



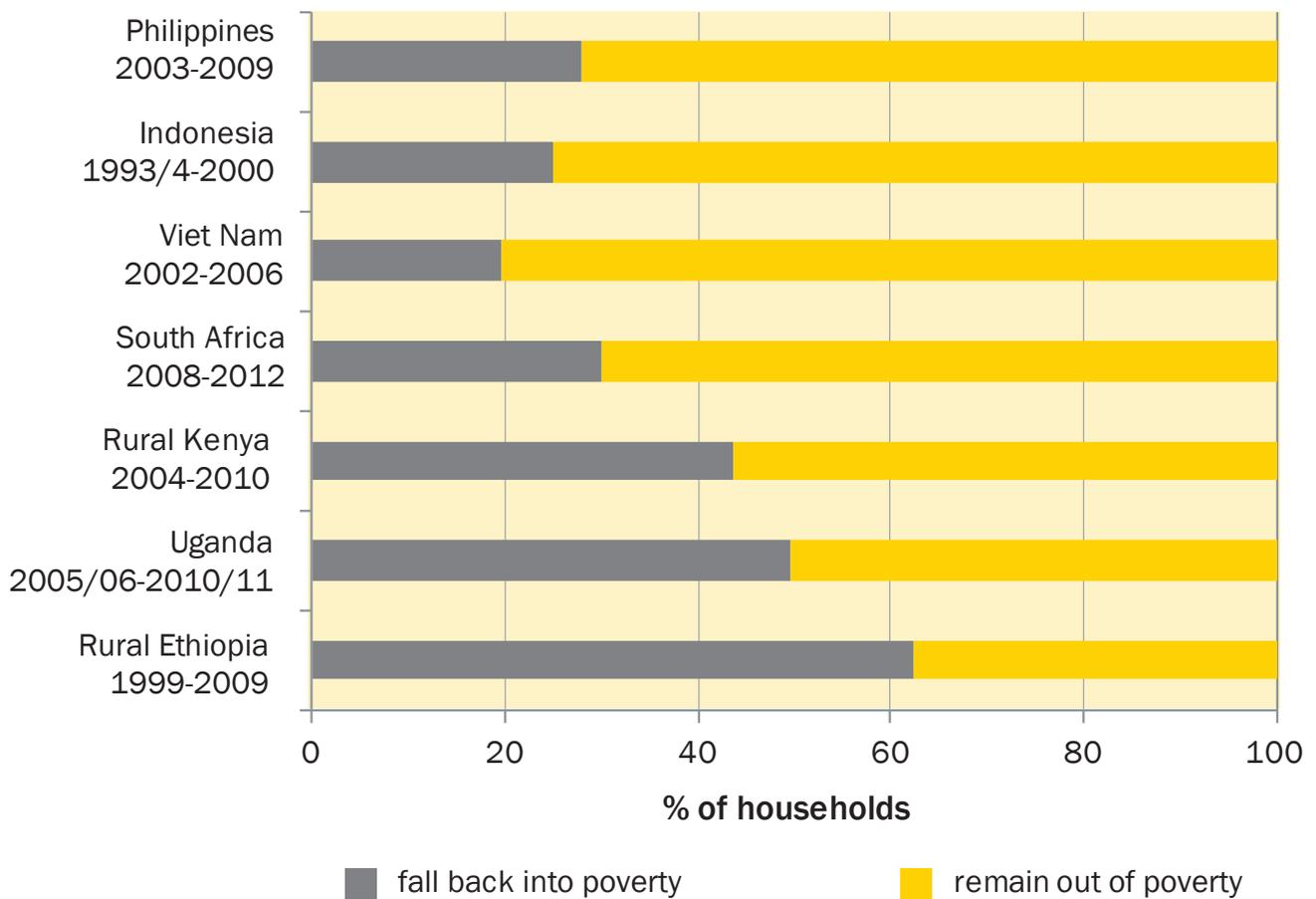
Executive Summary

The Chronic Poverty Report 2014–2015: The road to zero extreme poverty

 **Chronic Poverty
Advisory Network**
Getting to Zero

The world is on the cusp of agreeing new global goals to succeed the Millennium Development Goals (MDGs) as we approach the 2015 deadline for their achievement. While the MDGs have certainly fuelled progress on poverty reduction over the past decade, the 3rd *Chronic Poverty Report* shines a light on the millions of people worldwide who are thought to be living in chronic poverty – the grinding and long-term poverty that scars their lives, and often the lives of their children. It proposes a new framing for a post-2015 goal to eradicate extreme poverty, focused on improving poverty dynamics – tackling chronic poverty, stopping impoverishment and supporting sustained escapes from poverty. And, in the context of climate change, it makes the case for a new urgency in eradicating poverty before environmental conditions become much more difficult in many parts of the developing world.

There has been much talk in the post-2015 discussions about ‘getting to zero’ by 2030: eradicating extreme poverty for the first time in human history. The MDGs have been part of an unprecedented global effort to halve the number of people living in such poverty, but this report argues that ‘more of the same’ will not get us to zero. The report demonstrates that a sharper

Figure 1: What happens to people who escape extreme povertyⁱ

focus is needed on the inequalities that confront those living in chronic poverty – often those from the most marginalised sections of society. It argues for policies to address the social, economic and cultural forces that block their escape from poverty, and that pull them back into poverty even if they manage to escape its clutches for a while. Indeed, the report's most pessimistic projection is that up to a billion people could still be extremely poor in 2030.

The road out of poverty is rarely a smooth, one-way street. Many people rise above the poverty line only to tumble back beneath it. Millions of vulnerable people return to extreme poverty, or become poor for the first time, when they are hit by a combination or sequence of shocks, such as a serious drought, a costly illness, and insecurity or conflict in their community.

The household-panel surveys that inform this report capture the precarious nature of many poverty escapes by tracking households over a number of years to see whether they have moved up, remained static or fallen back. In rural Kenya and in South Africa, surveys over varied periods of time have found that 30% to 40% of those who manage to escape from poverty fall back, rising to 60% during one

recent period in rural Ethiopia (Figure 1). Even in successful Southeast Asian economies, such as Indonesia and Viet Nam, the figure has been around 20%. While we lack the global data needed to determine with accuracy how many people make the return trip out of and back into poverty, the panel data suggests the sheer scale of the problem.

Panel data can, therefore, paint a very different and more complex and volatile picture than the conventional picture of gradual reductions in poverty, particularly in countries where poverty is known to have reduced substantially over time. This more complex and volatile picture is confirmed by the life histories that pepper this report. This difference is because the panel surveys capture the fortunes of particular households at different points in time, and these can vary depending on events and processes affecting those households as well as the changing context around them. This picture is more fine grained and detailed, but over the longer term should not contradict the trends established by regular household surveys, which remain essential to track progress.

Over the shorter term, the panel data may present a more or less optimistic or pessimistic picture than the

Box 1: Definitions of poverty concepts used in the report

- Extreme poverty = \$1.25 per person per day (or below national poverty lines in some cases). This basic statistical measure is based on consumption or expenditure as recorded by household surveys.
- Severe poverty = \$0.70 per person per day, based on the average consumption of the poor in sub-Saharan Africa (or in some cases consumption below national food or severe poverty lines).
- Chronic poverty = extreme poverty that persists over years or a lifetime, and that is often transmitted intergenerationally.
- Impoverishment = descent into extreme poverty.
- Sustained escapes from extreme poverty = staying out of poverty and progressing towards a higher threshold (such as \$2 per person per day).
- Panel household survey = a survey that tracks the same households over several years, enabling the tracking of movements in and out of poverty.
- Multidimensional deprivation/poverty = the Oxford Poverty and Human Development Initiative defines this as being 'deprived in 3 of 10 assets and capabilities'; and severe deprivation as being deprived in half of these indicators.
- Political settlement = the relationship between power and institutions in a country. It refers to the way in which organisational and political power is organised, maintained and exercised, as well as to how the state relates to its citizens.

regular surveys, and the more complex pictures they present are of great use to governments as they assess the impact of their policies. For example, the report develops an impoverishment index from panel data, which governments can use to allocate resources among different poverty reduction policies. Table 1 at the end of this executive summary shows the policies that could be most relevant to the situations revealed by panel data.

Supporting permanent escapes from chronic poverty requires far more investment in the education, employment and self-employment opportunities and in the associated infrastructure that allow people to improve their living standards while building their resilience to cope with setbacks and the consequences of climate change. This includes, for example, disaster-risk management, universal health provision and social protection. Such investment could create a virtuous circle of poverty reduction, national economic growth and expanded individual opportunity. Above all, it could reduce the inequalities that act as a brake on human progress.

Navigating the road to zero: three key policy objectives

The road to zero poverty will be long and hard, but it can be navigated if, first and foremost, there is a shift in the way we think about poverty. The chronically poor – those who are poor for many years, or for their entire lives, and who often pass their poverty down to their children – need to be at the centre of poverty eradication policies, and there needs to be far more emphasis on stopping impoverishment: the descent into extreme poverty.

Until now, the focus has been on helping people to escape from poverty, but for those living in chronic poverty,

who often face multiple disadvantages, any escape is likely to be short-lived. The poorest people often lack the skills, education or assets (such as land) to keep their heads permanently above the poverty line and are very likely to fall back into poverty if they are hit by shocks such as illness, unemployment, old age, a disability, extreme climate events, or conflict. Progress on poverty reduction to date, while impressive, has had less of an impact on these people than on those who were already closer to the poverty line, or those who were only temporarily poor.

Put simply, it will not be possible to 'get to zero' unless development policies put those living in chronic poverty front and centre.

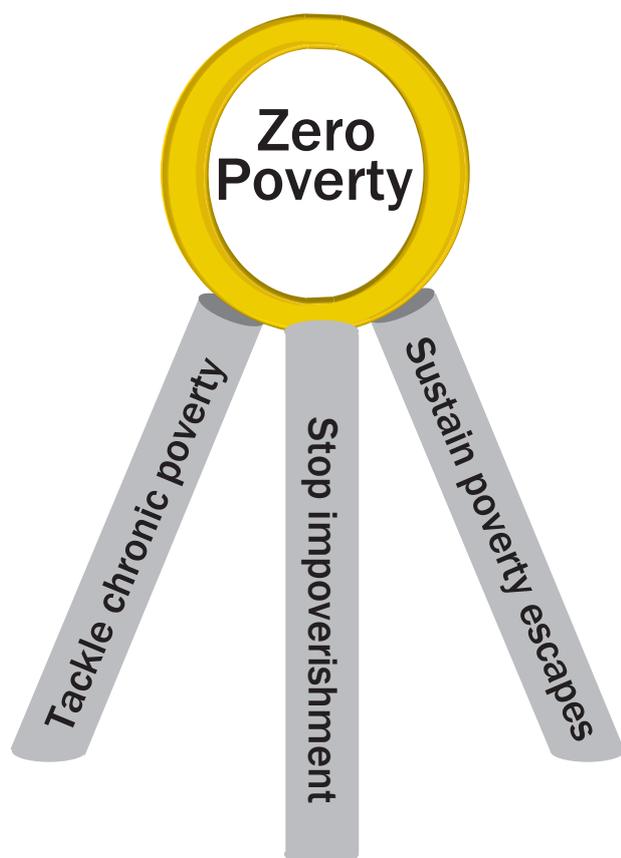
This report breaks new ground by arguing that if we are to get close to zero extreme poverty, policies must be aimed for three separate but interdependent objectives – the zero poverty 'tripod' (Figure 2).

- Tackle chronic poverty
- Stop impoverishment
- Sustain poverty escapes

There are three policies that address all three legs of this tripod. All three are needed if the eradication of extreme poverty is to be sustained, and all three require massive global investment.

- **Social assistance** brings the poorest people closer to a decent standard of living, provides a safety net for them in tough times, and encourages them to make the investments and take the risks that could propel them out of poverty, and keep them out of poverty. One prime example of social assistance that has been taken to scale is Ethiopia's Productive Safety Net Programme, which has enabled thousands of vulnerable households to withstand drought without having to cut back on education spending.

Figure 2: The zero poverty tripod



- **Massive investment in education**, which enables escapes from poverty and sustains the climb away from it, also has the advantage of being a 'portable asset' that is resilient to crises.
- **Pro-poorest economic growth** ensures that the benefits of increasing national prosperity reach the very poorest people – one example can be seen in South Africa's extension of the minimum wage to groups such as domestic workers.

These three policies apply everywhere, and in every context. However, they do need to be part of policy packages that will, inevitably and quite rightly, vary from one context to the next. It is the context that defines the priorities, sequences and combinations of policies required. For example, in situations where the households sinking into poverty outnumber those escaping from it, policies should prioritise stopping impoverishment before it happens, as well as investing in poverty escapes.

To **tackle chronic poverty**, a government needs to build a solid foundation: an inclusive national development plan. Such a plan makes sure that the poorest children receive a good-quality basic education, including pre-schooling. It tackles the poor working conditions, lack of security and low wages that are commonplace in the informal sector

and that hold people in poverty. It ensures that agricultural value chains generate reasonable returns for smallholder farm households. And social assistance programmes, such as targeted cash transfers or employment guarantees, which are relevant for poverty reduction in every context, are integrated into anti-poverty programmes, as has happened, to good effect, in Brazil.

In addition to building this foundation, governments need to work with civil society to make sure that the poorest people are represented politically and are included in the economy, politics and culture of their country on good terms. This often means challenging and perhaps sweeping away aspects of the status quo and represents the most marked departure from 'business as usual'.

The anti-discrimination policies that need to be implemented often require institutional innovation and change, as well as careful monitoring to ensure that women, persons with disabilities, older people and disadvantaged ethnic, religious or caste groups are included in politics, economy and culture on equitable terms. Social norms that guide people's behaviour also need to change, requiring a raft of top-down and bottom-up initiatives on, for example, what is expected of adolescent girls and boys. Policies that ensure women have good access to resources – land, other property, finance, cash transfers – will help to tackle chronic poverty as well as prevent impoverishment, but will need to confront centuries-old and hard-wired gender discrimination. As things stand, the poorest women are being left behind as other groups climb out of poverty, and their empowerment is crucial to tackle chronic poverty, stop impoverishment and sustain poverty escapes.

To **stop impoverishment** all countries must aim for universal health coverage, as ill-health can push people into poverty and hold them there. Countries at all income levels can take action here, as shown not only in Thailand, where universal health provision is affordable and improves average health outcomes while narrowing equity gaps, but also in much poorer Burundi, where steps have been taken to make some critical services free at the point of delivery. Insurance also helps to protect vulnerable people against major risks such as extreme weather or the loss of their meagre assets: as seen in India's livestock insurance programmes, which are linked to dairy development schemes. In places where people are particularly vulnerable to shocks and stresses, savings and insurance are better at preventing impoverishment than micro-credit schemes, which can, if not well-designed, contribute to debt-driven impoverishment.

Conflict and environmental disasters are key triggers in driving people below the poverty line and only by addressing these major risks will it be possible to prevent impoverishment. It is essential that governments work to reduce the risk of violent conflict and to establish sustainable and inclusive peace settlements in places where conflict is present to prevent poverty and marginalisation fuelling its

resurgence. Improved disaster-risk management is essential in countries and sub-national regions where poverty and vulnerability are concentrated, and where the growing impacts of climate change are felt most keenly.

Massive investment is needed in the assets that **sustain poverty escapes** and that propel people so far above the poverty line that they are unlikely to fall back. Chief among these is post-primary education, which must be of good quality and give pupils the skills they need for employment. Governments should work with the private sector to ensure that these skills actually match the needs of the jobs market.

Land is an important asset for sustained poverty escapes and land-tenure policy reforms are needed to protect the poorest people from the loss of their land and to help them gain access to more land over time. This is the basis for pro-smallholder agricultural systems that are so essential for sustained escapes from rural poverty.

Having assets such as education and land helps to build poor people's resilience to shocks. This reduces the power of such shocks to plunge them back into poverty, and allows them to diversify into the non-farm economy as a safeguard against, for example, crop failures. The build-up of assets at the local level needs to be matched by progressive regional and local economic development policies to extend the benefits of economically dynamic regions or cities outwards to poorer areas through improved infrastructure and institutions.

It is clear, therefore, that getting to zero requires root-and-branch transformative social change that tackles the overlapping and debilitating inequalities faced by the poorest people – in gender, in access to land, in education and in labour markets – and that result in injustices that perpetuate poverty and powerlessness.

Where such transformative social change is not on the agenda there are still things that can be done to help the chronically poor, such as modest social transfers. Where these can be combined with improved access to decent quality health and education services and a pattern of economic growth that provides a growing number of decent wage and self-employment opportunities, the scope for getting to zero is greatly enhanced.

The financial resources required for such a transformative agenda are, however, far above current levels of spending in many developing countries. Here, more than half a billion people live in the 44 countries whose governments spend less than \$500 on each of their citizens per year (and that includes foreign aid). Projections indicate that spending levels may not increase by 2030 in at least 15 of these countries, suggesting a strong and continued need for development assistance.

This report stresses that there is no single, universal solution to eradicate extreme poverty and that the policy agenda it sets out must be tailored to specific country contexts. Likewise, there is no single group of actors that is responsible for eradicating extreme poverty. The challenge is to shift from a business-as-usual mindset to recognition of

chronic poverty as everybody's business. Governments, civil society, the private sector and development financiers need to collaborate to ensure that the right policies are found and implemented in each country or sub-national region that is stricken by poverty.

Getting to zero extreme poverty by 2030 will not be easy, and this report sets out very clearly the challenges that may make that target beyond our reach. But by focusing post-2015 poverty eradication efforts and policies on three clear objectives: tackling chronic poverty, stopping impoverishment and sustaining poverty escapes, this historic achievement is within humanity's grasp. The post-2015 development framework should set the roadmap, emphasising the universal pre-conditions for arriving at the destination, while leaving countries space to define their own best possible route.

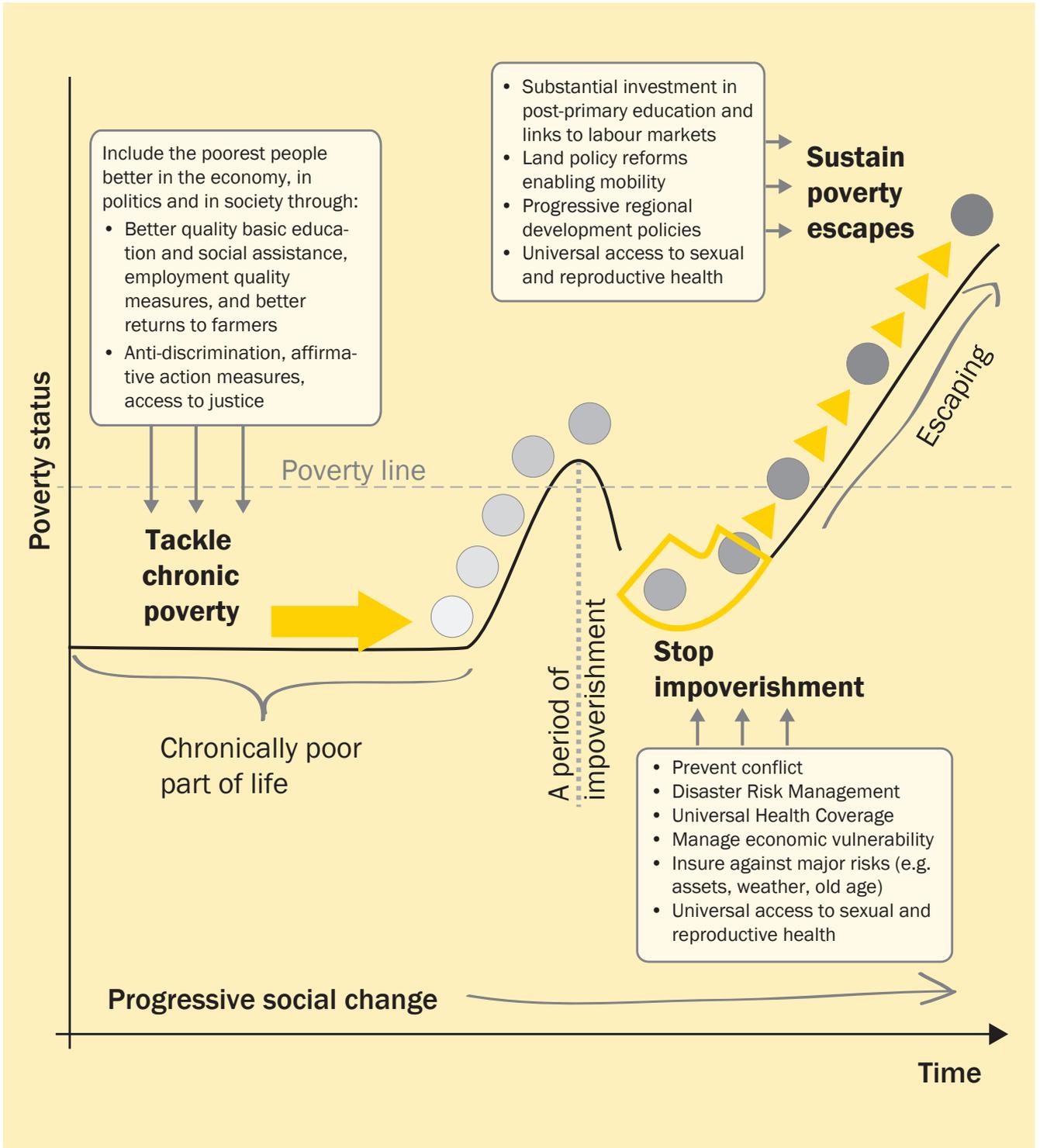
Key policy messages

- To reach zero extreme poverty, post-2015 poverty eradication policies must not be centred on poverty escapes alone. They must focus on all three of the following objectives: tackling chronic poverty, stopping impoverishment, and sustaining people's escapes from poverty. This is a new approach to the development of national plans and policies.
- The main actors driving progress towards zero poverty must be national governments, ideally in partnership with the private sector and civil society. Transformative social change is needed alongside social assistance systems, pro-poorest growth, human development for the hard-to-reach, and good enough governance and politics. As well as driving progress towards zero extreme poverty, such transformative change will, inevitably, reduce inequality.

Setting priorities

- The main public policies needed are shown in Figure 3. With the exception of the universal need for major investment in, and support for, social assistance, education, and pro-poorest economic growth, the policies needed for each trajectory are quite different. The priorities (and the sequencing of the solutions) will be determined in each country context and depend, in part, on the need to balance the urgency of chronic poverty, impoverishment and sustaining escapes from poverty.
- The gains made by families who pull themselves out of poverty can be wiped out by sudden shocks and predictable stresses, such as old age, dowry payments, or the birth of a child, which can drag them back into poverty. Governments rarely prioritise the prevention of impoverishment, preferring more positive agendas, such as achieving sustained economic growth. Given the increased frequency of extreme climate events, and

Figure 3: Policies to tackle chronic poverty, stop impoverishment and sustain escapes from poverty



the continued economic vulnerability of many least-developed countries, this neglect must be reversed in the 21st century, with its growing threats of climate and economic volatility. Such a reverse will require a sharper focus on the health of the population: something that even the most successful countries have often left until late in the development process.

- Poverty eradication strategies should lay out what they will do to improve these poverty dynamics. Countries without poverty eradication strategies need to focus on achieving the eradication of poverty through national development plans and annual development budgets.

Table 1: Policy priorities, based on ratio between descents into poverty to escapes from poverty

	Impoverishment index: low	Impoverishment index: high
High poverty incidence (>50%)	<ul style="list-style-type: none"> Promote labour-intensive sectors/industries Infrastructure investments, particularly rural roads Improve education quality Increase access to sexual and reproductive health care 	<ul style="list-style-type: none"> Social protection targeted to the poorest Improve access to primary health care Legal reforms to tackle impoverishing social norms Disaster-risk reduction Changes to the political settlement to make conflict unlikely
Medium poverty incidence (20%-50%)	<ul style="list-style-type: none"> Develop, monitor and enforce labour legislation Promotion of value-chain interventions to include the poorest Substantial investments in post-primary education linked to the labour market Affirmative action to include the poorest in society 	<ul style="list-style-type: none"> Development of social protection systems Land policy reforms Insurance against major risks (e.g. weather, asset loss) Develop savings instruments for the poorest Disaster-risk reduction Changes to the political settlement to make conflict unlikely
Low poverty incidence (<20%)	<ul style="list-style-type: none"> Infrastructure to promote value-added activities (processing) Progressive regional development policies Life-cycle approach to education investments Achieve universal access to sexual and reproductive health care 	<ul style="list-style-type: none"> Social insurance Universal health care including targeted interventions for the poorest Improve fiscal space to respond to global crises Disaster-risk reduction

Regional priorities

- In sub-Saharan Africa, the development of social assistance (cash transfer) systems is the major policy challenge for the next five years. Countries that have not developed these by 2020 will have very little chance of getting close to zero poverty by 2030. It is no accident that Ethiopia, with its Productive Safety Nets Programme, is among the countries seen as making progress.
- In South Asia, constitutional and legislative instruments to strengthen citizens' rights are a necessary complement to economic growth patterns that currently exclude the chronically poor. In India, for example, the Mahatma Gandhi National Rural Employment Guarantee has set in motion a new process of pro-poor growth by pushing up rural and then urban real wages.

How to get there

- If we are to get to zero poverty, the quality of policy delivery needs improvement in many contexts, so that both poverty outreach and the quality of service are maximised.
- Stronger domestic tax revenues will be needed, given that 540 million people live in multidimensional poverty in 44 countries where their government spends less than \$500 per year on each citizen.

- Aid will also continue to be extremely important in low-income countries, but few donors have displayed real interest in tackling chronic poverty.
- All of this requires an end to 'business as usual'. It means changes to policies, institutions and political bargains between elites, the middle classes and the poor, as well as changes in attitudes, and change at the international level. The report identifies political and governance factors that can help to sustain these changes, including credible commitments by political leaders and parties, strengthening of oversight systems, the coherence of policies, and boosting capacity for local problem-solving and collective action.
- The implementation of such an agenda would be helped by a new framing for a post-2015 goal to eradicate extreme poverty, with targets to tackle chronic poverty, stop impoverishment and support sustained escapes from poverty. All three are necessary if we are to have any chance of 'getting to zero'.

Clearly, a wide range of policies are needed to get to zero. How can governments and other stakeholders determine the priorities? The impoverishment index, which is the ratio of descents into poverty to escapes from poverty, offers the basis for a method that takes account of poverty dynamics. Table 1 indicates the policies that are likely to be of greatest relevance where the impoverishment index is

either high or low, in countries with low, medium or high incidence of poverty. Of course, politics will ultimately determine the priorities: such a device can only be an aid to public discussion and debate.

Box 2: New analysis in this report

This report presents new analysis of:

- the balance of impoverishment versus escapes from poverty
- the critical correlates and causes of sustained escapes from extreme poverty, and of the thresholds beyond which a fall back into poverty is unlikely
- the relative progress towards zero extreme poverty across low-income countries and middle-income countries and the policies and politics behind the successes.

It also presents a new projection of extreme poverty and critical human development outcomes to 2030, proposes a new understanding of how to get to zero extreme poverty, and suggests a new framing for a poverty eradication goal.

Notes

- i These panel surveys tracking households over time give us information that enables us to characterise the poverty dynamics of a population. The surveys are not as representative as a cross-section survey because over time some households cannot be traced (attrition) and the sample also ages compared to a random sample. However, even a cross-section survey has limitations in terms of representativeness, as the sample is usually designed to be representative with respect to certain variables, so results using other variables may be less representative. The sources of three-wave panel data for this figure are; Philippines Family Income and Expenditure Survey (FIES) 2003, 2006 and 2009. Indonesia Family Life Survey (IFLS) 1993/94, 1997/98 and 2000. Viet Nam Household Living Standards Survey (VHLSS) 2002, 2004 and 2006. South Africa National Income Dynamics Study (NIDS) 2008, 2010 and 2012. Tegemeo Agricultural Survey rural Kenya 2004, 2007 and 2010. Uganda National Panel Survey (UNPS) 2005/06, 2009/10 and 2010/11. Ethiopian Rural Household Survey (ERHS) 1999, 2004 and 2009. The FIES, VHLSS, NIDS and UNPS aim for national representativeness. ERHS is representative of households in non-pastoralist farming systems in rural Ethiopia. The Tegemeo Agricultural Survey is representative of about 85% of Kenya's rural population and the IFLS of around 83% of Indonesia's population.

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Front cover: Beneficiaries of Bolsa Família, Brazil. Photo: Ana Nascimento/MDS



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