

# Extreme and Persistent Poverty

Andrew Shepherd

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Extreme and persistent poverty is once again a high profile issue thanks to the commitment to end extreme poverty and leave no one behind in the formulation of the Sustainable Development Goals. Given the great difficulty of the task ahead, it will remain so for some years to come. While a lot is known about how to end extreme poverty, much less is known about how to include the poorest, most disadvantaged people in positive development processes. Understanding the context-specific conditions which perpetuate poverty across generations is an important aspect of this. The key issues are around measurement, economic growth, politics and governance, the non-existence of ‘magic bullet’ solutions, the importance and difficulty of the employment and self-employment agenda, the context-specificity of policy; and the nature of poverty traps.

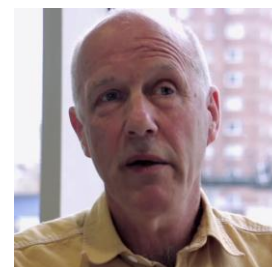
## Poverty Measurement

Klasen, S. (2013). Is it time for a new international poverty measure? In *OECD, Development Co-operation Report 2013: Ending Poverty*. Paris: OECD Publishing  
[http://www.oecd-ilibrary.org/development/development-co-operation-report-2013/is-it-time-for-a-new-international-poverty-measure\\_dcr-2013-6-en](http://www.oecd-ilibrary.org/development/development-co-operation-report-2013/is-it-time-for-a-new-international-poverty-measure_dcr-2013-6-en)

Alkire, S. (2013). How to measure the many dimensions of poverty? In *OECD, Development Co-operation Report 2013: Ending Poverty*. Paris: OECD Publishing  
[http://www.oecd-ilibrary.org/development/development-co-operation-report-2013/how-to-measure-the-many-dimensions-of-poverty\\_dcr-2013-7-en](http://www.oecd-ilibrary.org/development/development-co-operation-report-2013/how-to-measure-the-many-dimensions-of-poverty_dcr-2013-7-en)

Ravallion, M. (2015, January 2012) No-one left behind? [Web blog post] Retrieved from <http://www.voxeu.org/article/assessing-progress-poorest-new-evidence>

Based on Ravallion, M. (2014) Are the World's Poorest Being Left Behind? *NBER Working Paper No. 20791* Retrieved from <http://www.nber.org/papers/w20791.pdf>



**Andrew Shepherd** is director of the *Chronic Poverty Advisory Network*, hosted at the *Overseas Development Institute (ODI)*, where he is a Research Fellow. He was the director of the *Chronic Poverty Research Centre* between 2000 and 2011, and has also been a director of programmes at ODI, with a focus on *Rural Policy and Governance (2003-8)*. He has been the lead author of three international *Chronic Poverty Reports*, and co-authored the *IFAD 2011 Rural Poverty Report*. Andrew has published several books and journal articles on poverty reduction and rural development, and was previously a Senior Lecturer at the University of Birmingham and also worked for UNICEF in the Sudan.

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International (and national) measures of poverty are strongly debated, with much dissatisfaction around the \$1.25 measure and inadequate governance of poverty measures – this \$1.25 measure is set only by the World Bank. There is good reason for exploring a new more supported measure, as Klasen proposes. While the incidence of monetary poverty has reduced, absolute numbers have not always declined. This is particularly notable in Sub-Saharan Africa, where the poverty gap is wide, and the consumption floor – the level of living of the poorest – has barely risen in a long time.

Poverty is now widely seen as multi-dimensional. The MDGs focused on several aspects of wellbeing or deprivation, and the Human Development Index has been used internationally as a measure of country progress alongside GDP. A number of developing country governments have adopted the Multi-dimensional Poverty Index (which includes consumption/expenditure) alongside national food, extreme and higher poverty lines based only on consumption/expenditure. However, popular conceptions of poverty remains largely economic, focusing on income, consumption, food security and vulnerability, as recorded in participatory and other qualitative research. Often, tackling other deprivations can also be high priorities for poor people. Examining trends and movements of different wellbeing indicators with reference to each other so that context specific drivers of poverty and deprivation reduction can be identified is important to the policy relevant study of poverty.

### **Growth and poverty reduction**

Cornia, G.A and Stewart, F. (2014) Human development, inequality and macro-economics: an overview of progress and unresolved problems. (Series Ed.), *Towards Human Development: New Approaches to Macroeconomics and Inequality* (pp.3-21) Oxford: OUP  
[http://fdslive.oup.com/www.oup.com/academic/pdf/13/9780198706083\\_chapter1.pdf](http://fdslive.oup.com/www.oup.com/academic/pdf/13/9780198706083_chapter1.pdf)

Kees van Donge, J, Henley, D and Lewis, P. (2012) Tracking Development in South-East Asia and Sub-Saharan Africa: The Primacy of Policy. *Development Policy Review*, 30 (s1): s5-s24  
<http://onlinelibrary.wiley.com/doi/10.1111/j.1467-7679.2012.00563.x/epdf>

An influential school of thought argues that growth is virtually all that is needed to achieve poverty reduction, and that often, countries which have reduced poverty rapidly have grown accordingly. While growth is definitely a pre-condition for poverty reduction in most situations, it does not guarantee it: there are countries where GDP has grown but where poverty has barely been reduced. The quality of growth matters. Governments need to think about policies which affect it; macro-economic policies, but also labour market and policies and key sectoral policies – including agriculture, energy, financial services and education. These two readings focus on macro-economic policy and improving conditions for rural people.

### **Politics**

Booth, B. and Cammack, D. (2013). Chapter 1 and Conclusion. *Governance for Development in Africa: Solving Collective Action Problems*. London: Zed Press  
Available: <http://www.zedbooks.co.uk/node/20373>

Booth, D. et al. (2015). *Developmental Regimes in Africa, Synthesis Report*. London: Overseas Development Institute  
<http://www.institutions-africa.org/filestream/20150216-developmental-regimes-in-africa-synthesis-report>

A more sophisticated take on inclusive economic growth explores the institutions which are pre-conditions for growth. The primacy of institutions and politics is one of the reasons why poverty has reduced so dramatically in East Asia and Brazil. Structured representation of the interests of the poor in the political system has led to cross-sectoral, multi-dimensional inclusive development. What

can be done when these interests are not represented? Here inclusive development can still occur, if at a slower pace, through the development of 'hybrid' institutions, NGO activities (in the case of Bangladesh), or high performing sectors or programmes. Governance that works is an important means to a reduction of extreme poverty.

### **Magic bullets**

International Labour Organisation. (2014). Executive Summary. *World Social Protection Report 2014-15* (pp xxi – xxv). Switzerland: ILO.

<http://www.ilo.org/global/research/global-reports/world-social-security-report/2014/lang--en/index.htm>

Collins, D., Morduch, J., Rutherford, S., Ruthven, O. (2009). The Portfolios of the Poor. In *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton: Princeton University Press

<http://press.princeton.edu/chapters/s8884.pdf>

There has always been temptation to find single interventions which tackle extreme and persistent poverty. In the 1990s it was micro-credit. In the 2000s there was a realisation that more multi-dimensional efforts were needed to include the poorest. In particular the poorest required savings, and possibly insurance, rather than credit, with asset or money transfers forming part of the solution. The financial inclusion agenda has moved on partly as a result of this. More recently there is a realisation that while social protection is capable of reaching the poorest and bringing them closer to the poverty line, sustaining such progress requires other development processes and policies.

Ideally development needs to be integrated if poverty is to be reduced, but often Low Income Countries have less capacity for this than Upper Middle Income Countries. In the often unfavourable conditions in which development has to take place, achieving the most important synergies is a better way of conceptualising the need for integration. Getting social protection to work in conjunction with education and health services is an obvious example.

### **Women and the informal sector**

Chen, M.A. (2012) *The Informal Economy: Definitions, Theories and Policies*. (WIEGO Working Paper 1). Cambridge, MA: WIEGO, Harvard Kennedy School.

[http://wiego.org/sites/wiego.org/files/publications/files/Chen\\_WIEGO\\_WP1.pdf](http://wiego.org/sites/wiego.org/files/publications/files/Chen_WIEGO_WP1.pdf)

Employment is a fraught but critical aspect of poverty reduction. Many of the poorest people in developing countries are included in the economy on adverse terms, much of it in informal employment or self-employment such as agriculture, domestic work, construction, or petty vending. The informal economy is very large and has been growing in many developing countries – this is often where employment growth happens. The terms are adverse because wages or returns are very low, security and working conditions are poor, and savings or accumulation possibilities are limited. Women are especially likely to experience adverse inclusion. An important debate centres on whether maximising employment, even of this type, is enough to reduce poverty, or whether the focus should be on policy efforts to improve adverse employment conditions and the conditions of self-employment created by global and other value chains.

### **The poverty eradication agenda**

Chronis Poverty Advisory Network. *The Chronic Poverty Report 2014 – 2015: The road to zero extreme poverty*. London: Overseas Development Institute.

<http://static1.squarespace.com/static/539712a6e4b06a6c9b892bc1/t/539b1fe3e4b0d7588ce6ead8/1402675171712/Chronic+Poverty+report+-+full+report.pdf>

The third international Chronic Poverty Report was an attempt to work out the policy agenda for the eradication of extreme poverty. This goal requires achieving the following objectives: tackling persistent poverty; stopping impoverishment; and sustaining escaped from poverty. All three of these require social protection, massive investments in education, and a context-specific bundle of measures which will include the poorest in growth. In addition, they have a number of critical policy areas. For example, stopping impoverishment (which otherwise cancels out gains from poverty reduction) requires progress towards universal health coverage and in many countries better disaster risk management. Based on an analysis of country-specific poverty dynamics, each country can identify the drivers of poverty reduction and its priorities for the eradication of poverty. Of the three objectives, stopping impoverishment has not yet been adequately prioritised by many governments, and few have much understanding of why some people stay poor and transmit poverty across the generations.

### **Poverty traps based on intersecting inequalities/multiple disadvantages**

Kabeer, N. (2011). *MDGs, Social Justice and the Challenge of Intersecting Inequalities*. (Policy Brief no. 3). London: Centre for Development Policy and Research

<https://www.soas.ac.uk/cdpr/publications/pb/file66938.pdf>

Arauco et al (2014) *Strengthening social justice to address intersecting inequalities post-2015*. London: Overseas Development Institute.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9213.pdf>

Since the global financial crisis interest in inequality has grown dramatically. However, measures to address it are few and far between as the policy implications are politically very demanding. The intersecting inequalities, or multiple disadvantages, which some poor people experience are one reason why poor people stay poor. While strict quantitative attempts to identify poverty traps have only succeeded in simple economies with few critical markets (e.g. pastoral economies), or have not been found in others, the idea of a trap is attractive if policy makers can then identify actions which will 'spring' it. The study of intersecting inequalities identifies critical factors which will need to be addressed if the multiple deprivations of the poorest people are to be reduced.

### **Projections and country categories**

Shepherd, A. et al (2013). *The geography of disasters, poverty and climate extremes 2030*. London: ODI.

<http://www.odi.org/publications/7491-geography-poverty-disasters-climate-change-2030>

This publication briefly evaluates several projections of extreme poverty through to 2030. These projections are of interest because they incorporate the effect of climate extremes and disaster management capacities - key factors in impoverishment. There is a substantial geographical overlap between countries and sub-national areas with high levels of extreme poverty and the growing incidence of climate extremes in countries (and regions) with limited disaster risk management. This does not bode well for eradicating extreme poverty.

A much debated issue is whether poverty will be increasingly concentrated in low income and fragile states. While this is the case, it is remarkable how many extremely and multi-dimensionally poor people will continue to be in today's Middle Income Countries. Many of these do not have political settlements which will eradicate extreme poverty fast.