Part A
Chronic poverty as a key policy issue
A. Chronic poverty and justice

Chronic poverty is a key policy challenge of the 21st Century. Hundreds of millions of people exist in conditions of extreme deprivation throughout much or all of their lives. The chronically poor are unable to develop their personal capabilities or provide a good start in life for their children, and often die prematurely of preventable causes.

While poverty has been a key concern of national governments for decades, even centuries in some countries, there are now, for the first time, global frameworks for poverty reduction, to which governments and international agencies are largely committed. The Millennium Development Goals (MDGs) and Poverty Reduction Strategies (PRSs), alongside a number of important rights charters, have increased the visibility of the poor. Their wellbeing is increasingly a matter of global concern.

However, neither the MDGs nor most PRSs currently consider the chronically poor to a sufficient degree. Even achieving the first MDG by 2015 would still leave some 800 million people living in absolute poverty and deprivation – many of whom would be chronically poor. And there is only one MDG – achieving universal primary education – for which the chronically poor must be effectively included for the goal to be met. The achievement of the other goals is currently measured against mean population figures (where there are targets at all), and therefore can be met by addressing the needs of those who are relatively easy and inexpensive for policy instruments to reach, i.e. those closest to the poverty line and most accessible. This is assuming that the MDGs will be met. In many countries – particularly, but not solely, in sub-Saharan Africa – it appears that, based on current trends, several MDGs will not be achieved at all.

So, despite the emergence of global frameworks for reducing poverty, there is a distinct danger that the chronically poor are being left behind. Not only is it unjust to neglect the most deprived, but there are two sets of reasons why tackling chronic poverty needs to occur sooner rather than later: the effects of poverty traps; and the impact of broad global processes and global demographics on chronic poverty.

First, if chronic poverty is not addressed immediately it will become more intractable and costly to tackle. Evidence suggests that an increased length of time in poverty reduces the likelihood of exiting poverty. Poverty traps enmesh individuals and households in vicious cycles of material deprivation and a lack of investment in human capital. Short-term needs override long-term strategies, increasing future costs and depleting scarce resources. Furthermore, people who are left behind in national processes of development may understandably resent their marginalisation, and respond to the perceived injustice through developing coping strategies with negative effects for themselves, their families and society as a whole.

Second, there is a range of global and regional processes that shape, and are shaped by, chronic poverty. Population growth is set to be highest in some of the poorest and most environmentally marginal regions, potentially worsening stresses on resources such as water, land and forests. Food security for the poor will improve slowly at best in many regions: changing global patterns of demand for, and supply of, food crops have reversed the long-term fall in world food prices. An era of high oil prices is also likely to hinder growth for many poor countries in the coming decades, especially for landlocked importing nations.

The growing crisis of climate change is a further important example. As the Stern Report noted, ‘the most vulnerable – the poorest countries and populations – will suffer earliest and most, even though they have contributed least to the causes of climate change’. The chronically poor often live in marginal environments, and lack the assets, mobility and political power to adapt to climate change. Without urgent and strong
policy interventions, the physical effects of climate change may create serious obstacles to eradicating poverty. It is equally important, in the short term, to ensure that policies that tackle the causes of climate change (such as biofuel production and environmental labelling initiatives) do not harm the poor.\(^7\)

At the same time, and as the 2007 World Development Report notes, a ‘demographic window of opportunity’ is currently opening in many low-income regions. A fall in dependency ratios means that there are more resources freed for investment in human capital. This may, however, be a one-off window, as dependency ratios may rise again in coming decades as the cohort of older people grows.

The first MDG commits governments and international organisations to reduce global poverty by half between 2000 and 2015.\(^8\) But, despite acting as a focal point, the MDGs also present governments and development partners with important trade-offs between short-term targets and longer-term goals.

We argue that eradicating chronic poverty can significantly improve the chances of meeting and surpassing the MDGs (see Chapter 7). Progress can be achieved through the initiation of ‘virtuous circles’. For example, addressing chronic poverty can speed up the slow progress on reducing maternal and child malnutrition and morbidity (particularly in South Asia), as chronically poor households are much more likely to contain unhealthy and malnourished mothers and children.\(^9\)

Preventing illness and impairment among chronically poor women and children is key to the interruption of life-course and intergenerational poverty.

The first Chronic Poverty Report (2004-05) comprised an in-depth review and analysis of the what, where, who and why of chronic poverty. In order to lay down the groundwork for the policy responses which follow, we provide a brief review below.\(^10\)

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**Box 1: Chronic poverty concepts**

Poverty has three key dimensions: breadth, depth and duration. It is important for policy that poverty is disaggregated along these lines.

**Poverty breadth** refers to the multidimensionality of poverty, the many ways in which people can experience poverty. This can be in terms of, for example, ‘money-metric’ or material indicators (low income, expenditure, consumption, physical assets); ‘human capital’ indicators (poor nutrition, health, education status); or ‘socio-political’ indicators (lack of access to services, common property or social networks; powerlessness, marginalisation, stigma).

**Poverty depth** refers to how far below a poverty line – however measured – someone falls. ‘Deep’ poverty has many names in poverty policy and analysis circles – severe poverty, absolute poverty, extreme poverty, ultra-poverty, poorest of the poor, hardcore poverty, indigence, destitution … – and even more in the local languages used by ordinary people (see Box 7 for examples from Mozambique).

**Poverty duration** refers to the length of time someone experiences a particular poverty state, and also implies an interest in movements into and out of poverty, known as poverty dynamics (see Box 2). Poverty that lasts a long time is primarily known as chronic poverty, but is also commonly called persistent or long-term poverty.\(^11\) People who move into and out of poverty are said to experience transitory poverty (also known as transient poverty).

Like chronic poverty, the terms life-course poverty and intergenerational poverty draw attention to the duration of poverty, but also call attention to the processes that can lead to or entrench poverty. Life-course poverty denotes the ways in which a poor child or young person can grow into a poor – or even poorer – adult. Intergenerational poverty refers to the ways in which a poor parent can ‘transfer’ the conditions of poverty to his/her children. The processes involved are often so closely related that the distinction can be difficult to make. For example, the inability of a parent to provide sufficient education to a child can be labelled as intergenerational poverty, while an uneducated child growing into an unemployed adult can be labelled as life-course poverty. In practice, the processes work together.

It is commonly assumed that there is a significant overlap between these three dimensions of poverty. In fact, while it is clear that those who are severely and/or persistently poor are likely to be poor in many dimensions, analysis suggests that the relationship between severity and chronicity is more complex and only partly understood, both at the country and household level (see Box 3).

Box 2: Poverty trends and poverty dynamics

Conventional poverty analysis focuses on poverty trends – changes in poverty rates at the aggregate level. This can mask poverty dynamics – changes in wellbeing experienced by individuals and households over time. Consider, for example, the significant reduction of 24% in aggregate poverty apparent in rural Vietnam between 1993 and 1998. This tells us nothing about what happened to individual households. In fact, while about 30% of households moved out of poverty, another 5% fell into poverty (together considered as the transitorily poor), and about one-third of the population was poor in both periods. Panel data, that track the same households at multiple points in time, are required to measure dynamics. Further, dynamics are not confined to describing movements over an arbitrary line – many chronically poor households also experience improvements and declines in their poverty status without exiting poverty (see Box 6 for examples from Bangladesh).


B. The nature and extent of chronic poverty

What is chronic poverty?

The distinguishing feature of chronic poverty is its extended duration. We use chronic poverty to describe extreme poverty that persists for ‘a long time’ – many years, an entire life, or even across generations. The chronically poor are commonly deprived across multiple dimensions. Combinations of capability deprivation, low levels of material assets, and socio-political marginality keep them poor over long periods. Boxes 1 and 2 review the key concepts we use when discussing chronic poverty.

Poverty that has caused a preventable death must also be considered to be chronic poverty, as the person is permanently deprived of wellbeing. This is in stark contrast to current means of measuring poverty, which can show improvements in poverty statistics when death causes a poor person to ‘drop from the sample’. Counting poverty-related preventable deaths as chronic poverty is methodologically complex, and is not attempted in this report. However, from an ethical point of view it is clearly required.

What causes chronic poverty?

There is rarely a single cause of chronic poverty. The persistently poor tend to be those who face multiple and overlapping difficulties in various spheres of life. Causes of extreme poverty tend to interact, producing vicious cycles and poverty traps.

The factors that push people into chronic poverty and keep them poor operate at different levels, ranging from the intra-household level to the global level. In this respect, both concrete, immediate experiences (such as sickness, drought or domestic violence) and relatively distant and intangible processes (such as economic restructuring, social exclusion or bad governance) play a role in making and keeping people poor. However, identifying the factors that drive and maintain chronic poverty is not straightforward (not least as they frequently overlap). The collection and analysis of good quality longitudinal (panel), quantitative and qualitative data is the best method. Panel surveys and life histories, especially in combination, are extremely useful for identifying and understanding causes of chronic poverty, and the factors that contribute to creating ways out of poverty.

Overall, there are five chronic poverty traps that must be considered by policymakers when tackling chronic poverty.

1. Insecurity trap. Those who live unprotected within insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crisis and natural hazards. Such shocks – which apply to many, if not all, individuals and households in an area – are experienced and absorbed at the micro-level. Chronically poor households, with few assets and entitlements, have little capacity to cope with them. The chronically poor are also more susceptible to individual- or household-level shocks (often termed idiosyncratic shocks), especially ill health.

2. Limited citizenship. Moving beyond the good governance agenda, and purely technocratic interventions around ‘getting institutions right’ or ‘strengthening civil society’, we focus on individuals’ engagement in the political sphere. We argue that the chronically poor do not have a meaningful political voice, and lack effective and legitimate political representation and power. In this sense, they have a limited sense of citizenship, and do not have a substantive stake in society.

3. Spatial disadvantage. Remoteness, certain types of natural resources endowments, political disadvantage, and weak integration can all contribute to the creation of intra-country spatial poverty traps. But spatial disadvantage includes much more than ‘lagging regions’ within a country. It also includes Chronically Deprived Countries (to which we turn shortly), and certain urban locations which, despite proximity to possible advantage, are characterised by poor or non-existent services, violence and desperate living conditions.
4. Social discrimination. The chronically poor often experience traps based on their positions within households and communities. Social relationships – of power, patronage, empowerment, competition, collaboration, support – can entrap people in exploitative relationships, or help them escape from poverty. Such social structures evolve with local or nationally specific ‘social orders’ such as class and caste systems, ethnicity, or gender-specific roles, responsibilities and rights. Many of the chronically poor are bound into negative social relationships that, while protective against destitution, deny them choice and voice, and limit their scope to move out of both the constraining relationship and poverty itself (see Chapter 5).

5. Poor work opportunities. Where there is limited or no economic growth, work opportunities are limited. Where there is enclave economic growth, work opportunities are inaccessible. And where there is broad-based growth, the employment generated may be exploitative, with unhealthy working conditions. Whilst allowing day-to-day existence, poor work opportunities and unsustainable livelihoods do not permit savings or significant asset accumulation, and often increase health shocks.\textsuperscript{16}

Who is chronically poor? Where do they live?
Some of the chronically poor are not economically active, due to health, age or physical/mental impairment. Most, however, are economically active, but are persistently poor due to their position within households, communities and countries. Chronic poverty is most frequent when social and spatial traps overlap.

Social groups who suffer from discrimination and prejudice include ethnic minorities, migrant and bonded labourers, refugees and internally displaced people. These groups often have a high incidence of chronic poverty. Wider social factors also play a role: age and life-cycle factors can be significant, with children, older people and widows particularly affected by chronic poverty. Larger households, with higher dependency ratios, appear to be more susceptible to chronic poverty in certain regions.

There are a number of overlapping dimensions to spatial poverty traps (the evidence for which is overwhelming – see Box 3).

- Remoteness – areas far from the centres of economic and political activity, in terms of both time and distance, are more likely to have large numbers of chronically poor.
- Agricultural and natural resource endowments – areas with poor quality agricultural potential or natural resources limit the income-earning opportunities of the poor, who frequently rely on natural-resource-based activities. However, having large quantities of high-value natural resources provides no guarantee that an area is not in a spatial poverty trap (see Chapter 6).
- Political disadvantage – areas which contain members of minority social groups can be politically marginalised and deprived of adequate government investment.
- Integration – areas which are not well connected in terms of physical, communication and market infrastructure tend to have a high incidence of chronic poverty.

Intra-country spatial inequality is only one side of the spatial story. Many of the chronically poor live in countries that have experienced sustained deprivation for decades. We refer to these countries as Chronically Deprived Countries (CDCs), discussed in Section E of this chapter.

Chronic poverty also affects a broad range of productive adults who live in well connected locations, are part of the societal mainstream, and live in stable nations. The majority of the chronically poor are simply working for low returns.

Box 3: Spatial disadvantage and poverty

There is strong and convincing evidence linking poverty with less favoured regions and remoteness. In a large cross-country study in Africa it was found that in many cases the percentage of people below an asset poverty line was over 50% greater in rural areas than urban areas.\textsuperscript{17} Much further evidence comes from country-level studies. In China, for example, 2002 rural per capita income in Shanghai province was 6244 yuan, but only 1490 yuan in Guizhou province.\textsuperscript{18} And poverty decline in Uganda has not been distributed uniformly across the country: since 1992-93 poverty has only declined by 17% in the Northern region, compared with 60% in the West and Central regions.\textsuperscript{19}

The built environment plays a central role in explaining the level and trend of spatial disparities. In most empirical studies, public infrastructure is the key explanatory factor of spatial inequality. Indicators used by the above-mentioned cross-country study show that school enrolments and neonatal care are direct reflections of the inequality in distribution of public schools and public health facilities. And the influence of remoteness in explaining poverty in sub-Saharan Africa is as much a function of transport connectivity to a capital and the coast as it is of distance.\textsuperscript{20} Moreover, spatial disadvantage also occurs in urban locations, where neighbourhoods can be characterised by poor or non-existent services, violence and desperate living conditions.

Source: See endnotes
They lack either the necessary assets to pull themselves out of poverty, or the opportunity to use their assets productively.

To show the human face of chronic poverty, the life stories of seven chronically poor people are woven into the following chapters. The lives of Angel, Moses, Txab, Vuyiswa, Bakyt and Maymana and Mofizul, demonstrate the varied causes of chronic poverty. They also show how policy interventions have, in some cases, helped them to improve their wellbeing. These brief vignettes demonstrate the harm that chronic poverty ultimately causes to an individual and her or his family. While such material is not representative, life histories highlight key themes and processes. These are not only applicable to the individuals in question, but can also be seen to be typical of individuals with similar sets of sociobiographical characteristics in similar circumstances. The cases also provide supportive evidence for key policy points. Longer, more detailed versions of the short cases below can be found in Annex L.

Moses Yacoobo* – Rural Uganda

Moses Yacoobo lives in a thatched, wattle-and-daub hut in Kalangalo village, Mubende district, Uganda, with his wife, Gladys, and nine children. Despite living in a well connected and relatively wealthy village, the family have very few assets: no livestock, few utensils, few clothes, and there is no kitchen or latrine to speak of. Moses was born in 1956 in Kalangalo. When he was an infant his mother divorced his father, and remarried, as the second wife to a wealthy landowner. Moses grew up sleeping on a mattress under a corrugated iron roof, but never went further than Primary 2, due to deafness caused by measles. Instead of studying at school, he worked with his step-father, herding cattle, making pots and tending crops. At the age of 16 his step-father died, and he inherited half the remaining four acres of land (his father had sold most of his land). This caused a great degree of resentment, especially from his step-brother, and with his position untenable, he left and travelled to his father’s village. He lived there for over a decade, and earned a living brewing millet beer. He married Gladys after the payment of bride price. After the animosity with his step-brother had subsided, he returned to Kalangalo with his wife and four children. Since then Moses has continued to brew and sell millet beer as an income source, but mainly relies on farming to support his family, cultivating maize, matooke, cassava and beans. But his deafness and lack of education have limited his success: he cannot work in the fields for long, due to his ear condition; he has become increasingly isolated within the community; and he does not access any of the agricultural extension or health services in the trading centre. By 2002, Gladys and Moses had 11 children, only two of whom had married and left home. Affected by disability and exclusion, Moses and Gladys struggle to pay school fees and buy uniforms for their large family.

Source: Background notes from Bird and Shinyekwa (2005); LADDER (2001)

Maymana and Mofizul - Rural Bangladesh

Maymana is a widow, probably in her mid-50s, although her small, thin frame, wizened face and poor hearing make her seem decades older. Her son Mofizul is in his early 20s, and recently married a young cousin. He suffers from an impairment – a severely hunched back – that makes physical work difficult. Maymana had two years of education, while her son had none. The mother, son and daughter-in-law live in a small house in a relative’s plot in a relatively well connected area of rural Bangladesh. At the end of 2000, the household had very little – no assets, just a ramsackle hut. Maymana’s husband had died after they spent all their savings and sold all their ricksaws for private medical treatment. Her in-laws then unjustly seized her land. They depended on Maymana begging, gleaning, and getting the occasional bit of maidservant work (difficult as her hearing deteriorated). Mofizul undertook irregular casual child labour. Governmental support, in the form of a pension and a wheat ration, was intermittent and small – the ration card was withdrawn before the first month’s disbursement was completed because Maymana’s cousin was a supporter of the opposition political party. In 2005, the family was doing a bit better. They themselves had had no major health crises – though one of Maymana’s married daughters died – and drawing on their own meagre savings and some help from the other married daughter, they were able to build a better house and accumulate some basic used furniture. Neighbours and relatives contributed to Mofizul’s treatment, but he found that he could not work with his back in a brace. The now-adult Mofizul was earning more regular and higher wages in a brickfield, as a houseboy, and in a shop – though these are dependent on his health, the season, the charity of his boss, and the local economy.

Source: Hulme and Moore (2008)

Bakyt – Small town Kyrgyzstan

Bakyt and his siblings live in Kokyangak – a small town of around 10,000 people – in southern Kyrgyzstan. Bakyt – an 11-year-old boy – and his two older brothers work as coal miners, earning income to buy food, or wood to heat the house. Bakyt’s parents divorced when he was young, and his father does not support the family. Around 2002, Bakyt’s mother became paralysed and is unable to walk. Bakyt’s mother is now dependent on her children and a state grant of just over US$10/month. The siblings also take care of their old and infirm grandmother. The brothers are employed as miners because the shafts are extremely small. The work is very dangerous: the shafts have no supports and could collapse at any time, and the children damage their backs hauling the coal out. But working for 12 hours in the mine puts food on the table: in the autumn and winter months the children damage their backs hauling the coal out. But working for 12 hours in the mine puts food on the table: in the autumn and winter months the three brothers earn up to US$5/day collectively. The siblings also do the housework, and have other ways of earning money (scavenging, or labouring for food). None attends school regularly, not only because they have to work to support the family, but because they cannot afford the required books and clothes (especially in the cold winter). Most of the household income is spent on potatoes, pasta, bread and tea. Due to their poor diet, hard work and poverty, the children are frequently sick. Talking about what he would like to see change in the future, Bakyt states: ‘I do not know what the future holds for me and my brothers; sometimes I am horrified thinking about it, but I hope for a better future. Every day before I go to sleep, I pray for my mother’s and grandma’s health. I ask God that my brothers find a better job, and for my sister Anara to attend school. I also pray for myself – I would like to go to school and graduate high school. I do not want to see my mother crying into her pillow … and I do not want us to have to think about what we will eat tomorrow.’

Source: CHIP – Childhood Poverty Research and Policy Centre
**Vuyiswa Magadla* – Urban South Africa**

Vuyiswa lives in Khayelitsha, a densely settled informal settlement southeast of Cape Town, South Africa. Numerous family members from her rural ‘home’ stay with her in town – some permanently, others temporarily. Apart from her shack, Vuyiswa has few assets – an old bench, stool and table, and a paraffin stove, but while she is income- and asset-poor, she is able to draw on a dense network of social relations to eke out a living. Vuyiswa migrated to Cape Town in the 1980s after the death of her husband in the Eastern Cape. She was chased away from her dead husband’s rural compound and moved to her brother’s shack, from where she intermittently found work as a domestic worker in the suburbs. She earned enough money to move to her current shack in Khayelitsha, but in 1989 her domestic work came to an end: she broke her leg and, unable to work, she was fired. She turned her hand to informal trading, mainly trading vegetables, having received the capital for her venture from her brother. Such informal trading allowed her – for a while – to earn an income despite her limited mobility. From 2000, when she was diagnosed with diabetes, she has received a disability grant, and despite her ill health and failing eyesight, has used this grant to support her informal vegetable trading. Vuyiswa’s income is not the only income source in the household. Her niece, like her aunt before her, works as a domestic worker. She now pays for household essentials in return for Vuyiswa (who has now given up vegetable trading) looking after her daughter. Vuyiswa also receives financial support from her boyfriend and brother. Without these connections Vuyiswa would be destitute.

Source: Du Toit and Neves (2006)

**Txab Xeem Yaaj* – Urban Thailand**

When Txab was 14 she was orphaned. Her mother had died and her father, involved in opium trading, had disappeared in Laos. Her parents had been relatively wealthy, but as a female minor, Txab was powerless to inherit assets and, along with her brothers (who did receive an inheritance), she went to live with her uncle. Despite her young age, her uncle did not hesitate arranging her marriage. She had no choice, and found herself living with an opium addict. Whilst her uncle did not provide the customary wedding goods for the ceremony itself, he nevertheless received silver bars as bride price for her. Several years later her husband died, and she found herself destitute with two children. She remarried, but her second marriage, also with an addict, was unhappy. After her children had married she left Laos to live with her eldest son and his wife, on the Thai border in a government-sponsored resettlement camp. Although the resettlement camp provided some opportunities for some of the wealthier Mong, in particular through the issuing of land certificates in the late 1980s, her son had moved to the resettlement too late to lay claim to substantial assets. Moreover, Txab was regarded as an outsider, mainly due to her two divorces and being a member of a different dialect group. However, she lived with her son for several years and learnt the local skill of clothmaking. She made batik, sending her goods to market via a local network. Unfortunately, her son became very ill and he sold their home, forcing them to move to his wife’s village. Although still treated as an outsider, she converted to Christianity, and gleaned some support from that community. Her son survived, but their relations with his relatives deteriorated. Her daughter had married into another village, but, as is customary, Txab was not welcome in that community. Fortunately, Txab lived relatively close to a large and growing city, so she left her in-laws’ house, and was able to find work making batik for visitors to a local museum. Txab, now 60 years old, lives with another woman in a small, unprotected hut on a main road. In the evening she walks for a mile to buy fish and rice for supper. She is lonely and does not have any guarantee of long-term work – her income sustains her day to day but she worries about the future.

Source: Harper, fieldwork notes

**Angel Muponda* – Peri-urban Zimbabwe**

Angel, 25, lives alone with her 19-month old son in a tiny tin shack in Plot Shumba, a privately owned peri-urban site near a large town in Midlands Province, Zimbabwe. Angel was brought up by her mother and grandparents in a rural community. The income from the family’s farming and livestock paid for her school fees up to Form 2 but no further. To earn a living, she migrated to town, and took up work as a house girl, leaving her two-year-old son behind. But the terms of her urban employment were highly exploitative: her ‘madam’ refused to pay her and after a year she quit. During this time her mother had died and her daughter had been placed in the care of the child’s father. Instead of returning to her natal village, Angel moved to the informal settlement at Plot Shumba. As part of the state’s drive against informality, in February 2003 all 50 or so homes in the plot were destroyed. Angel was severely beaten and slept rough at a bus shelter for a month. After their supportive landowner obtained a court ruling, Angel was able to return to the plot and rebuilt her house and life. In the next two years Angel’s fortunes improved – with the help of a cousin she found a job at a miners’ bar, and fell in love with a goldpanner. However, when the mine closed and they both lost their jobs she moved into informal trading to bring in some income, and he turned to informal mining. In March 2005 she gave birth to their first son, only for her boyfriend to die in a pit collapse. In 2006 the state razed Plot Shumba to the ground again as part of Operation Murambatsvina, and Angel, now diagnosed HIV-positive and with her health failing, was reliant on neighbours and food aid through a local NGO to survive.

Source: Bird (2006b)

* Names changed
How many chronically poor people are there?

Before summarising estimates of the numbers of chronically poor people, it is important to locate chronic poverty figures within conventional $US1/day poverty figures and trends, and multidimensional indicators of chronic poverty. Recent poverty estimates suggest that between 1993 and 2002 the headcount $US1/day poverty figure in developing countries declined by 100 million people to 1.2 billion, driven by a reduction of 200 million people in East Asia and the Pacific. Poverty incidence, excluding China, decreased by two percentage points, from 27.6% to 25.6%, during this time period (see Annex I). However, once China is excluded from headcount figures, poverty in developing countries increased (due mainly to population growth) by around 65 million people (from 937 million to 1002 million). The current global distribution of US$1/day poverty is shown through the cartogram in Figure 1; the country categorisation schema is discussed below. Whilst these poverty figures are up-to-date, recent changes to purchasing power parities (PPPs) suggest that poverty estimates in many poor and emerging economies will rise once these adjustments are incorporated.

Two regional poverty trends stand out: the dramatic reduction in the numbers of poor people in China; and the fact that poverty in Latin America and the Caribbean (LAC) became more urban than rural. Whilst poverty became more urban in all world regions, this was at a much slower rate than the rapid shift in LAC, where the rural share of the poor dropped by more than 11%. Excluding China, there was a 3.9 percentage point decline in the rural share of the poor, which translates into a sluggish rural–urban shift of around 0.4 percentage points per year. Apart from LAC, at least 70% of the poor were still found in rural locations in all regions in 2002. However, rapid urbanisation in many countries in South and East Asia, and recently worsening urban poverty indicators in many countries, suggest that urban chronic poverty is a growing problem.

In addition to money-metric indicators of poverty (i.e. $US1/day), multidimensional indicators can give us important information about the wellbeing of the poor. Annex F describes key recent human development indicators. It shows that while child mortality (both under-five and infant) and life expectancy are worst in sub-Saharan Africa, child stunting, malnutrition and wasting are worst in South Asia. Comparing these figures with those in the first Chronic Poverty Report reveals a number of important trends. For example, whilst all regions saw reductions in infant mortality and under-five mortality between 2000 and 2004, infant mortality in West Africa increased by four deaths per thousand live births between 2001 and 2004. Moreover, South Asia is falling further behind other regions in terms of child stunting, which increased from 45.5% to 47% between 1992-2000 and 2004.

Regional chronic poverty estimates

Although the data situation is improving, judging how many chronically poor people there are in the world, or in any given country or region, continues to be a difficult task. There is an ongoing dearth of high quality, representative panel data sets that include poverty-related indicators and are comparable between countries and over time. This means we have to rely on approximate estimates. Furthermore, most panel data sets are collected over such short periods of time – e.g. every year for three years – that it is difficult to extrapolate from this information to understand how much poverty persists over decades, lifetimes or generations.

In the first Chronic Poverty Report we provided an initial estimate that there were at least 300-420 million chronically poor people worldwide. This estimate was based on extending the findings from the handful of available and appropriate datasets to other countries in each region (see Annex E). We have undertaken this exercise again, and the results are presented in Table 1. Very few new panel data sets, or new waves of existing panels, are available. Thus a considerable degree of the alteration in the estimate is based on population growth, as well as on changes in the World Bank’s estimates of US$1/day poverty rates (see Annex E for further details of the methodology and results).

The CPRC’s best estimate is that at least 320-443 million people were chronically poor in the early part of the millennium. In other words, at least one-quarter to over one-third of the number of extremely ($US1/day) poor people were chronically poor. The major change from the estimates provided for the first Chronic Poverty Report is for the sub-Saharan region, where our new estimates are substantially higher. We have been able to draw upon new data sets from Kenya and Ethiopia, both of which suggest that the proportion of poor people who are chronically poor is higher than we had estimated previously.

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated chronic poverty for entire region (low estimates)</th>
<th>Estimated chronic poverty for entire region (high estimates)</th>
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<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>124 million</td>
<td>159 million</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>51 million</td>
<td>81 million</td>
</tr>
<tr>
<td>South Asia</td>
<td>126 million</td>
<td>176 million</td>
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<tr>
<td>Rest of World</td>
<td>19 million</td>
<td>27 million</td>
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<tr>
<td>All</td>
<td>320 million</td>
<td>443 million</td>
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The limited availability of panel data means that it is not possible to draw conclusions about the geographic pattern of chronic poverty at anything other than a highly aggregated level. In particular, we have few estimates of poverty dynamics based on panel data for either Latin America, or the Middle East and North Africa. Estimates for these regions have been combined with those from Europe and Central Asia into the ‘Rest of World’ category.

Due to the shortage of panel data sets, a frequently asked question is the possibility of identifying a suitable proxy for chronic poverty. One that is frequently suggested is extreme poverty: households that lie substantially below a country’s poverty line. Box 4 discusses this question. Preliminary evidence on the relationship between extreme poverty and chronic poverty suggests that, although the relationship is strong in one or two instances, extreme poverty cannot be assumed to provide a good proxy. Using it as such needs to be argued in each case.

Box 4: Can extreme poverty act as a proxy for chronic poverty?

How good a proxy extreme poverty represents can be judged by analysing available panel data sets. Column A of the table below presents the number of households identified as being poor in both years of a panel data set (chronically poor), and the number of households in extreme poverty in the first year. The definition of extreme poverty varies from case to case. It is often set based on a food poverty line, but in all cases the extreme poverty line is significantly below the poverty line used in the identification of the chronically poor.

<table>
<thead>
<tr>
<th>Country</th>
<th>A. Number of chronically poor (/total households)</th>
<th>B. Number of extreme poor in first round of panel (/total households)</th>
<th>C. Percentage of extreme poor that are chronically poor</th>
<th>D. Percentage of chronic poverty captured by proxy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kagera, Tanzania, 1991-2004</td>
<td>139/780</td>
<td>156/780</td>
<td>60.3</td>
<td>67.6</td>
</tr>
<tr>
<td>Ethiopia, 1994-95</td>
<td>409/1411</td>
<td>560/1411</td>
<td>66.8</td>
<td>91.4</td>
</tr>
<tr>
<td>Côte d’Ivoire, 1985-86</td>
<td>16/158</td>
<td>7/158</td>
<td>71.4</td>
<td>31.2</td>
</tr>
<tr>
<td>KwaZulu Natal, South Africa, 1993-98</td>
<td>355/1132</td>
<td>229/1132</td>
<td>52.0</td>
<td>33.5</td>
</tr>
<tr>
<td>Egypt, 1997-99</td>
<td>135/348</td>
<td>12/348</td>
<td>91.7</td>
<td>8.1</td>
</tr>
<tr>
<td>Nicaragua, 1998-2001</td>
<td>905/2937</td>
<td>572/2937</td>
<td>82.5</td>
<td>52.2</td>
</tr>
<tr>
<td>Vietnam, 1993-98</td>
<td>1236/4302</td>
<td>982/4302</td>
<td>69.1</td>
<td>54.9</td>
</tr>
<tr>
<td>Uganda, 1992-99</td>
<td>415/1077</td>
<td>309/1077</td>
<td>61.1</td>
<td>45.5</td>
</tr>
</tbody>
</table>

In the majority of cases, fewer people are identified as extremely poor than as chronically poor, though there are exceptions (Tanzania, Ethiopia). However, the table suggests that there may be some merit in using extreme poverty as a proxy. The figures in column C show the percentage of those who are extremely poor in the first round of the panel, who are also chronically poor. In all cases, a majority of the extremely poor are also chronically poor. The proportion varies from 52% in KwaZulu Natal to 92% in Egypt. Across these surveys, around 70% of the extreme poor (in the first round) turn out to be chronically poor.

So far, so good. But, when we consider that many of the chronically poor are not extremely poor in the first round, extreme poverty becomes less attractive as a proxy. Column D compares the proportion of the actual chronic poverty figure (column A) that is captured by using extreme poverty (in the first round) as a proxy (column C). It shows wide variation – from 8.1% in Egypt to 91.4% in Ethiopia. Overall, therefore, preliminary evidence suggests that whilst there is a correlation between extreme poverty and chronic poverty in some countries (for example, in Ethiopia), the relationship does not appear strong enough to use extreme poverty as a proxy for chronic poverty in all countries.

Source: Andy McKay, personal communication
Figure 1: Cartogram of US$1/day poverty by country

Source: refer to technical note on page 20.
C. Why address chronic poverty?

Why focus on chronic poverty now? Why not do what is possible for the ‘easy-to-reach’ poor first? And why not leave the chronically poor until later? In addition to the sooner-rather-than-later arguments outlined above, here we outline the intrinsic and instrumental reasons for addressing chronic poverty.

Eradicating poverty forms a central element within a wider project of securing global justice and fairness. There are few reasons for people to accept social arrangements that offer no guarantee of even minimal standards of freedom and wellbeing for those who are at the lowest strata of global society. Prioritising the chronically poor is a natural extension of the global ‘moral vision’ which has emerged over the past decades. For example, support for using foreign aid from rich countries to reduce poverty has grown substantially. This has been the case particularly since the late 1990s, culminating in the Millennium Summit, the MDGs, the G8 poverty agenda and subsequent increased commitments of aid, debt write-offs, and continued promises of trade reform.

We argue that there is no excuse for hundreds of millions of people to be trapped in poverty, vulnerable to preventable illness, impairment and death. All people have a right to a minimum standard of living and share in the wealth which humanity has generated. Exclusion on the grounds of being the hardest and costliest to reach is not just. In fact, the greatest gains in perceived wellbeing come from reducing the deepest poverty (since there are diminishing marginal returns to added income and assets).

The main actors in this struggle are the chronically poor themselves. Very few poor people passively wait for assistance: most work very hard and actively strategise to maintain and improve circumstances for themselves and their children. However, it is both unjust and impractical to depend on those with the fewest resources and least power to eradicate poverty. The obligation to act falls squarely on the shoulders of political and economic elites, states and the international community, without whom a large proportion of the 800 million now expected to have less than $US1/day in 2015, will remain mired in poverty in 2025.

This report argues that eradicating poverty requires a widespread commitment at global and national levels to justice and fairness. By justice, we mean behaviour or treatment that is morally right. Allowing people to live in conditions of extreme deprivation throughout much or all of their lives is morally wrong. Fairness is about treating people equally. This includes an avoidance of absolute deprivation through basic entitlements and rights. Fairness also includes three further aspects: equality of opportunity; equality in process; and a limited disparity of outcomes. In this report we argue that justice and fairness in society are transmitted through the nature of political and social institutions.

D. How to address chronic poverty?

In the following chapters we identify five key policy areas – illustrated in Figure 2 – which address the five chronic poverty traps. These policies do not map neatly (on a one-for-one basis) against the chronic poverty traps. Rather, they create an integrated policy set that can attack the multiple and overlapping causes of chronic poverty. These policies have been informed by public actions that have worked for the chronically poor.

Figure 2: Five policy responses to the five chronic poverty traps

Article 25 of the UN Universal Declaration of Human Rights (1948)

(1) Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.
Priority goes to two policy areas – social protection (Chapter 3) and public services for the hard to reach (Chapter 5) – that can spearhead the assault on chronic poverty. Alongside these are anti-discrimination and gender empowerment (Chapter 5), building individual and collective assets (Chapters 3, 4 and 6) and strategic urbanisation and migration (Chapters 4 and 5). Working together, these policies reduce chronic poverty directly and create and maintain a just social compact that will underpin long-term efforts to eradicate chronic poverty.

A social compact is a set of mutual obligations between the state and its people. These mutual obligations reflect a core set of agreed values, and take the form of duties and rights that are fulfilled and become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions in exchange for tangible benefits.

We argue that the best way to eradicate chronic poverty is through the creation and maintenance of a just social compact. This exists when political and social institutions are arranged to ensure a distribution of public goods and services that contributes to fairness in society.

There are two sets of desirable outcomes from a just social compact. The first is between the state and citizens. Here, the state acts to reduce people’s risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). The second acts horizontally between citizens. A just social compact creates norms and expectations around how individuals interact with each other (politically, morally and economically). Importantly, these norms and expectations increase mutual benefits and reduce costs.

At the national level, a just social compact reflects consensual core values. At the international level, justice and fairness provide a sound philosophical and political basis for building projects with ‘distant strangers’, and a mode of action based more on solidarity than charity. Importantly, justice and fairness are not simply further Eurocentric ideals to be foisted upon the South. Recent international surveys clearly indicate that a sense of fairness regarding the distribution of resources is characteristic of communities within a full variety of cultural contexts.

However, not all social compacts are just. Social compacts come in different shades and stripes, and may include certain areas of public policy (such as famine prevention) but not others (such as tackling malnutrition or maternal mortality). Moreover, there are many pathways to a social compact. There is no single route. But, history shows us that successful pathways are based on three factors:

- reciprocal obligations between the state and citizens;
- the involvement of numerous actors, including social movements, democrats and technocrats; and
- building an effective state, and an efficient system of public finance that mobilises domestic resources and allocates them effectively to development and nation-building priorities.

Commitment to a social compact does not need to stem from moral, ethical or altruistic reasons. Self-interest can also be an important factor. Improving global economic and political stability, stemming the spread of disease and crime, and reducing terrorist threats are goals that can garner support from global and national elites. Such reasons can be central to mobilising political support for national and international anti-poverty initiatives.

All of our five policy interventions, and the creation and maintenance of a social compact, are very much dependent on the economic growth and revenue context. Whilst some argue that growth must be the main element in tackling poverty, there are strong limits to the extent to which economic growth alone can tackle chronic poverty – especially when growth is largely confined to a mine with few links to the rest of the economy (see Chapter 4). The economic life of the chronically poor is often marginal to the formal economy as a whole, which therefore diminishes their voice in politics. If this political voice could be amplified, it could be used to gain a fairer distribution of the proceeds of growth (even when growth is based on extractive industries). In sum, growth is necessary but not sufficient.

Public finance determines whether a state can achieve risk reduction and foster a social compact with its citizens. Without delivery of better services and other tangible benefits, the promises of government are worthless. (This is especially important in fragile states where leaders need to achieve ‘quick wins’ – see Chapter 6.) In this respect, we argue that improvements in security and stability through social protection, public services for the hard to reach, as well as the further three policy responses, help to increase a government’s credibility (thus helping to reduce state fragility and the likelihood of violent conflict).

### Policies against chronic poverty – Preventing entries and promoting exits

Our integrated policy set tackles the multiple and overlapping causes of chronic poverty through preventing entries into poverty, and through promoting exits from poverty. This is important, because the factors causing people to slip into poverty are not always the mirror image of those required to enable them to escape. In this respect, promoting ways out of poverty generally requires a different combination of strategies to those required for preventing downward mobility. Isolating the reasons for entry into, and exit from, poverty is not an easy task. The collection and analysis of good quality longitudinal quantitative and qualitative data is the best method, with
a combination of panel surveys and life histories being particularly effective.35

The importance of distinguishing between the factors that cause entries, and those that precipitate exits, can be illustrated through Anirudh Krishna’s work – which relied on participatory methods – in rural locations in Asia, sub-Saharan Africa and Latin America.36 Krishna’s work highlights how ill health and the costs of healthcare are overwhelmingly the single most important reason why households enter into poverty. Health shocks reduce the income-earning capacity of the household, and increase expenditure. Social expenditures on marriages and funerals are also often associated with descents into poverty. Escapes, by contrast, are most commonly associated with income diversification (on and off the farm), and access to employment and the social networks (often kin-based) that provide information about such jobs. Overall, Krishna suggests that policies on health services, social protection, and limiting the impact of one-off social expenditures are most likely to limit descents, while policies supporting diversification, urbanisation, and informal sector employment are most likely to facilitate escapes.

Different policy approaches are clearly required to address downward mobility into poverty and upward mobility out of poverty. Each of the key policies featured in this report addresses both, but with different emphases. For example, social protection clearly protects against downward mobility (through providing a buffer against shocks), but can also provide a springboard for exiting poverty (through allowing investments in assets and livelihood strategies). In terms of public services, post-primary education mainly promotes exits – if not in this generation, then in the next – while the better provision of reproductive health services can help both to prevent entries and to promote exits. Our five policy areas offer a comprehensive policy set through which poverty can be eradicated, by preventing downward mobility and promoting exits from poverty.

E. Chronically Deprived Countries and Consistent Improvers

This report has sought to differentiate its analysis and policy suggestions by country context, because similar policies can have markedly different impacts, depending on circumstances and location. Recognition of context increases the consistency between proposed policy interventions and how real societies and economies function.

This report uses cluster analysis to classify 131 (mainly non-OECD) countries according to the level of, and change in, average welfare/deprivation, using data covering at least 20 years between 1970 and 2003.37 The country trajectory analysis uses four welfare/deprivation indicators – GDP per capita, child mortality, fertility and undernourishment – to show evidence of four distinct country clusters and a residual group:38

- Chronically Deprived Countries (CDCs)
- Partially Chronically Deprived Countries (PCDCs)
- Partial Consistent Improvers (PCIs)
- Consistent Improvers (CIs)
- Others

Our five policy areas offer a comprehensive policy set through which poverty can be eradicated, by preventing downward mobility and promoting exits from poverty.

Box 5: Country Classification

**Chronically Deprived Countries** (CDCs) are characterised by relatively low initial levels of welfare (relatively low GDP per capita and relatively high mortality, fertility and undernourishment) and by relatively slow rates of progress over time against all available indicators.

**Partially Chronically Deprived Countries** (PCDCs) are characterised by relatively low initial levels of welfare and relatively slow rates of progress over time at least one available indicator.

**Partial Consistent Improvers** (PCIs) are characterised by relatively low initial levels of welfare, a fast rate of progress over time in at least one available indicator, and with no indicator showing chronic deprivation.

**Consistent Improvers** (CIs) are characterised by relatively low initial levels of welfare, but faster rates of progress over time across all available indicators.

**Others** are countries which are neither chronically deprived nor good performers in any of the four indicators.

Source: Anderson (2007)

Two children carry bricks on their heads through the fume-filled air at a brick factory. Brick factories are a major source of deadly fumes and cause chronic respiratory problems in children who work there (Near Dhaka, Bangladesh). Photo © G.M.B. Akash/ Panos Pictures (2005).
### Table 2: CPR2 country classification (1970-2003).

<table>
<thead>
<tr>
<th>Classification</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chronically Deprived Countries</td>
<td>76 countries, 40 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Across-the-board Chronically Deprived Countries</td>
<td>32 countries – 27 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Afghanistan; Angola; Burundi; Cambodia; Cameroon; Central African Republic; Chad; Côte d’Ivoire; Democratic Republic of Congo; Eritrea; Ethiopia; Gambia, The; Guinea; Iraq; Kenya; Liberia; Madagascar; Malawi; Mozambique; Niger; Papua New Guinea; Rwanda; Senegal; Sierra Leone; Somalia; Sudan; Swaziland; Tanzania; Togo; Yemen, Rep.; Zambia; Zimbabwe</td>
<td></td>
</tr>
<tr>
<td>Partially Chronically Deprived Countries</td>
<td>44 countries – 13 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Azerbaijan; Bangladesh; Benin; Bolivia; Botswana; Burkina Faso; Dominican Republic; Ecuador; Gabon; Ghana; Guatemala; Guinea-Bissau; Haiti; Honduras; India; Jamaica; Kazakhstan; Korea, Dem. Rep.; Kyrgyz Republic; Lao PDR; Lesotho; Mali; Mauritania; Moldova; Mongolia; Myanmar; Namibia; Nepal; Nicaragua; Nigeria; Pakistan; Panama; Paraguay; Philippines; Saudi Arabia; South Africa; Sri Lanka; Tajikistan; Thailand; Trinidad and Tobago; Turkmenistan; Uganda; Uzbekistan; Venezuela</td>
<td></td>
</tr>
<tr>
<td>Consistent Improvers</td>
<td>32 countries – 1 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Partial Consistent Improvers</td>
<td>21 – 1 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Algeria; Bosnia and Herzegovina; Brazil; Chile; Colombia; Costa Rica; El Salvador; Iran, Islamic Rep.; Korea, Rep.; Kuwait; Lebanon; Macedonia, FYR; Malaysia; Mauritius; Mexico; Peru; Romania; Serbia and Montenegro; Singapore; Turkey; United Arab Emirates</td>
<td></td>
</tr>
<tr>
<td>Across-the-board Consistent Improvers</td>
<td>11 countries – 0 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Albania; China; Egypt; Indonesia; Jordan; Libya; Morocco; Oman; Syria; Tunisia; Vietnam</td>
<td></td>
</tr>
<tr>
<td>‘Other’ countries</td>
<td>18 countries – 0 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Argentina; Armenia; Belarus; Bulgaria; Croatia; Cuba; Czech Republic; Estonia; Hungary; Israel; Latvia; Lithuania; Poland; Russian Federation; Slovak Republic; Slovenia; Ukraine; Uruguay</td>
<td></td>
</tr>
<tr>
<td>Insufficient data to categorise</td>
<td>5 countries – 1 in sub-Saharan Africa</td>
</tr>
<tr>
<td>Congo, Rep.; Georgia; Hong Kong; Puerto Rico; West Bank and Gaza</td>
<td></td>
</tr>
</tbody>
</table>

The membership of these groups is summarised in Table 2, which follows a continuum from CDCs to CIs. Figure 1 maps the country categorisation (illustrated by the colours) against the numbers of people estimated to be living below the US$1/day poverty line (illustrated by the relative size of the countries).

Chronically Deprived Countries (CDCs) correspond closely with UNCTAD’s Least Developed Countries and the UNDP MDGs Top Priority countries (see Annex K). Most of the 32 CDCs are located in sub-Saharan Africa, with the addition of Cambodia, Yemen, Afghanistan, Iraq and Papua New Guinea. Partially Chronically Deprived Countries are drawn from a much wider range of regions.

Consistent Improvers (CIs) are located in North Africa, the Middle East and East and South East Asia, and interestingly are often characterised by a highly centralised polity. The distribution of Partial Consistent Improvers is more widespread, and in addition to the above regions, includes a swathe of countries from South and Central America, plus Mauritius.

Some clear policy lessons can be derived from the country classification. Table 3 describes the share of total figures for five further welfare/deprivation indicators for CDCs and CIs.
Table 3: Chronically Deprived Countries and Consistent Improvers: Selected aggregate indicators

<table>
<thead>
<tr>
<th></th>
<th>Full CDCs</th>
<th>Full CIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of countries</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>Population (% of total)</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Child mortality (% of total)</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>Infant mortality (% of total)</td>
<td>30</td>
<td>11</td>
</tr>
<tr>
<td>US$1/day poverty (% of total)</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>US$2/day poverty (% of total)</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Undernourishment (% of total)</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Aid in 2002 (% of total)</td>
<td>29</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Anderson (2007)

Table 3 shows that full CDCs account for a much larger share of child mortality (36%), infant mortality (30%) and US$1/day poverty (17%) than their share of total population (10%). The CDC share of mortality and poverty has also been rising through time. For example, CDCs continue to lag behind all other sample countries by as much as 5-7% per annum in terms of reducing child mortality.

Table 3 also shows that full CIs account for a much smaller share of child mortality (6%), infant mortality (11%) and US$1/day poverty (22%) than their share of total population (33%), and that the CI share of child mortality, infant mortality and poverty has been falling through time. Moreover, the country trajectory analysis has shown that the number of CDCs is increasing through time, while the number of CIs is diminishing.

The classification of CDCs offers evidence of a group of countries that are firmly embedded in a ‘deprivation trap’. Over 80% of the chronically poor are found in CDCs, and this proportion rises to over 90% when India and China are excluded (see Table 4). These countries clearly require a very different policy approach, as they are at particular risk of slipping into conflict (see Chapter 6).

F. Conclusion

The distinguishing feature of chronic poverty is its extended duration. Around 400 million people were chronically poor in the early part of the millennium, and neither the MDGs nor most PRSs currently consider the chronically poor to a sufficient degree. Even achieving the first MDG in 2015 would still leave some 800 million people living in absolute poverty and deprivation – many of whom would be chronically poor.

The persistently poor tend to be those who face multiple and overlapping difficulties, leading to vicious cycles and poverty traps. We argue that there are five chronic poverty traps which must be considered by policymakers when tackling chronic poverty:

- insecurity
- limited citizenship
- spatial disadvantage
- social discrimination
- poor work opportunities.

We respond to these five traps in the following five chapters.

Chapter 2 assesses the extent to which the chronically poor are included in national policy. Based on a set of in-depth reviews of recent PRSs, the chapter shows how at present chronically poor people are usually invisible to those who research, make and implement policy. Poverty duration and depth are not adequately incorporated into poverty analysis, nor into the development, implementation and monitoring of policy. In this respect, the current approach to PRSs and the current policy orthodoxy are largely ineffective against chronic poverty. However, our review of PRSs suggests that many of the policies put in place can address chronic poverty. PRSs could have been a device to reduce chronic poverty and build social compacts. Instead, they have mainly been donor-owned products. A third generation of PRSs must be a more political project, taking into account national priorities and the informal spaces and networks through which key decisions are made.

Table 4: Approximate proportion of the chronically poor by country classification

<table>
<thead>
<tr>
<th>Category</th>
<th>Proportion of chronically poor</th>
<th>Proportion of chronically poor without India and China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across-the-board chronically deprived</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Partially chronically deprived</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Across-the-board other</td>
<td>&lt;1%</td>
<td>1%</td>
</tr>
<tr>
<td>Partial consistent improver</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Across-the-board consistent improver</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Insufficient data to categorise</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>
Chapter 3 focuses mainly on responses to the insecurity trap (although it also has implications for each of the other chronic poverty traps). The chapter draws on recent experience to identify the characteristics of potentially effective and sustainable social protection schemes for the chronically poor. Social protection can not only prevent people entering poverty and reduce the time they spend in poverty; it can also be the basis for escaping poverty. Social protection can increase demand for health and education services, and locally produced goods and services. In this respect, social protection can underpin the social compact between citizen and state, through moving towards a minimum standard of wellbeing, below which people should not fall. Despite the broad benefits of social protection, initiating and sustaining social protection is ideologically, politically and institutionally challenging (not least due to elite concerns about dependency and the fiscal cost). The chapter outlines how these challenges can be overcome, and discusses how a global social protection strategy would contribute strongly to eliminating extreme poverty by 2025.

Chapter 4 discusses one part of the broad context within which all responses to the five chronic poverty traps are located: the relationship between economic growth and the chronically poor. It discusses responses to the traps of poor work opportunities and spatial disadvantage. The chapter discusses the effects of the growth process on the chronically poor, and explores the policy levers by which pro-poor growth can be fostered. The chapter argues that there are strong limits on the extent to which economic growth alone can tackle chronic poverty. There is little, if any, engagement by the chronically poor in growth, due to the multiple deprivations and adverse socioeconomic relationships they experience. The chapter proposes that growth in the sectors where the poor are most represented (such as agriculture) is necessary, but not sufficient. Social change generated by growth often stimulates new political spaces for articulating the voice of the chronically poor – through the formation of trade unions to organise the emerging working class, for example. This political voice can in turn lay the ground for incorporating the poor into the economy in a positive manner, through asset investment (and redistribution), greater accountability in public finances, and regulation of market economies in the public interest.

Chapter 5 focuses on policies and public actions which can foster beneficial social change. It looks at responses to social discrimination, limited citizenship and poor work opportunities. The chapter argues that for the chronically poor to escape from these traps, they need greater agency, ways out of oppressive social relationships, and voice to articulate their interests. These are not impossible to achieve. Policy can provide some levers to foster processes of social change in more positive (or less harmful) directions: anti-discriminatory action, strategic urbanisation and migration, promoting gender equality (through access to reproductive health services and gender equality in education), and post-primary education can all play an important role.

Chapter 6 discusses the role of conflict and violence in contributing to the insecurity trap. Focusing on CDCs, the chapter suggests that such fragile states should be defined as those that do nothing to reduce individual risk, or that increase individual risk through predatory behaviour. It argues that one way of reducing state fragility, and thus violence and conflict, is to build and maintain a social compact. This is where the state acts to reduce people’s risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). A social compact sets up mutual obligations between the state and the individual and provides the basis for the individual to commit their money, through paying taxes, to build the state. The state thus becomes an institution that enters meaningfully into the lives of poor people, rather than an abstract entity (or even worse, something that they do everything to avoid). To achieve this, fiscal institutions need to be built and focused on the poor and their needs. In this way, the social compact becomes integral to people’s perception of justice and fairness and helps to tackle the trap of limited citizenship. Thus, it can play an important role in reducing state fragility, conflict and violence.

Chapter 7 concludes the report. It argues that to eradicate chronic poverty, substantial changes need to be made to the two core international policy initiatives:

**Poverty Reduction Strategies** – PRSs will remain a vital tool but they need to:
- disaggregate the poor and analyse chronic poverty at the national level;
- shift from being donor-owned documents to being embedded in national societies and polities; and
- move beyond policy prescriptions and tackle the social and political changes that are required to achieve their goals.

**Millennium Development Goals** – the MDGs need extending beyond 2015 to fully incorporate a global assault on chronic poverty. This means:
- setting a target of extreme poverty elimination by 2025;
- setting the goal of access to basic social protection for all poor and vulnerable people by 2020; and
- setting the goal of universal access to post-primary education by 2020.

We hope this report will be useful to national-level policymakers who, in order to make a positive impact on poverty in their country, have to engage with a complete spectrum of stakeholders (including the private sector, donors...
and international development banks, and local-level NGOs and social movements). We also hope this report will be useful to policymakers within international and bilateral agencies, NGOs and civil society organisations, as well as academics and students. For these reasons, we have endeavoured to include as many national- and local-level examples as possible to illustrate our policy points and support national-level policymakers as they select and justify their policy choices.

Box 6: *Shob shomoy goreb chilam, e rokom choche* – ‘We’ve always been poor, we go along this way’: The dynamics of chronic poverty in rural Bangladesh.

Qualitative life history interviews undertaken by Davis to investigate poverty dynamics in rural Bangladesh uncovered the rich temporal, spatial and social contexts of people’s lives, and allowed the researcher to identify eight stylised life trajectory categories:

<table>
<thead>
<tr>
<th>Trajectory pattern</th>
<th>Trajectory direction and depiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smooth</td>
<td>Level ← Improving ← Declining</td>
</tr>
<tr>
<td>Saw-tooth</td>
<td>Level ← Improving ← Declining</td>
</tr>
<tr>
<td>Step</td>
<td>Single-step declining ← Multi-step declining</td>
</tr>
</tbody>
</table>

Improvements in people’s life conditions tend to happen only gradually, whereas sudden declines are much more common. As such, saw-tooth trajectories, where gradual improvements were interspersed with more abrupt declines, were the most common trajectory pattern. Fuljan’s story is a good example of a ‘level saw-tooth’ trajectory, demonstrating key characteristics of both ‘declining saw-tooth’ trajectories (e.g. effects of managing dowry costs) and ‘improving saw-tooth’ trajectories (e.g. division of property among brothers leading to benefits for some; life-cycle transition of sons beginning to work and contribute to the household income).

Fuljan was married at the age of 12 in 1981, after her father died from typhoid during the 1974 famine. Both Fuljan and her husband came from poor families. In 1984 her mother-in-law became ill with a stomach ulcer and they had to pay 13,000 taka for medical treatment. To fund this, her husband’s brothers sold a handloom. In 1987 Fuljan herself became ill after a baby died before birth and 20,000 taka was spent on her medical treatment. In 1990 the brothers divided the family property and in the following years their position improved. In 1998 her eldest daughter was married, costing 10,000 taka in dowry and 4,000 taka in other costs. To raise money for this, an advance was taken from an employer, 5,000 taka came from relatives, a goat was sold, and an NGO loan was taken out.

Now Fuljan is 33 and living with her husband, three sons, two daughters, and her 66-year-old mother-in-law. Another daughter was married in 1998 and lived with her in-laws. Fuljan’s husband works as a loom master, earning approximately 1,200 taka per month, and her 17-year-old son earns about the same, working with a handloom. They own a small piece of land where the house stands, and their total assets are worth approximately 12,800 taka. Their house is in a bad state of repair and they are looked down on in the community as ‘poor’, but with both her eldest son and her husband working and contributing to the household income, Fuljan is optimistic that her life condition will improve over the coming years.

As Davis notes, while social protection measures that help prevent or mitigate downward crises can help convert declining saw-tooth trajectories into improving ones, because they prevent what could have happened, they can be overlooked when tales of success via income generation dominate. In the Bangladesh case, the mitigation of negative impacts of illness (particularly of older people), dowry costs, social conflict, marriage breakdown and household dissolution all need to be kept as social protection priorities. Improvement is ‘caused’ by both upward drivers and the removal of downward ones.

Source: Davis (2006)
Despite considerable advances in poverty reduction over the past decade, both income poverty and human development in Mozambique remain among the worst in sub-Saharan Africa. In order to supplement the available quantitative data, researchers from the Chr. Michelsen Institute recently undertook in-depth qualitative research, complemented by a small household survey, on the social relations and cultural perceptions of rural poverty in the broadly representative Murrupula District of Nampula province in northern Mozambique.

One part of the research concerned local people’s own (emic) means of differentiation among and between the poor and less poor. The research found that this was based as much on the dynamics of social relationships, and the capacity to exercise one’s agency, as on income and material wellbeing (see Table below). State and government institutions are conspicuously absent in people’s coping strategies, particularly those of the poor, for whom the matrilineal extended family and traditional authorities play much more important roles. The very poorest people are often marginalised and excluded, even from such relationships.

The authors argue ‘that development policy and aid have been hampered by a limited emphasis on distinguishing between different levels and types of poverty below set poverty levels – effectively defining the majority of people in countries like Mozambique as target groups while bypassing the most deprived sections of poor populations.’ They concur with CPRC ‘that reaching the very poorest and most marginalised requires targeted rather than “trickle down” policies and interventions.’

### Five categories of poor household

#### ‘Deserving’ – poor because of misfortune

**Ohawa** – ‘suffering’
People who are poor because of age and misfortune, and who have few if any chances of doing anything about it. Their poverty is based on their own inability to work and social isolation.

- Older people
- Chronically sick people
- Widows/widowers
- Orphans
- Families with twins
- People with physical impairments

**Ohikalano** – ‘do not have the means to live’
Includes younger men and women who are unable to work or produce, not through their own fault but due to an external incident, e.g. loss of property; poor returns for labour; drought or flood affecting agricultural production.

### ‘Undeserving’ – poor because of behaviour

**Ovelavela** – ‘entrapped’
Single young people (normally men) who do not listen to family advice or make sufficient effort to make a living for themselves, and who have not maintained or established good relationships with family and community members.

**Wihacha** – ‘making oneself suffer’
Young adults (primarily men) who do not follow their uncle’s advice, and are lazy, divorced because of drinking or adultery, or are alcohol and drug addicts. Seen to bring shame on their families.

### ‘Deserving’, but can’t be assisted

**Opitanha** – ‘everything bad comes together’
Older people whose wives, husbands or other family members have left them; people who do not have relatives in the village; people who are the victims of calamities caused by other people or by nature; people who grow old without children; and those who are unable to work their land due to physical deficiencies. Case studies suggest opitanha are forced by their destitution to adopt practices that further trap them in poverty and illbeing across generations. While people in this category are generally pitied and supported, their very poverty inhibits them from entering into more permanent relationships with others, as they are not in a position to give anything in return.

### Three categories of less poor household

#### ‘Deserving’ – wealth based on hard work

**Okalano** – ‘those who have’
Includes young adult men and women with good agricultural production and money, who learn well and are capable of putting what they learn into practice, and who are successful in all they do.

**Opwalatha** – ‘those who have a lot’
Very young adult men or women who have ‘everything’ and are in a position to give work to other people in the community.

**Orela** – ‘fertility’ ... also known as folgados – ‘people without financial problems’
People who produce a lot and know how to make the most of the help they get; lucky people who receive support when they ask for it from people in the village and outside; people who have money to invest.

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Source: Tvedten, Paulo and Rosário (2006)
Technical note to Figure 1

A cartogram is a map which depicts a specific variable by relative size. In this case the variable is the number of poor people, according to the US$1/day international absolute poverty line, in each country. So, each nation state – regardless of its actual land area – is shown proportional in size to the number of absolutely poor people living there.

An algorithm that creates a cartogram from a map, preserving recognisable shapes whilst re-sizing countries, has been something of a ‘holy grail’ of the cartogram world. Previous algorithms have greatly simplified the map in order to do this, turning the complex country shapes into little more than circles or hexagons of the right size. This new solution has advanced the science. Developed in 2005 by Mark Newman and Michael Gastner at the University of Michigan, it is inspired by the diffusion of gas molecules. Professor Danny Dorling (University of Sheffield) subsequently collaborated with Mark Newman, and colleagues at Sheffield, to create the ‘Worldmapper’ project, and provide online a series of world cartograms (see http://www.worldmapper.co.uk).

The population data used here are from the 2005 Medium Variant from World Population Prospects: 2006 Revision Population Database (UNDESA Population Division), available from: http://esa.un.org/unpp/index.asp?panel=1. (Population data for West Bank and Gaza is for Occupied Palestinian Territories. Population data for Serbia and Montenegro is for Serbia plus Montenegro). For technical reasons nations with fewer than 1,000,000 inhabitants (mostly small island states) were excluded.

The US$1/day poverty rates are from World Bank’s Word Development Indicators 2006, and refer to latest available year. For countries with no data, and OECD countries, CPRC estimates are used.

The country colours refer to the CPRC classification of each country, as described in the cartogram legend. The classification is based on a cluster analysis according to the level of, and change in, average welfare/deprivation, using data covering at least 20 years between 1970 and 2003. The analysis uses four welfare/deprivation indicators – GDP per capita, child mortality, fertility, and undernourishment. See Annex J for a complete country listing, and Anderson (2007) for further details on the cluster analysis.

So, while the majority of chronically poor people continue to live in Asia, the most chronically deprived countries are in sub-Saharan Africa, with five exceptions.

The map of country outlines was produced by the Social and Spatial Inequalities (SASI) group in the Geography Department at the University of Sheffield, and the final graphic was designed by Nick Scarle (Cartographic Unit, School of Environment and Development, University of Manchester).

Cartographic method © 2006 SASI Group (University of Sheffield) and Mark Newman (University of Michigan). Design © 2008 CPRC and Nick Scarle (University of Manchester).

Notes

1. Indeed, it is arguably those children living in chronically poor households who are presently not attending or completing primary school.
2. Vandemoortele (2007) makes the important point that the MDGs were not originally intended to be operationalised at the national level, and that using them as uniform yardsticks ‘fundamentally disempowers’ many countries which will never achieve the impossible targets in time. His arguments for contextualised, immediate and actionable goals at the country level are well taken.
3. For example, see Bowles, Durlauf and Hoff (2006); Barrett, Carter and Little (2006); Carter and Barrett (2006), and Mookherjee (2006).
4. However, it is important to note that it is not only the chronically poor who respond in anti-social ways, such as crime, substance abuse, or domestic and community violence.
8. The Goal’s use of the US$1/day measure to define extreme poverty has, despite methodological problems, been an important comparative tool in assessing poverty reduction.
9. Current figures for child stunting, under-five malnutrition and under five wasting are worst in South Asia, and, in the case of child stunting, appear to be worsening – see Annex F.
10. See also Addison, Hulme and Kanbur, eds (forthcoming 2008). Poverty Dynamics: Inter-disciplinary Perspectives.
11. Green (2006) has argued that the term ‘durable poverty’ should replace ‘chronic poverty’, as it better contains the social and structural nature of the problem.
14. These individual-level traps are very different from country-level traps. For example, Collier (2007) argues that the bottom billion are located in countries characterised by one or more of four national-level traps – poor governance, conflict, the natural resource ‘curse’ and being landlocked with bad neighbours.
19. World Bank (2007: 3)
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22. Just prior to the finalisation of the present report, the World Bank’s 2005 International Comparison Programme released new estimates of purchasing power parities (PPPs). While this has immediately shown that mean incomes in many poor and emerging economies are much lower than was thought – ‘down by 40 percent in China and India, 17 percent in Indonesia, 41 percent in the Philippines, 32 percent in South Africa and 24 percent in Argentina’ (Milanovic 2008) – with certain implications for poverty and poverty rates, there is no quick and easy way of transforming the new PPPs into new poverty rates. As the World Bank (2007:9) states, ‘additional data and analysis will be necessary before international poverty rates can be estimated, therefore direct application of these PPPs to the estimation of poverty levels and rates may yield misleading results’. Chances are that the global estimate of US$1/day poor will rise markedly, but it will be some time until we know by how much. See http://go.worldbank.org/OPQO6VS750 for further details.
23. Chen and Ravallion (2007)
24. See CPRC analysis of Demographic Health Surveys data in Annex H.
25. Annex G is a description of recent figures and trends for global indicators of chronic poverty, global indicators of childhood poverty, and global indicators of inequality.
26. CPRC and others continue to work on ways of estimating chronic poverty without the use of panel data.
27. The first report and background papers explained that 420 million should not necessarily be considered as a maximum, because the effects of measurement error in panel data often make it appear that there is more volatility in consumption/income levels than is actually the case. There are also different methods used to estimate proportions of chronically poor people: are we interested in the proportion of people who are poor now that were also poor five years (or a longer period of time) ago, or the proportion of today’s poor population that we expect to be poor five years from now? While intuitively these are comparable, methodologically they are not. Based in part on this difference, the global and regional estimates presented by CPRC in the first report have been challenged. For example, focusing on a single country (Uganda), and also developing a different method of assessment based on cross-sectional Demographic and Health Survey data, Nandy (2008) suggests that CPRC ‘miserunderestimated the numbers of chronically poor people quite significantly. Extrapolating from his method leads to an upper limit closer to 820 million chronically poor people globally. Further work is required to best understand and apply the various approaches to counting the chronically poor.
28. US$1/day poverty rates are taken from the 2006 World Development Indicators. There is some concern that many of these poverty rates are unreliable, and, as noted above, with the recent changes in PPPs, are likely to change markedly. In some cases, and for some large countries like China and India, these revisions are likely to be very substantial. This will probably have serious implications for the regional and global estimates of chronic poverty.
29. See also Yaqub (2003) for a more detailed discussion of the complexities of the relationship between chronic and extreme poverty.
30. In making this challenge, the philosopher John Rawls (1972, 1999a) argues that a priori decisions concerning the distribution of power and resources should be made primarily from the point of view of the poorest in society.
32. See Clark and Hulme (2005:7) for a more detailed discussion of the logic of considering those who have lived in similar forms and depths of poverty for a longer time as worse off.
33. Our definitions of justice and fairness are based on three principles derived from the work of Rawls (1972): first, that birth is a lottery and that all people are morally equal; second, that societies’ top priority should be the poorest members of society; and third, that all citizens should have basic rights and positive/substantive entitlements (i.e. power and resources to operate in society).
34. Our ‘success’ stories adhere to four basic criteria identified to assess public policies success in the South (Bebbington and McCourt, 2007, Chapter 9):
- Enhancement of human capabilities, in particular for the people who have the greatest capability deficits;
- Action on a large scale (this might entail scale-up from an initial policy experiment);
- Duration (the policies would have been implemented over at least ten years, and preferably across at least one change of government);
- Success against the odds (at the point of inception a reasonable observer would have predicted that success was unlikely).
36. e.g. Krishna (2007), http://www.pubpol.duke.edu/krishna/
37. See Anderson (2007).
38. It is important to note that we do not make any assumptions about the ‘equivalence’ of GDP, child mortality or undernutrition indicators. Moreover, fertility is treated as an indirect proxy indicator of deprivation.
39. The cluster analysis technique utilised in the country classification is an improvement on other country classification techniques in the literature. For example, most classifications of ‘poor’ performance rely on subjective assessment by analysts, with the UNDP’s Top Priority Countries’ classification being the main exception. Our approach is close to the UNDP method, with one arguable advantage – whilst the UNDP approach uses threshold values to determine categories (thus placing great significance on the level of the threshold), cluster analysis allows the data to speak for itself.
40. For example, no country with a per capita income of more than US$6,000 has experienced civil war, and economic stagnation has been found to increase the probability of internal war in several studies – see Vallings and Moreno-Torres (2005); US Government (2000); Collier (2006); and Collier and Hoefffer (2004).
41. This is based on applying mid-range regional guesstimates of the proportion of poor people who are chronically poor to each country categorised.
42. However, recent research into the effects of social movement engagement with extractive industries indicates that although this may alter the geographies of where exploitation takes place, many such protests fail to cohere or have an impact (Bebbington et al. 2008).