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# The big idea: chronic poverty, the MDGs and and the CPRC

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1 CPRC (2008). 'Annex E: estimates of regional and global numbers'. In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

These calculations have been challenged by Nandy, who has produced higher estimates – see Nandy, S. (2008). 'Misunderstanding' chronic poverty? Exploring chronic poverty in developing countries using cross-sectional demographic and health data', *Global Social Policy*, 8(1), 45-79.

Nandy's paper deals with two rather different issues: the use of Demographic and Health Surveys (DHS) data to produce an estimate of chronic non-monetary deprivation and a critique of the method used to produce initial estimates of global monetary chronic poverty in the Chronic Poverty Report (CPR) 2004-05. He also seeks to compare the results of the two approaches. Nandy's paper represents a substantial misrepresentation of the approach of the CPR. Further, his approach does not deal with global estimates of chronic poverty at all, but rather a non-comparable country specific estimate. The choice of indicators and poverty cut-off used for this require much fuller justification. In relation to the discussion of the CPR approach, we reject the assertion of a supposed 'mathematical error', as well as the validity of the country-specific comparisons he presents in his paper. Despite all this, we re-emphasize again that the estimates produced in the CPR were subject to a very large margin of error, given the severely limited data availability.

2 2005 is the latest year for which adequate figures are available. This updated range may be on the low side: it has been produced without increasing the proportion of the poor assumed to be chronically poor, although this would plausibly increase with a higher poverty line.

The persistence of widespread chronic poverty into the 21st century in such a prosperous world is a scandal.<sup>1</sup> At the new \$1.25 a day measure of global poverty, between 336 and 472 million people were estimated to be trapped in chronic poverty in 2005<sup>2</sup> – poverty they had experienced for many years (perhaps all their lives) and that had damaged (or was threatening to damage) their capabilities and those of their children irreparably. Living in chronic poverty increases the likelihood of poor health, illiteracy, reduced functioning/disability and dying from easily preventable causes. The global MDGs can be fully achieved only if chronic poverty is tackled effectively.

The origin of the CPRC lies in the process leading to the formulation of the MDGs in 2000-1. Once it was clear that the 2015 targets would focus on 'reducing poverty by half,' this immediately begged a question as to 'the other half' – those who would still be poor by 2015, many of whom had not yet been born. The originators of the CPRC felt it was unacceptable in such a rich world to write off such a substantial proportion of the world's population, to claim it was impossible to envisage that they too could achieve their potential. The purpose of the CPRC was then to provide evidence to policymakers about who would remain poor; why they would remain poor through to 2015 and after it; what their strategies are to escape poverty and deprivation; and what national and global policymakers can do to assist more people to escape poverty sustainably.

While the CPRC was researching and engaging with policymakers on these issues between 2000 and 2010, active global policy discussions were being held on economic growth and poverty reduction; on the nature of the state and poverty reduction; and on social protection policies. Realising early on the significance of the dynamic processes of impoverishment that underlie any measure of poverty, and of chronically poor people's insecurity in the face of high levels of risk, the CPRC provided evidence that social protection had potential in addressing chronic poverty, as did improving the performance of health services to reduce substantial household expenditure on

ill-health.<sup>3</sup> The Chronic Poverty Report 2008-09 emphasised the provision of basic services to the hard-to-reach alongside social protection as core policy prescriptions. Subsequently, it deepened its analysis of social protection<sup>4</sup> and broadened its policy focus to include substantial work on transformative (or progressive) social change and fragile states.<sup>5</sup> The focus on progressive social change has continued, with a major recent report issued on 'Stemming Girls' Chronic Poverty.'<sup>6</sup> There was also a focus on the extremely important issue of economic growth in the global Chronic Poverty Reports,<sup>7</sup> which emphasised agricultural growth and strategic urbanisation alongside social protection. But this was seen as a crowded field, and not the CPRC's comparative advantage, so a limited focus on economic growth in landlocked countries was selected as an important 'niche' for further policy analysis. Meanwhile, country partners were, in several cases and in different ways, working actively on what it is that enables chronically poor people to participate in economic growth.

For policymakers, the need now is to get inside the 'black box' of poverty reduction – the assumption that growth, combined with demographic or political change, will lead somehow to reduced poverty. Rather than poverty policy focusing on getting the headcount ratio down as rapidly as possible, it should zero in on the context specifics of removing the barriers to upward mobility for chronically poor people, reducing the risks of destitution for the already poor and preventing downward mobility into persistent poverty for the near-poor. This involves a different approach to designing policy and new poverty analytics. The evidence suggests that policy in developing countries has begun to generate disaggregated responses, though not in terms of poverty dynamics – perhaps because the poverty analytics need to develop alongside this.<sup>8</sup>

## 1. What is chronic poverty?

The chronically poor are poor over many years, and may pass their poverty on to the next generation. One of the reasons for interest in the extent to which and why people are poor over long periods of time is that it may become harder to escape poverty the longer you are poor, which is a finding of much research in rich countries. If this is true, there is a premium on escaping poverty as soon as possible, or at whatever point in the life course it is most possible. The limitation of the MDG 2015 target is apparent in this context – if several hundred million people simply have to wait, significant opportunities will be lost which may be hard to recapture later. Box 1 illustrates how wellbeing status of already poor adults can gradually decline over a lifetime, despite a good start in terms of education. Amin and Rohima's story shows the importance of ill-health, family disintegration and exploitative work.

In practice, researchers have often been limited to exploring progress made (or not made) between two points of time when panel surveys are conducted following the same households – and sometimes these surveys are relatively close together. The CPRC has used such valuable evidence, which is still collected all too rarely, but has supplemented it with qualitative (and even, in Senegal, innovative quantitative) life history-based work to obtain a longer time perspective as well as deeper insights into why people remain poor or are upwardly/downwardly mobile; as well as with work on intergenerational transmission of poverty. This has given researchers new perspectives on the nature and causes of chronic poverty and socioeconomic mobility. More governments have

3 CPRC (2004). *The Chronic Poverty Report 2004-05*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

4 CPRC (2008). 'Chapter 3: Addressing insecurity through social protection'. In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Barrientos, A. and Nino-Zarazua, M. (2011). *Social Transfers and Chronic Poverty: Objectives, Design, Reach and Impact*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

5 CPRC (2008). 'Chapter 5: Transformative social change'; and 'Chapter 6: Ending violent conflict and building a social compact'. In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

6 Jones, N., Harper, C., Watson C., et al. (2010). *Stemming Girls' Chronic Poverty: Catalysing Development Change by Building Just Social Institutions*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

7 CPRC (2008). 'Chapter 4: Economic growth and chronic poverty'. In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

8 Grant, U. and Scott, L. (2011, forthcoming). 'Chronic poverty in policy: a reflection on the CPRC's impact on donor policy and national policies, 2005-2010'. Background Paper. Manchester, UK: Chronic Poverty Research Centre (CPRC).

**Box 1: Declining wellbeing status over time – Amin and Rohima<sup>9</sup>**

Amin, 61, lives with his 43 year-old wife, Rohima, in Kurigram district, northwest Bangladesh. They regularly go without food as a result of poverty and they are both suffering from chronic illnesses. Their only income source is a very small shop in the local village bazaar and half a decimal of land where their house is situated. They keep a small number of chickens and ducks and catch some fish locally.

Amin attended school up to Class 9, which was unusual for the time in poor rural families. After this, he started working as an agricultural day labourer. His father had 50 decimals (0.5 acres) of land which he sold to pay for Amin's education and living expenses, as he was the oldest son. His brothers and sisters did not receive much education because the family was short of money. Amin's father maintained his family by selling bananas and fish.

Amin was 25 and Rohima was 12 when they married. Their son, born in 1981, showed little interest in education and attended school only up to Class 2. He ran away from home when he was about 12 and is now pulling a rickshaw in Dhaka where he lives with his wife. Rohima suffered from typhoid in 1985. She was treated by a village doctor at a cost of Tk450. She was ill for 15-16 days, but the fever continued for over a year. Amin considers this time the second most serious crisis of his life, after his own illness from 1992 to date.

During 1982-1992, Amin worked in a brick field, where he earned Tk10-20 a day and received board and lodging. This work was physically hard and he developed asthma, which stopped him working. Amin and Rohima could afford only cheap medicine, but even this cost Tk4,000. Rohima had to go to her neighbours to ask for food to feed her husband. In 2006, Amin was admitted to hospital for other problems; no medical expenses were incurred other than some medicine that cost Tk50, but he was unable to work for over a month. At that time, he sold hens for Tk1,300, a goat for Tk500 and some ducks, and he also took loans from others. Amin considers this the third worst crisis in his life to date.

Amin and Rohima are getting older now and are both chronically ill. They have no relatives to help them during hard times, and only Tk240 in savings. Amin still suffers from illness caused by the harsh working conditions in the brickfield. They have very few assets and a precarious income from the small shop they run and the other small-scale income-generating activities they are involved in. It is likely that their situation will deteriorate as their ability to work declines. They have very little confidence in receiving help from their son. The future does not look bright for them.

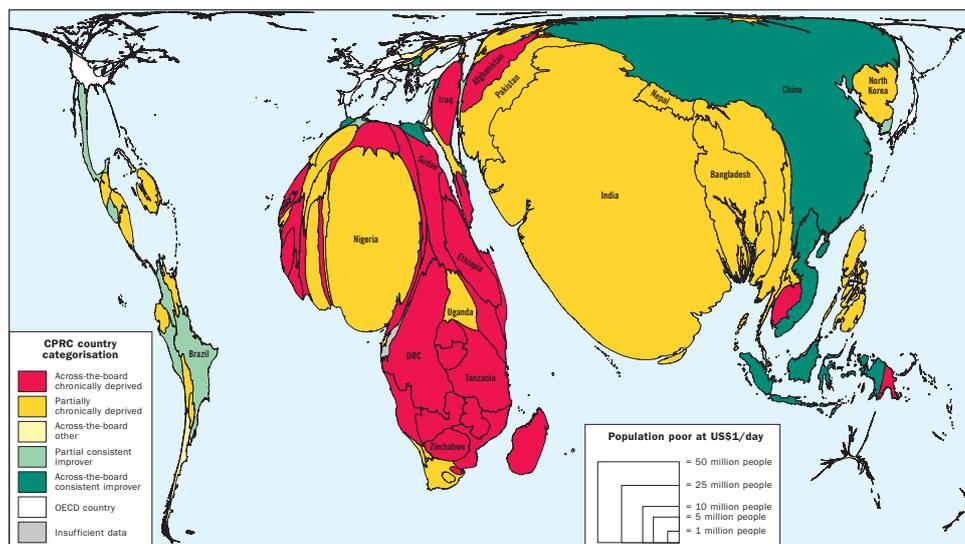
**There is a premium on escaping poverty as soon as possible, or at whatever point in the life course it is most possible.**

accepted there is a need for panel data over this period: the Ugandan government has realised afresh the value of panel data – after interacting with CPRC researchers over several years it decided to undertake a new panel survey in 2008; the government of Tanzania likewise; and South Africa now has a National Income Dynamics Survey.<sup>10</sup>

The two international Chronic Poverty Reports have painted a picture of who the chronically poor are. In summary, they are often multi-dimensionally deprived and may experience preventable deaths early (and so are not even counted). They are mostly economically active, but are poor because of their positions within households, communities and countries. The Chronic Poverty Report 2008-09 described five 'traps' which separately, and very powerfully together, keep people poor: insecurity; limited citizenship; spatial disadvantage; social discrimination; and poor-quality work opportunities. Spatial inequality within countries leads to concentrations of chronically poor people; some *countries* are also chronically deprived (Figure 1). Box 2 further illustrates what it means to be chronically poor, using the words of a mother and washerwoman in Senegal, and provides evidence of strategies to survive and even attempt to escape poverty through enterprise or education.

<sup>9</sup> Adapted from: Davis, P., Haque, R. and Akhter, B. (2010). 'Life history: Amin, male, aged 61, Srirampur village, Kurigram district'. Bath: Social Development Research Initiative. (Ed.) Louisa Frears.

<sup>10</sup> A growing number of governments have started panel household surveys, some under the World Bank's Living Standards Measurement Survey Integrated Surveys on Agriculture Initiative.

**Figure 1: Cartogram of \$1/day poverty by country<sup>11</sup>****Box 2: What does it mean to be chronically poor?<sup>12</sup>**

'I grew up in the huts. Our house caught fire three years in a row. We lost everything and became poor. Our neighbours helped us with millet and some clothes. I never had the chance to go to French speaking school. I had three years at an Arabic school. At ten years old I started working as a domestic servant. I got married to him at thirteen. My oldest boy is now twenty. At the beginning things went a bit better, but now that I've got children... (she cried). He went to sea after the Tabaski (Aïd el Kebir) and I've had no news (now September, several months later) and he's sent nothing. I manage all on my own. I live here with his family, but we don't share meals. Let's hope that things will improve. God is great. My oldest has also gone to sea. He occasionally sends me something. My daughter went to Dakar to find work as a servant. She said: 'mother, let me go to Dakar so I can help you buy my school supplies when I get back, and some clothes. Her younger sister has stopped school, she didn't finish the year, she says she's going to work to help me as she can't bear my situation.'

*TP, 34-year-old washerwoman, eight children and two deceased, Senegal*

## 2. The CPRC

The CPRC has existed since 2000 as a multi-country, multi-institutional partnership, led from the University of Manchester in the UK. It has had three streams of work: research, policy analysis and policy engagement, seeking to mix programmes of work relevant at the country level with thematic programmes looking for explanations of the chronic poverty and poverty dynamics that are observed. The approach has allowed country partners considerable autonomy in deciding research priorities. This has had the advantage that it has been able to generate significant interest among and, in a number of countries, some influence on policymakers. This diversity has also constrained the production of generalisable findings. Thematic work since 2005 has focused on poverty dynamics; intergenerational transmission of poverty; assets and assetlessness; insecurity, vulnerability and risk; and adverse incorporation and social exclusion – themes recognised as important following the first five years of more inductive research.

<sup>11</sup> CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

<sup>12</sup> Life story from Rokhaya Cissé, Dakar: Lartes/IFAN, Université Cheikh Anta Diop. Author's translation.

The chronically poor are often multi-dimensionally deprived and may experience preventable deaths early.

They are mostly economically active, but are poor because of their positions within households, communities and countries.

The CPRC has taken as its major audience national policymakers (especially ministries of finance, prime ministers'/presidents' offices and key sectoral ministries), but also international and national poverty policy communities, social movements and civil society leaders. This paper is designed for the international poverty policy community. Other synthesised outputs have been developed for national poverty policy communities and are referred to here.<sup>13</sup>

### 3. Chronic and severe poverty: no shortcuts on data

A major objective of the second phase of the CPRC was to analyse the relationship between severe and chronic poverty, thinking that, since most countries produce data on severe poverty, these could act as a proxy for chronic poverty, for which fewer countries have data. The conclusion of our analysis is that, whereas the severely poor are most often chronically poor – so severe poverty is generally a good predictor of chronic poverty – there are chronically poor households that are not severely poor. Severe poverty is therefore an inadequate proxy for chronic poverty – it covers a proportion of the chronically poor but not the whole.<sup>14</sup> This is an important new research finding (Box 3).

For practical targeting purposes, focusing on the severely poor would be a good starting point if the objective were to intervene to interrupt chronic poverty. There would be little error of inclusion, though the exclusion error could be significant. This finding also

#### Box 3: The relationship between chronic and severe poverty

Tackling chronic poverty is an urgent issue. But a major challenge to achieving this is a lack of knowledge about its extent. Assessing chronic poverty requires panel data, whereby the poverty status of each specific household can be assessed at different points in time. However, this is available in only about 20 developing countries, and many datasets are not easily accessible or comparable across countries. Given this, can extreme poverty, measured at one point in time, be an adequate proxy for chronic poverty? The CPRC used 23 panel datasets from 12 countries to examine if households living in extreme poverty (according to national food poverty lines) during the first round of data collection remained in chronic poverty over the length of the panel.

The extent to which extreme poverty serves as a proxy for chronic poverty varies significantly according to the context, and reflects, in part, the gap between the extreme poverty line and the national poverty line, which is the reference for chronic poverty. Where extreme poverty is a reasonable proxy for chronic poverty, the extreme poverty line is 80% or more of the national poverty line. Where extreme poverty underestimates chronic poverty, the extreme poverty line is 60% or less of the national poverty line.

In some contexts, then, extreme poverty can substantially underestimate the numbers living in chronic poverty. However, it often serves as a much better identifier that somebody is chronically poor. In two-thirds of cases, more than 60% of people living in extreme poverty at the start of the panel are persistently poor during subsequent data collection. Where extreme poverty is a less successful identifier of chronic poverty is in contexts of rapid economic growth, when reasonable numbers of households can raise their income significantly over the length of the panel.

Extreme poverty can serve as a fairly reliable predictor of chronic poverty, therefore. It is also almost certainly better than any alternative candidate.

**13** Final country reports or synthesised outputs have been completed:

*Bangladesh:* Sen, B., Ali, Z. (forthcoming, 2011). 'Low accumulation, high vulnerability and greater exclusions: why the chronically poor cannot escape poverty in Bangladesh, or elsewhere in South Asia'. In Brunt, J. and Shepherd, A. (eds.) *Addressing Chronic Poverty*. London: Palgrave MacMillan.

*Burkina Faso:* Wetta, C., Kabore, S., Kibora, L., Nikiema, A., Kone, M., Konde, M., Malgoubri, M., Zida, P.M.F., Abdourahyme, S., Ouedraogo, H. (2011). *Pauvreté Chronique et Transitoire au Burkina Faso: Une Analyse de la Dynamique à Partir de Données Agricoles*. Uagadougou: CEDRES Projet de Recherche sur la Pauvreté Chronique (PRPC) and CPRC.

*Niger:* Sidikou, H.A., Seydou, M., Garba, S. (2011). *Rapport de la Recherche-Pilote sur la Pauvreté Chronique en Milieu Rural Nigerien*. Niamey: Institut de Recherche en Sciences Humaines, Université de Niamey; Institut National de la Statistique, Réseau MARP- Niger.

*India:* Kapur Mehta, A., Shepherd, A., Bhide, S., Shah, S., Kumar, A. (2011). *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

*Senegal:* Salam Fall, A., Antoine, P., Cissé, R., Dramani, L., Sall, M., Ndoye, T., Diop, M., Doucouré, B., Ballé Sylla, M., Ngom, P. Faye, A. (2011). *Les Dynamiques de la Pauvreté au Sénégal : Pauvreté Chronique, Pauvreté Transitoire et Vulnérabilités*. Dakar: LARTES-IFAN

*Tanzania:* Kessy, F.L., Mashindano, O. and Shepherd, A. (2011, forthcoming). *Translating Growth into Poverty Reduction: beyond the numbers*. Oxford: James Currey.

*Uganda:* CPRC/DRT (2011, forthcoming). *Uganda Chronic Poverty Report 2: Is anyone listening?*. Kampala: Development Research and Training and CPRC.

**14** McKay, A. and Perge, E. (2010) 'Is severe poverty a good proxy for chronic poverty? Evidence from a multi-country study'. *CPRC Working Paper 179*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

**Current policies largely leave escaping chronic poverty to those who are most excluded and discriminated against or face poor opportunities, while actively promoting the interests of others – which is extremely unjust.**

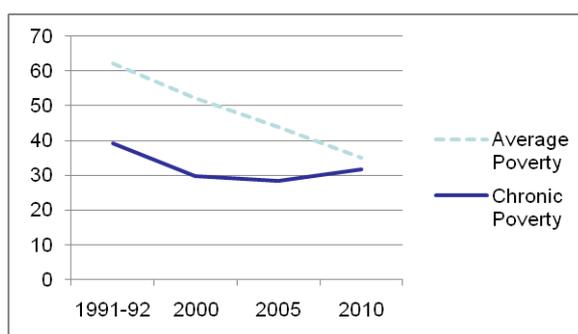
illustrates the case for good panel data as the basis for measuring chronic poverty. There is no shortcut, although in the poorest countries severe poverty may be quite a good proxy for chronic poverty.

## 4. Why is chronic poverty important?

Why is it important that policymakers disaggregate poverty in this way and develop differentiated responses? Justice calls for it, and the biggest gains in welfare are to be gained by doing it. Current policies largely leave escaping chronic poverty to those who are most excluded and discriminated against or face poor opportunities, while actively promoting the interests of others – which is extremely unjust. As such, political and economic elites (global and national) have ethical reasons for attempting to include and enhance opportunity, but also pragmatic reasons. Economically, having a significant group of people who are poor for long periods represents a drag on growth, as they demand few goods and services.<sup>15</sup> Politically, and especially where discrimination is involved, the state's legitimacy may be questioned: chronically poor people may have little to lose if they have few prospects of improving their situation when all around them they can see others doing so. Finally, it can be done. There is growing evidence that there are policies that do address chronic poverty. If this is true, is it not negligent to avoid taking action?

These are general reasons for taking chronic poverty seriously. There is a more context-specific reason too. As countries reduce absolute poverty, more of the poverty which is left behind is chronic. Bangladesh has done well in reducing the incidence of poverty as a whole. But recent research shows that most remaining poverty is now chronic (Figure 2). This means that the government will have to take it more seriously than in the past if it wants to eradicate poverty overall.<sup>16</sup>

**Figure 2: Trends in average and chronic poverty, Bangladesh 1991/2-2010**



<sup>15</sup> Perry, G.E., Arias, O.S., López, J.H., Maloney, W.F. and Servén, L. (2006). *Poverty Reduction and Growth: Virtuous and vicious circles*. Washington D.C.: The World Bank

<sup>16</sup> Sen, B., Ali, Z. and Begum, S. (2011, forthcoming). 'Chronic Poverty in Bangladesh.' Manchester, UK and Dhaka, Bangladesh: Chronic Poverty Research Centre (CPRC) and Bangladesh Institute of Development Studies.

## 5. Selection of key issues in this paper

This synthesis paper attempts to focus on what is new or different; what is actionable; and what is strategic as far as addressing chronic poverty is concerned. This relates to the big development policy discussions of the era – on economic growth, on the nature

of the state and on social change. It focuses on issues where there is demand for knowledge and brings relevant evidence to the table. The key messages are about both policy content and, to a lesser extent, process. They may support existing knowledge and policy or add something new. New knowledge or policy recommendations are highlighted. Table 1 gives a brief summary of the new knowledge generated by the CPRC and its policy implications.

**Table 1: New knowledge produced by the CPRC and its policy implications**

New knowledge: research findings	Policy implications
Social assistance (social transfers) addresses chronic and severe poverty.	This is a practical approach to a problem that can otherwise seem intractable. The critical issue is to facilitate national systems of social protection in low income countries.
Economic growth has reduced severe and chronic poverty less than poverty as a whole, and less than the average across the population.	This indicates a range of special measures are necessary to include the chronically poor, on the composition of growth; the functioning of the labour market; achieving synergies between assets markets and protection; integrating deprived regions; and working with young people.
Job quality is as important as the quantity of employment generated by economic growth, unless there is no growth, when the priority is kick-starting growth.	Governments should develop or support the development of labour standards applicable to major labour-intensive sectors (agriculture, construction, manufacturing).
Chronic poverty is highly political and relational in nature.	The nature of the social contract has a big impact on whether the chronically poor remain poor. Policymakers need to stimulate the 'good society.'
Chronically poor people are adversely incorporated as much as socially excluded.	Improving the quality of jobs and of institutions (markets, the family, the community) is an important part of addressing chronic poverty.
Descents into poverty can be sudden; getting out of poverty is often gradual, over a long period of time.	National poverty analyses need to examine poverty dynamics using quantitative panel surveys and linked qualitative research.
Most severely poor people are also chronically poor.	Severe poverty is a good starting point for policymakers to target the chronically poor.
(Panel) household survey data combined with life histories and other qualitative research produces a richer analysis of the nature and causes of chronic poverty and poverty dynamics.	National statistics organisations should produce more nationally representative panel datasets, which can be combined and sequenced with qualitative research.
It is possible to divide countries' poverty situation and causes into a three-way matrix (see Table 4).	International organisations could work out where in this matrix a particular country sits, and develop their assistance strategies accordingly.
Significantly greater women's agency is necessary to reduce chronic poverty in many situations.	Governments need to revisit legislation and social norms on inheritance, and women's access to property.

**As countries reduce absolute poverty, more of the poverty which is left behind is chronic.**