

Anti-poverty intervention provides sustained boost to incomes and wealth, study finds

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Study co-authors Abhijit Banerjee and Esther Duflo, India, 2007. Banerjee is the Ford Foundation International Professor of Economics at the Massachusetts Institute of Technology and Duflo is the Abdul Latif Jameel Professor of Poverty Alleviation and Development in MIT's Department of Economics. Both are directors of the Abdul Latif Jameel Poverty Action Lab (JPAL). Credit: David Baron

An anti-poverty program tested extensively on three continents has produced sustained gains in individuals' income, wealth, and well-being, according to a study published today in the journal *Science*.

The program provides very poor people with productive assets, such as livestock, as well as job training, life-skills coaching, and health information. Known as the "Graduation" program, its intention was to examine whether helping the poor in multiple ways simultaneously could be especially effective in fighting [poverty](#).

Overall, with more than 20,000 people enrolled across six countries over a three-year period, the experiment produced a 5 percent increase in per capita income, an 8 percent increase in food consumption, a 15 percent increase in assets, and a 96 percent increase in savings, compared with similar groups of people not enrolled in the program.

"The results show that three years after the intervention, hunger is down, consumption is up, and income is up," says Abhijit Banerjee, the Ford Professor of International Economics at MIT, and a co-author of the paper detailing the findings.

The "Graduation" program was targeted at substantial groups of very

poor citizens in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru; about 48 percent of households in the experiment had daily per capita consumption of less than \$1.25. While the welfare of recipients was expected to increase in the short run, those gains proved durable.

"It seems to be an improvement that happens and stays intact," Banerjee says, noting that the self-reported mental health of participants improved as well: "They are happier, too."

Providing a "big push"

There are nine co-authors of the *Science* paper, including Banerjee and Esther Duflo, co-founders of MIT's Abdul Latif Jameel Poverty Action Lab (J-PAL). The paper's corresponding author is Dean Karlan, a development economist at Yale University and a member of J-PAL's executive committee.

J-PAL was founded in 2003 and named in 2005 after the father of MIT alumnus Mohammed Abdul Latif Jameel '78, whose substantial gift to the lab greatly expanded the scope of its activities.

INCREASING INCOME FOR THE WORLD'S POOREST

REACHING THE POOREST
 One in seven people globally live on less than \$1.25 a day and lack the necessary financial access and skills to become self-sufficient.

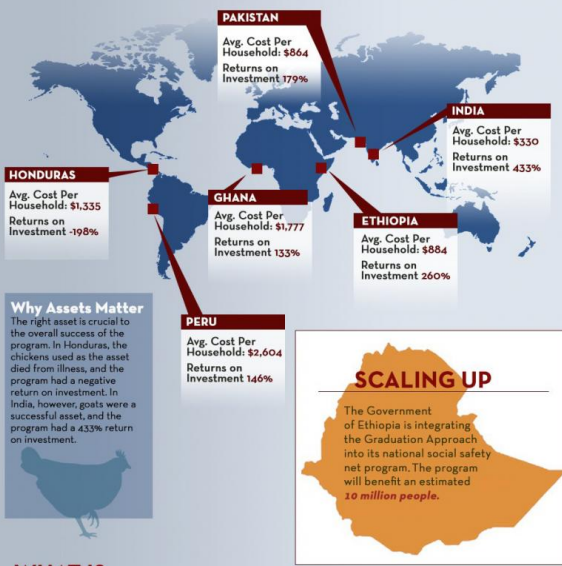
From 2007 to 2014, researchers studied the impact of the Graduation Program - a unique and holistic approach to alleviate poverty. Across six countries - Ethiopia, Ghana, Honduras, India, Pakistan, and Peru - researchers followed over 21,000 people. Beneficiaries received income-generating assets, skills training, coaching, access to savings, food supplies, and money stipends. The results were impressive.

KEY FINDINGS

-  **HIGHER INCOME**
-  **GREATER ACCESS TO FOOD**
-  **INCREASED RATES OF SAVINGS**
-  **IMPROVED HEALTH AND HAPPINESS**

A COST-EFFECTIVE MODEL

Five of the six countries examined had significant returns on investment and showed benefits that were sustained one year after the end of the program. The returns represent the increase in total consumption as a percentage of total program cost.



Why Assets Matter
 The right asset is crucial to the overall success of the program. In Honduras, the chickens used as the asset died from illness, and the program had a negative return on investment. In India, however, goats were a successful asset, and the program had a 433% return on investment.

SCALING UP
 The Government of Ethiopia is integrating the Graduation Approach into its national social safety net program. The program will benefit an estimated **10 million people**.

WHAT IS THE GRADUATION APPROACH?

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ASSET TRANSFERS: Participants choose an asset as a sustainable income generator. These included shea butter processing in Ghana, guinea pigs in Peru, and beekeeping in Ethiopia.
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COACHING: Field officers regularly visit households to encourage and monitor participants and reinforce skills and accountability.
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SKILLS TRAINING: Participants receive guidance on running a business and caring for assets.
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FOOD AND CASH STIPENDS: Stipends are provided to immediately improve and stabilize consumption.
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SAVINGS PROMOTION: Households are encouraged to open and maintain savings accounts with a microfinance institution or a community-based savings group.
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ACCESS TO HEALTH SERVICES
 Nutrition and hygiene training is provided.

ABDUL LATIF JAMEEL Poverty Action Lab  **CGAP**
TRANSLATING RESEARCH INTO ACTION RESEARCHERS FOR POVERTY ACTION

FOOTNOTE: Pioneered by BRAC in Bangladesh, the Graduation Approach was piloted by CGAP and the Ford Foundation in 10 locations. Research was conducted at six of the pilots in partnership with IPA and J-PAL.
SOURCE: Banerjee, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, Robert Osei, William Parienté, Jeremy Shapiro, Bram Thuysbaert, and Christopher Udry. 2015. "A Multi-faceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries." Science.

Produced by SwitchYard Media

Infographic explaining the program studied in the Banerjee et al. paper. Credit: Consultative Group to Assist the Poor

The study examined results from 21,063 adults in 10,495 rural households. The "Graduation" program concept was first used deployed in Bangladesh by a large non-governmental organization known as BRAC. As the paper notes, the idea was to provide the poor with a "big push" intended to alleviate poverty.

"The intellectual impetus came from asking the question: Can we have durable consequences from a one-time intervention into the lives of the poor?" Banerjee says.

The "Graduation" program gave participants a one-time asset transfer, often providing people with animals, such as cows or chickens, from which they could earn income. It supplemented that asset donation with temporary spending support; training on running a business; frequent home visits from project staff; and information about health care. Participants were also encouraged to save money.

Some specifics were tailored to each country, but in each case, participants' results were compared to those of people with similar [income](#) levels who did not take part in the project. The [wealth](#) gains were observed in five of the six countries; only Honduras was an exception.

"The overall bottom line is that the program appears to be effective in most places," the authors write in the *Science* paper.

"A battle that could be won"

The "Graduation" project has also produced a number of questions the researchers hope to explore. Some pertain to costs; the program is intensive, with home visits and personalized coaching. Future variations, Banerjee notes, may modify some elements of the program, to see if the same outcomes can be achieved at lower cost.

For now, Banerjee thinks the experiment has demonstrated that the world's poorest people are not inherently incapable of improving their own lives.

"We wanted to show it's a battle that could be won," Banerjee says.

More information: A Multifaceted program causes lasting progress for the very poor: Evidence from six countries, *Science*, www.sciencemag.org/lookup/doi/10.1126/science.1260799

Provided by Massachusetts Institute of Technology

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