of SME growth. Micro and small enterprises serve as the backbone of local economies and represent a critical pathway for displaced and vulnerable populations to achieve self-reliance. DFIs can use blended finance and de-risking instruments to expand credit availability, particularly for women- and youth-owned enterprises. Supporting SMEs that integrate displaced populations into value chains—whether in agriculture, services, or light manufacturing—can create jobs and expand local markets.

Finally, scaling requires robust institutional frameworks that align government social protection programs, DFI financing, and NGO delivery models. Institutional buy-in ensures policy continuity and prevents interventions from remaining isolated pilot projects. Mechanisms such as public–private partnerships, government-backed guarantee schemes, and multi-stakeholder coordination platforms can strengthen delivery systems. By embedding the Graduation Approach into institutional structures, DFIs can help move from fragmented aid to systemic livelihood recovery. Sustainability thus rests on the dual foundations of resilience to shocks and the capacity to scale through supportive ecosystems.

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Table 2: DFIs' Potential Contributions to Scaling the Graduation Approach

DFI Contribution Area	Application to BAY States Recovery	Example/Source
Climate Resilience Finance	Green bonds to support climate-smart agriculture for displaced farmers	Climate Bonds Initiative (2024)
SME Growth Support	Low-interest credit lines for women- and youth-led enterprises	Bank of Industry (2024)
Institutional Strengthening	Building state capacity for livelihood financing & graduation programs	Development Finance International (2025)
Risk Sharing / De-risking	Blended finance mechanisms to crowd in private sector capital	Ingram (2023)

VI. POLICY IMPLICATIONS

The findings of this study highlight several policy implications for actors engaged in livelihood recovery in the BAY States. For Development Finance Institutions (DFIs), there is a pressing need to design inclusive livelihood finance that goes beyond traditional SME lending to embrace ultra-poor households and vulnerable groups. This includes developing tailored blended finance instruments, deploying de-risking mechanisms, and prioritizing fragile settings where commercial actors are reluctant to invest. DFIs should also strengthen monitoring and evaluation frameworks to track not only financial performance but also social outcomes, such as resilience, gender inclusion, and poverty reduction.

For the Nigerian government, aligning national social protection and skills development strategies with Graduation programming is critical. Current safety net programs, such as conditional cash transfers, can be linked with DFI-supported financing pipelines to provide a pathway from subsistence support to sustainable market participation. At the same time, national and state-level skills initiatives must be tailored to fragile contexts, ensuring that youth and women in the BAY States can access vocational and entrepreneurial training that aligns with emerging market opportunities. By embedding Graduation principles in policy frameworks, governments can ensure interventions are both coherent and sustainable.

For donors and NGOs, the challenge is to move from fragmented, short-term humanitarian projects to longer-term partnerships with DFIs and government agencies. Donors should prioritize flexible financing that allows NGOs to innovate with Graduation pilots, while DFIs bring the scale needed for expansion. NGOs, in turn, contribute critical local knowledge, social mobilization capacity, and trust-building with communities. Partnerships must also integrate gender-sensitive and conflict-aware approaches, given the vulnerabilities of women, youth, and displaced persons.

Taken together, these policy implications underscore the importance of a coordinated ecosystem in which DFIs provide catalytic capital, government sets enabling policies, and NGOs deliver community-based support. Such an approach is essential for transforming aid dependency into sustainable economic inclusion in the BAY States.

VII. CONCLUSION & RECOMMENDATIONS

This paper has explored how DFIs can leverage the Graduation Approach to foster livelihood recovery in Nigeria's BAY States. The analysis demonstrates that while humanitarian interventions have provided critical relief, they remain insufficient to address the structural drivers of poverty and fragility. DFIs are uniquely positioned to bridge this gap by deploying financing models, program design, and institutional partnerships that combine short-term support with long-term development outcomes. The Graduation Approach offers a proven framework for integrating asset transfers, financial literacy, coaching, and social protection into scalable and resilient livelihood programs.

The strategic role of DFIs lies in their ability to de-risk investments, attract private capital, and embed livelihood recovery within sustainable financial ecosystems. By financing climate-resilient SMEs, aligning with government social protection programs, and partnering with NGOs for delivery, DFIs can help transform fragmented interventions into systemic solutions. Importantly, attention must be paid to gender equity, youth inclusion, and conflict sensitivity, ensuring that the most vulnerable populations benefit from recovery.

Based on this analysis, three recommendations emerge. First, DFIs should prioritize fragile settings by developing tailored financing products and risk-sharing mechanisms. Second, government should align national and state-level social protection and skills policies with Graduation principles to create coherent pathways out of poverty. Third, donors and NGOs should deepen partnerships with DFIs, using their community reach and trust to strengthen program delivery.

Future research should focus on empirical evaluations of Graduation programs financed by DFIs in fragile contexts, examining long-term livelihood impacts and lessons for scalability. Such evidence will be vital for refining policies and ensuring that livelihood recovery in the BAY States contributes to durable peace and development.

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