

# Social Protection: The Impact on Multidimensional Poverty in Ethiopia, India, and Peru

October 2020 – No. 2 | EU-AFD Research Facility on Inequalities

### MESSAGE

Three large-scale social protection schemes – the Productive Safety Net Program (PSNP) in Ethiopia; the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS) in India; and the Juntos conditional cash transfer program in Peru – have led to a reduction in both the incidence and intensity of multidimensional poverty in all three countries between 2006 and 2016. New research that analyzes data from Young Lives, longitudinal study of the changing nature of childhood poverty, finds positive short-term effects of the programs on household asset formation, livestock holdings, school attendance, and some indicators of living standards. Program effects were sustained into the longer term.

### CONTEXT & MOTIVATION

Social protection schemes have become a popular form of government intervention in developing countries. The international community also promotes them as a tool to combat the adverse impacts of natural and economic crises. Programs have various designs, forms, and sizes. Some aim to supplement consumption in hard times, while others attempt to address the underlying market failures that lead to poverty and vulnerability.

The empirical evidence on the effectiveness of these programs remains yet mixed. In particular, there is scant research evaluating the effectiveness of social protection schemes in reducing multidimensional poverty. Moreover, knowledge about the schemes is mostly restricted to outcomes measured in the short run.

This study examines how the wellbeing of families participating in the programs changes in the medium and longer-term using a measure of multidimensional poverty<sup>1</sup>. Tracking the poverty reduction role of social protection programs in a multidimensional framework is of high policy relevance as it provides an alternative solution to address some of the known blind spots of income poverty measures such as missing markets, problems with measuring consumption, and the distinction between transient and chronic poverty.

### METHODS

The empirical framework used follows the Alkire-Foster (AF) method of measuring multidimensional poverty. This involves counting the different types of deprivation that individuals experience at the same time, such as a lack of education or employment, poor health or low living standards.

To identify the poor, the AF method counts the overlapping or simultaneous deprivations that an individual or household experiences in different indicators of poverty. We then calculate the incidence of poverty (the percentage of the population that is poor) and the intensity of poverty (the percentage of deprivations suffered by each household on average).

The multidimensional poverty index combines information on the incidence and intensity of multidimensional poverty among the poor. It represents the share of the population that is multidimensionally poor adjusted by the intensity of the deprivation suffered. The study uses a quasi-experimental design to identify the causal impact of the schemes on multidimensional poverty indicators.

Using the longitudinal Young Lives data, impact is evaluated by estimating 'difference-in-differences' models using matching methods to construct a credible control group. The approach provides the average change in the outcome in a treatment group minus the average change in the outcome in a control group.

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**Geography** Ethiopia; India; Peru

**Find out more about this project:** <https://www.afd.fr/en/carte-des-projets/investigating-distributional-impact-social-protection-short-and-longer-run-inequalities>

**Key words** Social protection; Multidimensional poverty; PSNP; NREGS; Juntos; Young lives

**Themes** Economics, Poverty, Inequality.

## RESULTS

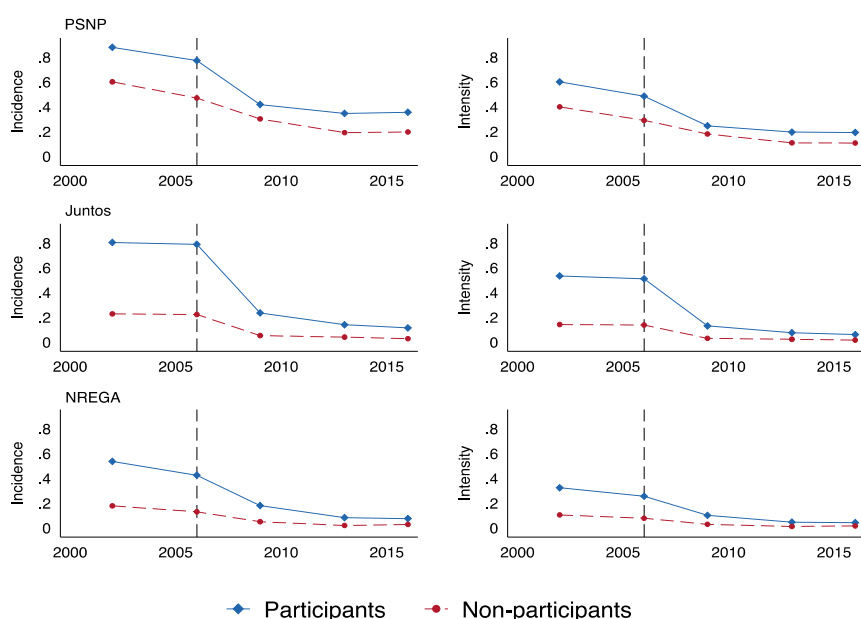
Multidimensional poverty has declined steadily between 2006 and 2016 in Ethiopia, India, and Peru. The reduction in the index for households not covered by the programs is lower in all three countries. Similarly, the proportion of the multidimensionally poor in severe poverty shows a marked decline over the period. The reduction in multidimensional poverty is robust to different deprivation cut-offs.

First, the programs significantly reduced the incidence and intensity of poverty for the severely poor. PSNP, NREGS and Juntos resulted in, respectively, 11%, 9%, and 24% declines in the incidence of multidimensional poverty for the severely poor. The corresponding intensities of poverty also showed a significant reduction for all three programs, ranging from 6% to 18%.

Second, the intensity of poverty of households experiencing multiple deprivations is significantly reduced in all the samples analyzed.

Third, program effects were sustained into the medium and longer term. In all three programs, the reduction in multidimensional poverty has been accomplished by large reductions in deprivations in

## Trends in Incidence and Intensity of Multidimensional Poverty, by Participation Status



Note: Incidence and intensity of MPI are computed based on deprivation cut-off of 50% of the weighted indicators.

'asset ownership' and 'school attendance'. There have been statistically significant reductions in 'sanitation' in both Ethiopia and Peru; 'schooling' and 'electricity' in Peru; and 'housing' and 'nutrition' in India.

The positive effect detected of two public works programs mainly captures the direct income effect of the benefits (wages and in-kind transfers) received. With the Juntos program in Peru, the two key characteristics of a conditional cash transfer program are that they act

simultaneously on the short- and long-term dimensions of poverty. The results highlight both the impact of a cash transfer on current poverty and the impact of conditioning the transfer on school attendance.

The research shows that Juntos resulted in reduced overall incidence and intensity of multidimensional poverty particularly through improvement in asset ownership and school attendance of children.

## RECOMMENDATIONS

- ▶ Adding indicators of multidimensional poverty to the standard use of money metric measures can help to monitor trends in poverty, understand what is driving them, and evaluate the effectiveness of policy interventions.
- ▶ In contexts of chronic poverty and underemployment, public work programs that pay adequate wages over an extended period provide an opportunity for beneficiaries to accumulate assets and make productive investments.
- ▶ The programs are particularly effective in reducing poverty among the severely poor and households facing multiple forms of deprivation. Increasing the benefit amount might extend the impact to less poor households that are also vulnerable.

<sup>1</sup> Borga L. & D'Ambrosio, C. (2020). Social Protection and Multidimensional Poverty: Lessons from Ethiopia, India and Peru, [AFD Research Papers N°136](https://www.afd.fr/en/collection/policy-dialogues).