

PART A

# **Global chronic poverty in 2004–05**



# 1 What is chronic poverty and why does it matter?

## *Njuma, the gleaner*

*Njuma is a childless widow who is almost 70 years old. She lives in a remote mountainous area of Uganda. Since her husband died, she has lived alone, largely dependent on gifts of food from relatives and neighbours. They do not wish to see her suffer from hunger but they are also poor and do not see it as their role to provide beyond her minimum nutritional needs. She gets no support from the government or NGOs. If she gets sick, she just has to wait until she is better, as she has no access to health services.*

*Despite feeling tired, often low-spirited and having no formal access to land or productive assets, she seeks opportunities to be economically active. Njuma's main work is gleaning coffee from neighbours' bushes once they have been harvested – it is very hard work to glean from poorly-maintained bushes that have already been picked, growing on steep slopes. She earns the equivalent of US\$0.02–0.03 for each hour she works.*

*Economic surveys and the census would, if they recognised her at all, class her as poor and not working. The reality is that she is employed in some of the lowest paid work in the world.*

*Source: Hulme, field notes, March 2000.*

different types of poverty and expressing the idea of a poverty that persists (Box 1.1). An effective response requires a better understanding of what it means to be chronically poor, and better analysis of the characteristics and underlying social processes that result in sustained and intractable poverty.

## **. . . and why does it matter?**

The imperative to confront and eradicate chronic poverty is a moral one. International obligations to eradicate poverty cannot be selectively applied, with chronically poor people excluded on the basis that they are too hard to reach.

Addressing chronic poverty is integral to the Millennium Development Goals and poverty eradication. Persistent impoverishment is not only a symptom of past deprivation, it is also the cause of future destitution. There is increasing evidence that growth and the prospects for long-term poverty reduction are held back by inequality and by the low returns that the poorest people get on their labour. At the most basic level, people cannot be productive unless their food intake is enough to ensure that they can work.

*The distinguishing feature of chronic poverty is extended duration. Such poverty is hard to reverse.*

Reaching the chronically poor is not simply a matter of implementing current policies more fully. Chronic poverty research suggests that millions of people will remain in poverty without policies

## **What is different about chronic poverty . . .**

This report is about people living in chronic poverty – people who remain poor for much or all of their lives, many of whom will pass on their poverty to their children, and all too often die easily preventable deaths.

People in chronic poverty are those who have benefited least from economic growth and development. They, and their children, will make up the majority of the 900 million people who will still be in poverty in 2015, even if the Millennium Development Goals are met.

Chronic poverty exists in all regions, and chronically poor people live in many different situations. If and when they have work, it is insecure, casual and at extremely low rates of pay. Many live in remote rural areas, urban slums or conflict zones, suffer from chronic ill health or impairments. Chronic poverty particularly affects children, older people and people with disabilities. People in chronic poverty face layers of social discrimination, often based on ethnicity, religion or language. Chronically poor people have little access to productive assets and low capabilities in terms of

health, education and social capital. They are the invisible poor, and occupy a blind spot when it comes to the design of development policy and the delivery of public services.

The distinguishing feature of chronic poverty is extended duration. Such poverty is hard to reverse. Differentiating poverty is not simply an issue for officials and researchers: people in poor communities in developing countries also have many ways of distinguishing

### **Box 1.1 Poverty that persists – in their own words**

|                    |   |
|--------------------|---|
| Zimbabwe:          | <i>Nhamo inokandira mazai</i> – Poverty that lays eggs. <sup>1</sup>  |
| Uganda:            | <i>Obwaavu obumu buba buzaale. Abaana babuyonka ku bazadde baabwe, ate nabo nebabugabira ku baana.</i> – Some poverty passes from one generation to another as if the offspring sucks it from the mother's breast. <sup>2</sup> |
| Lesotho:           | <i>Bo-mophela ka thata</i> – Those who live in a hard way. <sup>3</sup>   |
| Ghana:             | A beggar with two bags (someone who has to beg during the season of plenty as well as the season of hunger). <sup>4</sup>   |
| Tamil Nadu, India: | <i>Yarukku oruvalai sapadu ellayo avango thane allai.</i> – Those who do not have even a single meal in a day. <sup>5</sup>   |
| Ethiopia:          | <i>Wuha anfare.</i> – Those who cook water. <sup>6</sup>  |



Hundreds of millions of people will remain in poverty without policies that specifically address their situation.

that specifically address their situation with substantial and well targeted assistance. Understanding the manifestations, attributes and social dynamics of chronic poverty is essential in developing such effective public interventions.

## A window of opportunity to put chronic poverty on the agenda

Governments and aid agencies are currently showing an unprecedented interest in poverty. Many donor agencies have produced policy statements prioritising poverty reduction. At the national level, Poverty Reduction Strategy Papers (PRSPs) have become the principal framework within which donors and developing countries address poverty. At the international level, the Millennium Development Goals (MDGs) provide global targets against which governments and aid donors can measure progress towards the ultimate goal of poverty eradication. The MDGs represent an unparalleled commitment by governments from around the world to create an enabling environment for poverty reduction.

The resources necessary to achieve the MDGs were defined at the 2002 Financing for Development Summit in Monterrey. At that time, rich countries made commitments to increase aid, but those promises fall well short of what is needed. The proposal for an International Finance Facility (IFF) is an attempt to bridge the gap between what it is needed

and what is currently on offer from donors. The proposal is indicative of a growing awareness that the MDGs will not be met without adequate funding.

The Millennium Declaration committed 189 governments to ‘making the right to development a reality for everyone and to freeing the entire human race from want’. Under the declaration, the right to development is clearly universal. This has important implications for the way in which governments and aid agencies pursue the MDGs.

Policy makers seeking to make quick progress on specific MDGs, may perceive trade-offs between efficiency in reaching headline targets and effectiveness in achieving ultimate goals. Certainly some targets could be more easily achieved by excluding some of those who are hardest to reach.<sup>7</sup>

For example, it might be easiest to reduce maternal mortality by three-quarters by concentrating resources on cities and well-connected villages while abandoning remote rural areas, until all of the ‘easy to reach’ have services. A similar approach to country selectivity would see donors focus only on the poor who happen to live in countries perceived to have a good record on governance and conditionality, while neglecting the rights and needs of poor people elsewhere.

But such an approach would not only overlook the universal right to development, it would also jeopardise the ultimate goal of poverty eradication. If the needs of people in chronic poverty are

addressed later rather than sooner, poverty can become more intractable. Those ‘left behind’ in processes of development often have little choice but to find ways of coping that undermine their long-term well-being, and that of society as a whole. When people are so poor that they cannot afford to risk new approaches, evidence suggests this may be at the expense of aggregate growth and long term poverty reduction.<sup>8</sup>

It is clear that the right to development should not be selectively applied, targeting only those citizens who are the easiest and cheapest to assist. The target of halving absolute poverty must be pursued in a way that includes and benefits people who are chronically poor.

*The present generation of poverty reduction strategies will not dramatically reduce levels of chronic poverty within an acceptable timeframe.*

Currently, few PRSPs disaggregate poverty adequately, let alone examine poverty dynamics.<sup>9</sup> This means that even if the present generation of poverty-reduction strategies are highly effective, they will not dramatically reduce levels of chronic poverty within an acceptable timeframe.

The current focus on poverty, opens a window of opportunity to ensure that the political, social and economic consequences of chronic poverty are better understood by policy-makers. Policies that take account more effectively of the multidimensional nature of poverty, and its impact on present and future generations, are more likely to target the needs and rights of chronically poor people and create an enabling environment for *everyone*.

## Defining chronic poverty

A number of terms have been used to identify those who experience poverty most intensely – ultra poor, extreme poor, hardcore poor, destitute, poorest of the poor, and declining poor. Such distinctions are not new. For example, in 18th-century France social commentators and public officials distinguished the *pauvre* from the *indigent* and sought policies to stop the seasonally poor becoming permanently poor.<sup>10</sup>

There is broad agreement that poverty occurs when someone experiences a fundamental deprivation – a lack of some basic thing or things essential for human well-being. Intuitively, most people think they can recognise poverty - hunger, malnutrition, worn clothing, unwashed bodies, run-down housing (or no home at all), begging, lack of access to clean water, primary schooling or basic health services, and so on. This apparent consensus is, however, illusory – there is no objective way of defining poverty. The US\$1/day<sup>11</sup> criterion adopted by the MDGs has as many critics as it has supporters. The way that poverty is conceptualised is inherently about value preferences that vary between individuals, organisations and societies.

Until the 1990s, poverty was considered mainly in ‘material’ terms – as low income or low levels of material wealth. More recently, vulnerability and multi-dimensional deprivation, especially of basic capabilities such as health and education, have been emphasised as key aspects of poverty. Indeed, chronic poverty is rarely the result of a single factor. Instead, combinations of, and interactions between, material poverty, extreme capability deprivation and vulnerability often characterise the chronically poor.

While for chronically poor people the different dimensions of deprivation interact and overlap, it can be useful for policy-makers to keep them separate in order to see how each facet of poverty relates to the other, and the consequences for the shape of material poverty. Thus capability deprivation (e.g. ill-health, lack of skills) may both underlie and result from material poverty, but is not the same thing as material poverty. This can enable a more sophisticated approach to policy making – work on capability enhancement does not have to depend on income poverty reduction, for example.

### Poverty dynamics – becoming poor, staying poor, and escaping poverty

Poverty is not a static condition. The study of poverty dynamics focuses on the ways in which people’s poverty status changes, or does not change, over time. Assessments of changes in poverty over time generally recognise five main poverty categories, under three main headings, described in Figure 1.1:

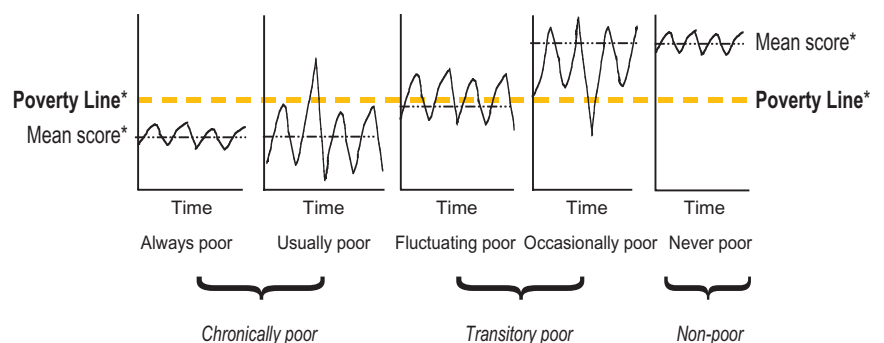


People in chronic poverty are actively working to improve their livelihoods and the prospects for their children.

- The *chronically poor* include:<sup>12</sup>
  - The *always poor*, whose poverty score in each period is below a defined poverty line
  - The *usually poor*, whose mean poverty score over all periods is less than the poverty line, but who are not poor in every period.
- The *transitory poor*, who include:
  - The *fluctuating poor*,<sup>13</sup> who are poor in some periods but not in others, and have with a mean poverty score around the poverty line;
  - the *occasionally poor*, who have experienced at least one period in poverty; although their mean poverty score is above the poverty line.
- and the *non-poor* with poverty scores in all periods above the poverty line<sup>14</sup>

While the study of chronic poverty is particularly interested in the always poor and usually poor, all of these categories can be used in a dynamic sense to describe poverty transitions. For example, a household can be broadly seen as escaping chronic poverty (an ‘escapee household’) when it moves from being usually poor to being only occasionally poor. Conversely, a household can be viewed as descending into chronic poverty (a ‘descending household’) when its status shifts from being fluctuating poor to being always poor. ‘Fluctuating poor’ represents people who are frequently but not continuously in poverty, who are certainly vulnerable, and those whose average position may be above or below the poverty line.

Figure 1.1 The chronically poor, transitory poor and non-poor – a categorisation



\*Depending on data availability, poverty could be assessed in terms of household expenditure, income, consumption, a poverty index or scale, nutritional status, or an assessment of assets.

**Box 1.2 Poverty trends and poverty dynamics in 1990s Uganda**

Uganda experienced significant reduction in poverty during the 1990s. The aggregate national poverty rate fell by about 20% over the 8 years from 1992 to 1999, with substantial poverty reduction occurring everywhere in the country, except the Northern region. However, this aggregate *poverty trend* tells us nothing about what happened to individual households. A fall of 20% in the national poverty rate does not imply that 20% of households that were permanently poor have moved out of poverty, nor that all households have become 20% richer.

In fact, the *poverty trend* masks important *poverty dynamics*: about 19% of households were poor in both 1992 and 1999 (the chronically poor), and while almost 30% of households moved out of poverty, another 10% moved in (the transitory poor). Clearly there are many households that have failed to benefit from Uganda's impressive macroeconomic development over this period.

This more nuanced understanding of poverty requires the collection of *panel data* alongside the standard *household surveys*. While household surveys collect data from a representative sample of households, these are not necessarily the same households in each survey; panel data on the other hand are longitudinal datasets that track the *same* households over time.<sup>15</sup>

Source: Lawson, McKay and Okidi, 2003.

Household poverty dynamics depend on many factors – the characteristics (and changes in characteristics) of the household itself, trends in the economy, society and physical environment, and sudden events – both shocks and windfalls.

The indicators that are used to measure or assess poverty have an important influence on the degree to which poverty appears to be chronic or transitory. Some indicators can fluctuate greatly over limited periods of time (income, expenditure, hunger) while others are much more stable (literacy, assets, height for age). Studies that focus on income poverty thus report higher levels of change than those that focus on asset status.

Poverty dynamics are not the same as poverty trends. For example, Box 1.2 describes how, in the 1990s, headcount poverty rates fell by approximately 20% in Uganda – a very positive poverty trend. But while about 30% of poor households escaped poverty, 10% of previously non-poor households became poor, and about one-fifth of all households remained poor over the decade (the chronically poor).

**Disaggregating chronic and severe poverty**

The concept of *poverty* is used to express the idea that, whatever the minimum level of consumption (or another welfare indicator), there exists 'the poor' whose consumption is below that minimum.

Concepts of *severity* and *chronicity* disaggregate 'the poor'. 'Poverty severity' refers to the shortfall below the poverty line; it is a static concept, capturing the fact that the poor are not equally poor to the same level: some people are slightly below the poverty line, while others are far below it. 'Poverty chronicity' on the other hand captures the fact that some of the poor are poor for a short period of time (the transitory poor) while others are poor for long periods (the chronically poor). Poverty chronicity is therefore a longitudinal concept, referring to persistence in poverty.<sup>16</sup>

It is commonly assumed that people who experience the most severe poverty are least likely to escape poverty, and that those who have been in poverty for a long time are most likely to be extremely poor. Indeed, a combination of severe and chronic poverty unequivocally would present the worst form of poverty. However, the relationship between poverty severity and poverty chronicity is complex and only partly understood.<sup>17</sup>

Do high levels of severe poverty occur *in the same countries* as chronic poverty? Limited evidence suggests that there are poor countries with high levels of both chronic and severe poverty (such as Ethiopia, India, Madagascar) and countries where there are relatively low levels of both (such as Chile and the Philippines). However, there are also countries with high levels of one but not the other (such as Peru and Bangladesh).

Are the severely poor and the chronically poor *the same people*? It is

intuitively plausible that it is much harder for someone who is well below a poverty line to advance far above it than for someone who is closer to it. In Uganda, there is strong evidence that this is the case: between 1992 and 1998, the severely poor found it much harder to escape poverty than the poor as a whole.

However, in Kwazulu-Natal, South Africa, the picture is different. Between 1993 and 1998, although most severely poor did improve their situation, the large majority remained below the poverty line. On average, the severely poor had about as much chance of escaping poverty as the moderately poor. This was attributed to the importance of getting a permanent job in the South African context. The contrast exists despite the reasonably high levels of economic growth in Uganda over the 1990s, and the economic stagnation in South Africa.

**Multi-dimensional deprivation and low levels of assets**

People who are chronically poor are likely to be multi-dimensionally deprived; they experience income and/or health and/or education deprivations at the same time. It is the *combination* of capability deprivation, low levels of material assets, and social or political marginality that keeps people poor over long periods. Contextual factors will determine which of these is particularly important in any particular country or situation.

*It is the combination of capability deprivation, low levels of material assets, and social or political marginality that keeps people poor over long periods.*

The international movement ATD Fourth World links chronic poverty very strongly to severe and multidimensional poverty. *La grande pauvreté* is characterised by a permanent absence of basic securities, combined with an inability to exercise rights and discharge responsibilities. This poverty makes it impossible for the poor '... to regain by themselves their rights and to assume their responsibilities. At that stage the poorest need the support of others in order to emerge from chronic poverty'.<sup>18</sup>

*Chronically poor people commonly experience several forms of disadvantage and discrimination at the same time.*

If people possess few material assets (land, housing, equipment), the capabilities they have, and the claims they can make on others or society as a whole, will be very significant in determining whether or not they remain poor. Thus, there is a strong argument for understanding chronic poverty in terms of assets, capabilities and claims rather than monetary poverty alone. This type of analysis avoids the difficulties of calculating income and expenditure, and of fluctuations in monetary poverty from year to year, which can cloud the underlying picture. It can provide a basis for developing better measures than income for targeting interventions to the chronically poor, an argument furthered below.

## Who are the chronically poor?

The chronically poor are not a homogenous group. Chronic poverty clearly affects people in many different situations. In specific contexts there are differing sets of factors associated with chronic poverty, and the causes of chronic poverty vary from region to region, household to household and person to person.

The chronically poor are not simply a list of vulnerable groups, but people who commonly experience several forms of disadvantage and discrimination at the same time (see Box 4.7 for Maymana and Moziful's story). Differing combinations of structural factors (labour and product markets, ethnicity, race, caste, gender, religion, class, disability, refugee status, geographic location), life cycle factors (widowhood, household composition, being young or elderly) and idiosyncratic factors (natural disaster, ill health, impairment, robbery) create and maintain the poverty of some while giving others the chance to avoid or escape it.

It is possible to broadly distinguish two particular groups of people enduring chronic poverty:

- Those long term poor who are not economically active because of health,

age, physical or mental disability. In Ghana these are called 'God's Poor' as 'there is no obvious remedy' for the causes of their poverty.<sup>19</sup>

- Those who are economically active but unable to escape poverty because of the terms of their employment, their lack of access to productive assets; or social barriers that mean they are discriminated against. This is sometimes termed 'adverse incorporation'.<sup>20</sup>

This distinction is useful in terms of helping us to recognise the very different people who experience chronic poverty and the different processes that are operating to keep them in poverty. However, it is important to recognise that the distinction is not as clear cut as might

appear. Many people who are reported 'not economically active' are in fact engaged in domestic labour or in activities with low economic return, such as begging and gleaning.

Commonly, people who are chronically poor are those who are engaged in casual labour, those who live in households with high dependency ratios, and those with few assets (human and social, as well as physical or financial). Access to assets is critical for exiting poverty. Work in India demonstrated that the main feature distinguishing the chronically poor from the poor in general was their limited ability to cope with shocks.<sup>21</sup> Becoming literate, having a house, increasing the area of cultivated

### Box 1.3 Poverty lines

A fundamental dimension of poverty is the inability to adequately feed oneself and one's family and to meet other basic requirements such as clothing, housing and healthcare. A poverty line represents the level of income or consumption necessary to meet these minimum requirements. While determining this minimum has an important subjective element, poverty lines are typically anchored to minimum nutritional requirements, plus a modest allowance for non-food needs. Many countries now report poverty figures relative to national poverty lines defined on such a basis. India's Planning Commission for example first computed its national poverty line in the 1950s.<sup>28</sup> With appropriate adjustments for inflation and other changes in living standard, the same line can be used to follow trends in poverty over time.

However, national poverty lines are not very suitable for cross-country comparisons, because the concept of poverty is very often different in different countries. Although many countries anchor their poverty lines in terms of the minimum amount of food needed, different nutritional norms (normally varying between 2100 and 2300 Kcals per person per day) are used. A more fundamental problem arises with regard to essential non-food needs, which are both very difficult to determine and will vary among economies. Despite several notable advances in the field in recent years<sup>29</sup> there is still no commonly used method of establishing the non-food component of the poverty line. Therefore, someone defined as poor according to a national line in one country might not be poor according to the poverty line of another. The problems of comparability are accentuated further when OECD countries are considered, as many industrialised countries base their national poverty lines on a relative norm, such as half median income.

This desire to make cross-country comparisons was a major motivation behind the introduction of the US\$1/day poverty line by the World Development Report of 1990.<sup>30</sup> 'Dollar a day' poverty lines attempt to express domestic currency values of income or consumption in a common currency. This conversion requires *purchasing power parity* (PPP) values – exchange rates where the same basket of goods costs the same dollar amount in different countries. The validity of cross-country comparisons depends on the accuracy with which these PPP exchange rates are computed, as well as the comparability and reliability of the income or consumption data. Both of these cause serious difficulties. While the currently quoted figures in the 2003 World Development Indicators enable comparisons to be made, there are serious questions about the figures in a number of instances (e.g. Nicaragua, Pakistan, Uganda).

To establish a firmer international baseline, more work is urgently needed on both the comparability of national poverty lines and on alternative, more robust methods for estimating PPP exchange rates.

land, and increased income from livestock, were all found to help people escape poverty.<sup>22</sup>

*Health shocks are often what cause already poor households to descend into chronic poverty.*

Access to land may be critical in some situations, but in others human capital, housing, and access to public goods may be more important. While rural poverty is generally much higher among landless and near-landless people, there is no uniform association of chronic poverty with land inequality. In South Asia and South Africa, the chronically poor are likely to be landless or near-landless, but in Uganda and Vietnam this is not the case.<sup>23</sup>

Human capital is key in contexts where access to financial and material assets is highly constrained. Given the dependence of chronically poor people on their own labour, health is crucial. Ill-health both drives and maintains chronic poverty (see Chapters Two and Four), and health shocks are often what cause already poor households to descend into chronic poverty.

For many, education may be the critical pathway out of poverty. Formal education is often found to be strongly associated with decreased probability of chronic poverty, as it improves the quality of labour as an asset. In some contexts, such as Pakistan and China, this is secondary schooling;<sup>24</sup> in others, literacy alone makes a difference. Data analysis shows that in each of five countries the average number of years of schooling for chronically poor adults was significantly

lower than for the overall population.<sup>25</sup>

Dependency ratios are commonly very high in chronically poor households. While many are very small (single parent or orphan-headed households, for example) and/or have too few able-bodied earners, in the countries for which data is available, chronically poor households have significantly more children than the average.<sup>26</sup> This is not surprising: many chronically poor households rely on family labour; child mortality rates are high; there are limited publicly-provided social safety nets or pensions; and there is a market for child labour. Large families are a rational choice, but one that can also undermine the possibility that households, and particularly children, can escape poverty.

### Counting the chronically poor

The common assumption is that the 'always poor' are much fewer than the 'sometimes poor'. The 2000/1 World Development Report cited studies on China, Ethiopia, Russia and Zimbabwe to illustrate this.<sup>27</sup> The Chronic Poverty Report 2004–05 presents evidence which challenges this assumption. Further research will project this estimate into the future, based on a number of different scenarios.

Estimating the global numbers of people living in chronic poverty is fraught with serious difficulties. Figures for global poverty, currently most developed for consumption poverty in terms of the US\$1/day poverty line, are already very approximate. At the same time, there is limited knowledge about poverty dynamics within countries. Even though estimates of dynamics are available for

several countries with large numbers in poverty, there are important questions about their comparability and accuracy. Given current data availability, a very approximate estimate, with limited geographic disaggregation, is the most that can be expected at this stage.

Much work on material poverty is expressed in monetary terms, measuring income, expenditure or consumption against a 'poverty line' (see Box 1.3). This especially applies to current measures of chronic poverty, and as such these monetary measures are frequently used in this report.

### Non-monetary indicators of chronic poverty

Classifying households by assets rather than the more usual expenditure reveals a bigger gap between rich and poor and gives a more stable picture over time. For example, an assets index, combining household assets and housing quality, public goods, and land, was a better predictor of school enrolment in India than current household expenditures, although inter-state differences were also large: 'On average across India a rich (top 20% of the asset index) child is 31 percentage points more likely to be enrolled than a poor child (bottom 40%). This wealth gap varies from a low of only 5 percentage points in Kerala, to 38% in Uttar Pradesh, and 43 percentage points in Bihar.'<sup>31</sup> However, the analysis of non-monetary indicators of poverty needs to proceed with caution. They do not always correspond well with monetary measures – in Vietnam for instance, the overlap between monetary chronic poverty and non-monetary chronic deprivation was found to be modest.<sup>32</sup>

Even an indicator like child stunting is only sometimes associated with monetary poverty, although stunting is expected to be strongly associated with chronic poverty (see Box 1.4). Data showing high levels of chronic poverty are generally from countries with high levels of stunting. For example, children in chronically poor households in Uganda and Vietnam are more likely to be stunted than average children, and in Vietnam and urban Uganda this is very markedly the case. There are nevertheless, still surprisingly high incidences of stunting in the overall population in both countries. Research

#### Box 1.4 Child malnutrition: is severe stunting the best proxy for chronic poverty?

Over 15% of children under five years of age – 91 million children – in the developing world are severely stunted. Stunting is defined in terms of height for age; severe stunting is measured at more than 3 standard deviations below the median international height for age. Over half the severely stunted children under five live in South Asia.<sup>34</sup>

There is considerable evidence of serious and significant long term and inter-generational effects of poor nutrition on physical and mental health, mortality and chronic poverty. Necessary action includes the promotion of greater food security, food supplementation, the promotion of later marriage and childbearing, and reducing gender bias in child feeding practices.

Source: ACC/SCN and James Commission 2000 in Harper, Marcus and Moore 2003.



on malnutrition<sup>33</sup> and poverty in general has suggested that malnutrition is spread across wealth groups, and is more related to beliefs about appropriate diet, to feeding and weaning practices, gender inequality and to maternal deprivation than it is to income. Child stunting may be a particularly good indicator of *chronic* poverty, but the evidence on this remains to be consolidated.

## How many people are chronically poor?

*Between 300 and 420 million people are chronically poor. The upper end of this range is more plausible.*

The lack of panel data, the different periods between each wave of data collection, and the different poverty lines utilised mean that, at present, only broad estimates can be made. An initial guesstimate gave a range of 389–727 million people in 32 developing countries including China and India.<sup>35</sup> New analysis detailed below estimates that between 300 and 420 million people are chronically poor. The new estimate, presented in Table 1.1, combines US\$1/day poverty figures with the available panel data. This is an approximate exercise given differences between the panel data sets and the approaches used for measurement. But panel data is available for

many of the countries with the highest levels of poverty incidence, including Bangladesh, Brazil, China, India, Indonesia, Pakistan, the Philippines, Russia and Vietnam, based on a broadly comparable nutritionally-based national poverty line.

Based on figures for these and other countries for which panel data is available, of the 1.2 billion people that are in extreme poverty in US\$1/day terms, it is estimated that the global number of the chronically poor is between just under 300 million and 420 million. In other words, around a quarter to a third of the people living on less than US\$1/day are chronically poor. The upper end of this range is more plausible, given that most countries for which the panel data are available have had positive rates of economic growth for some time, while there are a large number of countries, mainly in Africa (where panel data is much scarcer), which have not been growing.

The 12 countries with available panel data that form the basis of this calculation account for 78% of the world's US\$1/day poor. Adjustments have been made to data to enable use of a uniform definition of chronic poverty as 'still being poor after 5 years',<sup>36</sup> and to extrapolate from the parts of a country to the whole. The assumption is that mobility around the US\$1/day poverty line is the same as around the national poverty lines used in the panel data analyses. The other 22% of the world's US\$1/day poor are assumed to be chronically poor at the average rate for the 12 countries.

## Where do chronically poor people live?

The CPRC has to date largely focused on sub-Saharan Africa and South Asia. There are good reasons for this focus: sub-Saharan Africa arguably has the highest levels of chronic poverty, while South Asia almost certainly contains the majority of the world's chronically poor. This should not, however, obscure the fact that chronic absolute poverty exists in many parts of the world – including East Asia,<sup>37</sup> South-East Asia and Latin America.<sup>38</sup>

Figure 1.2 illustrates a stark similarity in conclusions drawn by three different data sets:

- CPRC data has been mapped to show both 'desperately' and 'very' deprived countries. Also included are those countries for which there is insufficient data but where other evidence suggests strongly they would be included in one or other of these categories.
- UNCTAD Least Developed Countries.<sup>39</sup>
- UNDP 'Top Priority' countries (with entrenched human poverty combined with failing or reversing progress) and 'High Priority' countries (not so desperately poor but failing or reversing progress, or extremely poor with moderate progress).<sup>40</sup>

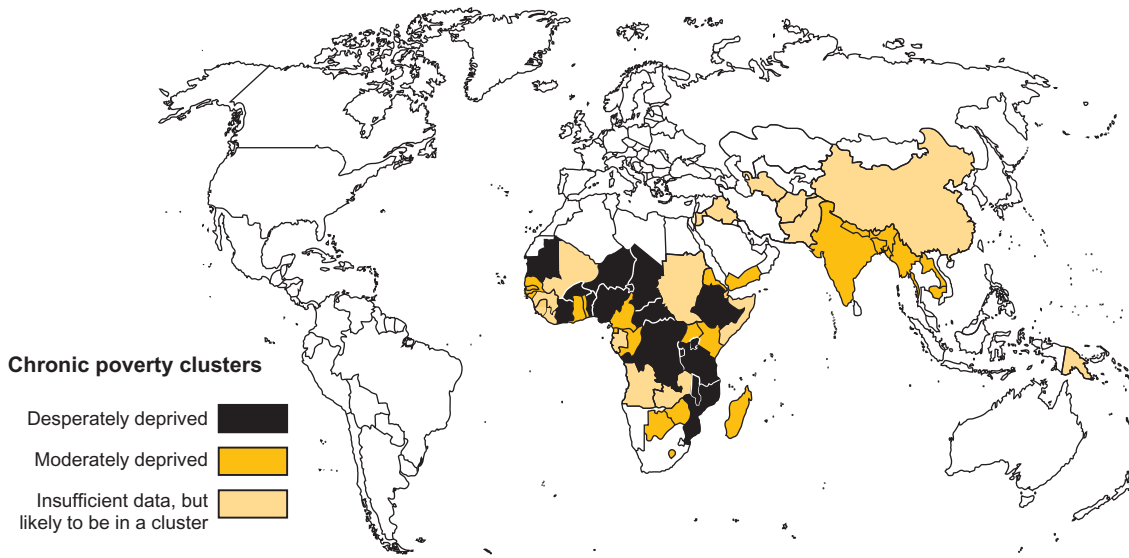
In Figure 1.3 the different shapes of chronic poverty in terms of multidimensionality and intensity among poor countries are explored. It is clear from both Figure 1.2 and 1.3 that, at the global level Africa experiences chronic poverty on a continental scale. Chapters Six to

**Table 1.1 Preliminary estimate of the world's chronically poor (millions)**

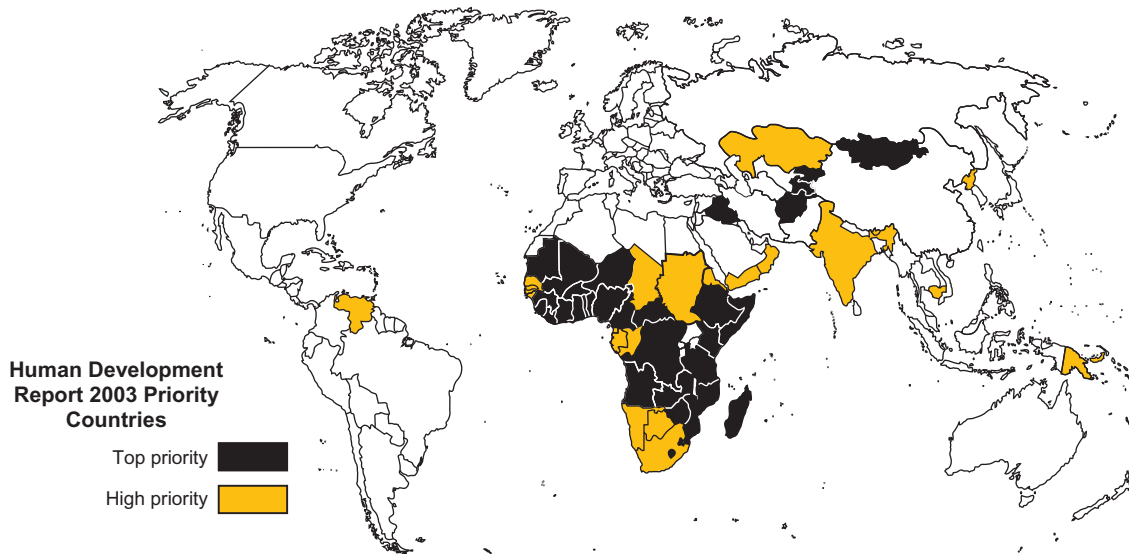
| Region                | Population | Number US\$1/day poor for countries where this is available | Estimated US\$1/day poverty for entire region | Estimated chronic poverty for entire region |               | Average percentage of poor assumed chronically poor over a five year period |               |
|-----------------------|------------|---|---|---|---------------|---|---------------|
|                       |            |   |   | Low estimate                                | High estimate | Low estimate  | High estimate |
| Sub-Saharan Africa    | 658.7      | 216.4   | 303.3   | 91.0  | 121.3         | 30.0%   | 40.0%         |
| East Asia and Pacific | 1807.8     | 277.0   | 312.8   | 53.7  | 84.9          | 17.2%   | 27.2%         |
| South Asia            | 1355.1     | 524.7   | 535.6   | 133.9                                       | 187.5         | 25.0%   | 35.0%         |
| Rest of world         | 1149.6     | 81.0  | 88.0  | 19.8  | 28.0          | 22.5%   | 31.8%         |
| All                   | 4971.2     | 1099.1  | 1239.7  | 298.3                                       | 421.7         |   |               |

For more detailed information on estimations, methods and data sources see Part C.

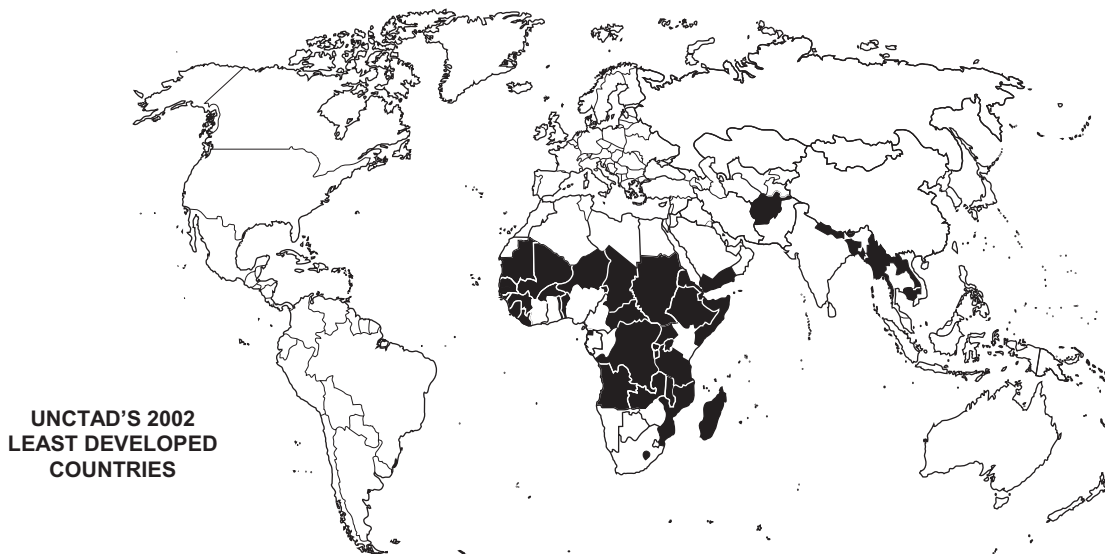
**Figure 1.2 Comparative approaches to geographical concentrations of poverty**



Source: CPRC analysis.



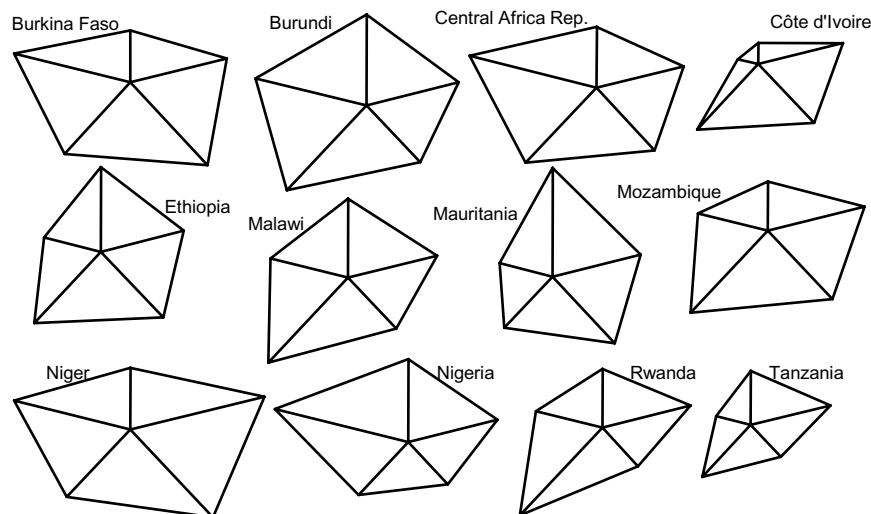
Source: UNDP 2003.



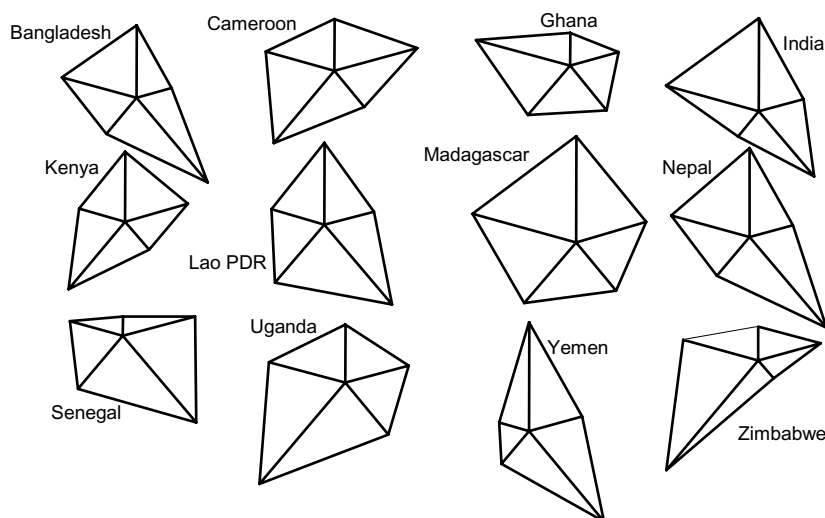
Source: UNCTAD 2002.

**Figure 1.3 The 'shape' of multi-dimensional deprivation for different countries**

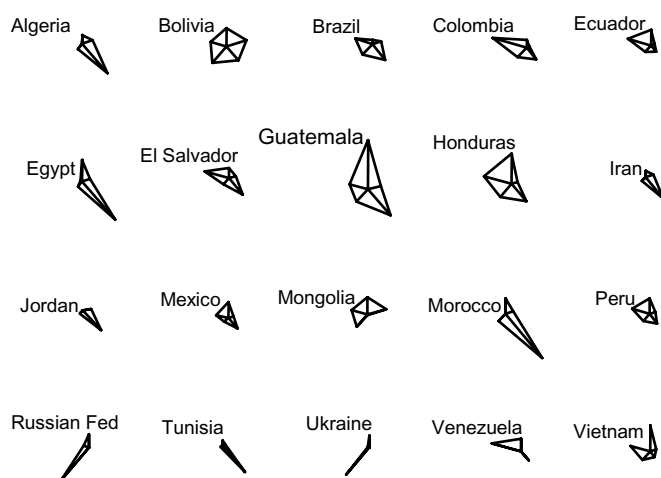
**Desperately deprived countries**



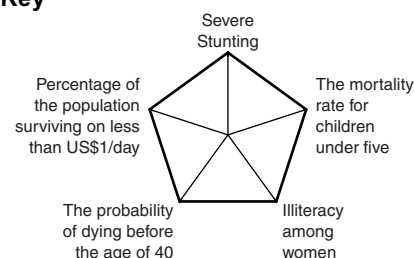
**Moderately deprived countries**



**Relatively non-deprived countries**



**Key**



It is likely that intense or multi-dimensional poverty will be hard to shed. Figure 1.3 illustrates how the intensity of poverty varies remarkably among poor countries. The more substantial star shaped countries are those where deprivation is greater than those with smaller stars or other shapes. The indicators have been selected to tell us something about likelihood of long duration poverty. Severe child stunting, female illiteracy and very low life expectancy are all deprivations which are thought likely to be associated with chronically poor people. Countries with high levels of these 'bads' are likely to have high levels of chronic poverty.

Multi-dimensionally deprived countries can be divided into two categories: if they have two or three significant rays their population is moderately multi-dimensionally deprived; if they have four or five we can speak about severe multi-dimensional deprivation. It is these countries where a substantial proportion of poverty is likely to be chronic and where chronic poverty will be hardest to reduce. They include: Bangladesh, India, Lao PDR, and Nepal in Asia (though none of these are in the worst category); Burkina Faso, Burundi, Cameroon, Central African Republic, Cote d'Ivoire, Ethiopia, Gambia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zimbabwe in sub-Saharan Africa. Outside these two regions only Guatemala, Honduras, Bolivia and Yemen might possibly fall into this category. Countries without data are likely to be desperately or very deprived.

Ten of this report examine the level and characteristics of chronic poverty in different world regions.

### Chronically poor places

Transcending national borders, chronic poverty is also concentrated in specific geographical areas, such as remote rural or poorly-connected areas, areas affected by conflict and so on, where inhabitants are affected by common vulnerabilities to natural hazards, pollution, agro-climatic shocks, instability and violence, for example.

Chronic poverty is more prevalent in rural areas than in urban,<sup>41</sup> and especially so in remote rural regions (which may include towns and cities). Mountainous areas may be particularly likely to have concentrations of chronic poverty: examples include China and Vietnam.<sup>42</sup> In India, increases in the size of a village over time, and proximity to a large urban centre connected by good infrastructure, are also factors that enable exit from chronic poverty.<sup>43</sup> Access to public goods in particular varies more by urban or rural location than

by comparing the chronically poor and the overall population. Even the chronically poor in South African and Vietnamese towns have better access to electricity than the average rural household.

### Chronic poverty matters

Between 300 million and 420 million people are chronically poor. They live in absolute poverty for extended periods, often for all of their lives. People are born poor, die poor and their poverty is transferred to their children. For them, poverty is not simply about having a low income: it is about multi-dimensional poverty – hunger, undernutrition, dirty drinking water, illiteracy, no access to health services, social isolation and exploitation. Such deprivation and suffering exists in a world that has the knowledge and resources to eradicate it.

The task of this first Chronic Poverty Report is to raise awareness about chronically poor people, summarise what is known about their lives, and outline what this means for development

policy. This is an initial assessment, as knowledge is limited and it takes time to accumulate (Box 1.5). A fuller analysis is planned in The Chronic Poverty Report 2006–07.

The first five chapters of The Chronic Poverty Report 2004–05 examine what is known about chronic poverty, its causes and the policy implications. Chapters Six to Ten review what is known about chronic poverty in different regions of the world, providing readers who have a particular geographical focus with information and sources. The last part, Measuring Global Trends on Chronic Poverty, is a statistical appendix bringing together data about chronic poverty and encouraging researchers and policy-makers to use such data more extensively.

In the next chapter (Chapter Two), the social characteristics associated with chronic poverty, especially social exclusion and adverse incorporation in the economy, are reviewed. Chapter Three looks at the spatial patterns of chronic poverty – the countries, and types of area within countries, where such deprivation is concentrated. In Chapter Four the causes of chronic poverty are examined: the *drivers* that push people into long-term poverty and the *maintainers* that keep people poor. Chapter Five examines the implications of this knowledge for policy and asks ‘What should be done?’ It highlights the need to prioritise livelihood security and allocate more attention and resources to social protection policies; the need for growth to be broad based and equitable; the need for increased focus on *how* to empower poor and chronically poor people; and, the national and international actions, especially increased aid flows, that must underpin such policy changes.

To date, when their existence is recognised, the chronically poor are perceived both in policy and the popular imagination as dependent and passive. Nothing could be further from the truth. Most people in chronic poverty are strategising and working hard to improve their livelihoods and the prospects of their children, in difficult circumstances that they have not chosen. They need real moral and political commitment, matched by actions and resources, to support their efforts to attain their rights, and overcome the obstacles that trap them in poverty.

#### Box 1.5 Researching chronic poverty

Deepening understanding of chronic poverty demands an effective combination of quantitative and qualitative methods and interdisciplinary analysis. Academics, researchers and policy analysts have written much about this in recent times: unfortunately, the levels of methodological and disciplinary integration that have been achieved remain limited. There are also usually long lags between the creation of knowledge and its application to policy. And, when poverty reduction policies are approved, their implementation is commonly weak or manipulated.

There are also a number of more specific problems. The longitudinal quantitative and qualitative datasets we need to assess the scale of chronic poverty and understand its dynamics are rare – we must strive to create such data and demand that other actors recognise its importance if they genuinely wish to move to more evidence based policy making. There are also opportunities to be more imaginative in the ways that we use existing information.<sup>44</sup> It is already clear that the processes that underpin chronic poverty are complex and dynamic – this makes analysis technically demanding and creates particular difficulties in coming up with the simple, policy relevant ‘sound bites’ that can influence contemporary decision making processes.

Particular problems exist in focusing on the chronically poor. In terms of political organisation and power these are usually the world’s ‘last’. How can one support the empowerment of those who are most likely to see empowerment as so far away, or as such a false promise, that it can only be a diversion from the pressing tasks of survival and nurturing children?

Practically, there are many ethical problems of working closely with the chronically poor – how can sensitive researchers and service delivery personnel manage social relations with people who live on the margins of survival? One cannot easily meet with people experiencing hunger or lacking basic medical care for want of one or two dollars, and then say ‘Thank you for the interview’, and walk away.

## Notes

1. Admos Chimhowu, personal communication.
2. Lwanga-Ntale 2003, from a group of disabled women.
3. PANOS Mountain Voices <http://www.mountainvoices.org/>.
4. Oduro and Aryee 2003.
5. Solomon 2003.
6. Devereux and Sharp 2003.
7. This argument is further developed in Chapter Five.
8. Ravallion 2003.
9. In Africa, the Malawian and Ghanaian PRSs make some distinctions, but there is little sustained analysis, and even more limited follow through into policy prescription ([www.odi.org.uk/prspsynthesis/synthesis1.pdf](http://www.odi.org.uk/prspsynthesis/synthesis1.pdf)). See also [www.chronicpoverty.org/cpchip.htm](http://www.chronicpoverty.org/cpchip.htm).
10. Hufton 1974.
11. "The proportion of people below \$1 a day is the percentage of the population with average consumption expenditures less than \$1.08 a day measured in 1993 prices converted using purchasing power parity (PPP) rates. The \$1.08 a day standard was chosen to be equal to the median of the lowest ten poverty lines among a set of low-income countries." (UN Statistical Office).
12. See Box 1.3 for a discussion of poverty lines. Here 'poverty scores' and 'poverty lines' refer to arbitrary amounts and levels of well-being, based on income, consumption, nutritional status, assets, human deprivation index, participatory ranking etc.
13. Also known as the 'churning poor'.
14. The concepts here were derived from Jalan and Ravallion (2000), but the terms are used with different meanings. For a discussion of how this categorization can be adapted to incorporate the severity of poverty see Figure 3 in Hulme, Moore and Shepherd (2001:13). However, the reader should note that this categorization needs further development. For example, a dramatic, short-term downturn or 'spike' in the welfare of a fluctuating or occasionally poor household.
15. Panel data are micro-longitudinal datasets that track people over time. The Ugandan panel data is drawn from two nationally representative household surveys, in 1992 and 1999, and is further supported by annual monitoring surveys (1993 to 1996), and two national participatory poverty assessments, which complement quantitative poverty work by bringing a multidimensional perspective. Both of the nationally representative surveys, the Integrated Household Survey (IHS) of 1992 and Ugandan National Household Survey (UNHS) 1999/2000 adopted two-stage stratified random sampling methodologies in the collection of a 9,886 and 10,696 household observations, respectively. Both provide a rich source of information on socio-economic, crop and community levels data and form the basis of a two-wave panel (1992 and 2000) that covers 1,398 re-interviewed households. The panels only represent small sub-samples of the national surveys, but the poverty incidence figures based on the panel households are broadly similar to the national level figures.
16. Yaqub 2003:1–2.
17. Yaqub 2003.
18. Wodon 2001:30.
19. Narayan et al. 1999: 28–29.
20. Patron-client relationships are a common example of such circumstances.
21. Gaiha 1999, 1999.
22. Bhide and Mehta 2004.
23. See Part C.
24. McCulloch and Baulch 2000; Jalan and Ravallion 1999, 2000.
25. Bangladesh, India, South Africa, Uganda and Vietnam. Chronically poor people did not generally go to secondary school (except in South Africa, a middle income country), and they were much less literate (except in Vietnam, which has high overall levels of literacy). In some countries there are also big differences in primary school attendance between chronically poor children and others (rural India, Uganda, Vietnam). See Part C.
26. McCulloch and Baulch 2000; Jalan and Ravallion 1998, 1999, 2000; Aliber 2001.
27. World Bank 2001, Chapter One.
28. Dandekar and Rath 1971, Lipton and Ravallion 1995.
29. Ravallion 1994, 1998.
30. World Bank 1990.
31. Filmer and Pritchett 1998.
32. Baulch 2003.
33. Gaiha (2003) used stunting of children <5 years of age as an indicator of malnutrition.
34. Gordon et al. 2003.
35. Hulme and Shepherd 2003:412–413.
36. It is worth noting that within the CPRC, discussions of the *time* concept focus on life-time and intergenerational periods rather than seasonality or longer time frames/histories used by other researchers. No great claim is made for the five-year period; it is simply analytically convenient, being close to that which many studies have worked. Logically, lengthening the time period would be likely to reduce the proportion of a population that is chronically poor. Comparing the first survey with a survey *x* years later discounts any movement in between these years, which may be significant. There are complex methodological issues involved, discussed in Part C.
37. See McCulloch and Calandrino 2003.
38. Helwege 1995.
39. It should be noted that both the methodology that UNCTAD 2002 use, and the validity of the idea of 'chronically poor countries' are being challenged.
40. 'Top Priority' countries are those failing on at least three goals, or half the goals for which they have data, with a minimum of three data points, or if they only have data for two goals they are top priority in both. 'High Priority' countries are top or high priority for at least three goals, are top priority for two goals, or are top or high priority for at least half the goals for which they have data, with a minimum of three data points. If they only have data for two goals they are top priority in both (HDR 2003).
41. However, it should be noted that some writers claim that urban poverty is significantly underreported (see Mitlin 2003).
42. Baulch 2003; McCulloch and Calandrino 2003.
43. Bhide and Mehta 2004.
44. For example, see Baulch et al 2002 who develop non-monetary indicators of poverty for a dataset that was designed to work on income/consumption poverty.