



Dynamic Poverty Processes and the Role of Livestock in Peru

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EXECUTIVE SUMMARY

A community-based qualitative-quantitative poverty methodology called the Stages-of-Progress approach was used to assess household poverty dynamics and the role of livestock in 40 communities and over 3,800 households representing two different highland regions of Peru (Puno and Cajamarca). This approach has been implemented and improved after extensive field investigations with over 25,000 households in five countries (see <http://www.pubpol.duke.edu/krishna>).

The proportion of households that have managed to escape poverty over the last 25 years was ascertained, as well as the proportion of households that have fallen into poverty during the same period. The major reasons for movements into or out of poverty were elicited at both the community and household-level, and in particular, the role that livestock play in the different pathways was examined.

Key to the approach used was to define with the participating communities a common understanding of poverty. What, for example, does an extremely poor household do when a little bit of money becomes available to the household? Which expenses are usually the first to be incurred? As a little more money flows in, what does this household do in the second stage? The third stage? And so on.

We found broad agreement across all 40 communities studied on the sequence of these stages. The results show that households typically move out of poverty by first taking care of their household food requirements, then investing (in the following order) in clothing, shelter, small animals such as chickens and guinea pigs, basic education for their children, a small plot of land, followed by indigenous breeds of larger livestock, including sheep, cattle, alpacas, and llamas. Beyond these initial stages of progress, households are no longer considered poor.

In the communities studied, households were beyond the poverty threshold drawn by community members (i.e. considered non-poor) when they were able to purchase a larger plot of land or buy improved breeds of livestock. Community members were then asked to describe each current household in the village in terms of what stage they were at 25 years ago (a full generation), 10 years ago and today. The reasons why particular households had moved into or out of poverty were then discussed at the community-level and followed up in more detail with individual households. The researchers conducting this study received considerable facilitation training towards delving in detail into the reasons, many of which are 'nested' or linked, for household movements into and out of poverty.

In utilizing the local definition of poverty - which, interestingly, was the same across all forty communities that we studied - we found that households in these communities have experienced

quite dissimilar fates. While some formerly poor households have come out of poverty, some formerly non-poor households have become impoverished during the same period. Making progress in poverty reduction will require accelerating escapes while simultaneously slowing down descents. Different policies will be needed to keep households from falling into poverty versus helping lift those already in poverty out of it.

Across all 40 communities, 19 percent of households escaped from poverty over the past 10 years, while another eight percent of households simultaneously fell into poverty. Over the entire 25-year period (1979 to 2004) this gap widens. Twenty-nine percent of households escaped poverty during the 25-year period, while at the same time, 10 percent of households became impoverished. While large movements into and out of poverty were found in both regions, significant regional differences exist. In Cajamarca, 17 percent of households managed to climb out of poverty in the last 25 years, while 15 percent fell into poverty at the same time. In Puno, 42 percent of households escaped poverty, while five percent became impoverished during the same period. Over the more recent 10-year period, a similar trend was seen in Cajamarca, with 13 percent of households escaping poverty and 11 percent becoming poor. In Puno, however there were still a relatively high proportion of households that moved out of poverty, 24 percent, with five percent moving into poverty.

Overall, households in poverty fell from 36 percent to 34 percent in the 20 Cajamarca communities and from 41 to 21 percent in the 20 Puno communities over the past 10 years.

Over the twenty-five-year period, too, households in Puno have fared better, on average, compared to households in Cajamarca. Twenty-five years ago, poverty was much higher in the 20 Puno communities – 59 percent – compared to 36 percent in the 20 Cajamarca communities. At the present time, however, average poverty is 21.5 percent in these Puno communities, and it is much higher, 34 percent, in the Cajamarca communities studied. Differential rates of escape and descent have reversed the relative positions of communities in Puno compared to communities in Cajamarca.

The factors or events (often a chain of events) leading to upward and downward movements were remarkably similar across all 40 communities, but the relative importance of specific factors influencing poverty did vary by region, suggesting targeted interventions and policy responses are needed.

Explaining Escapes

We found that escaping poverty is primarily about diversification of income sources, but that this is accomplished through different means in our two regions. In Puno, diversification of income through livestock and off-farm sources is key, while in Cajamarca, crop-related diversification strategies help us better understand why some households are able to escape poverty while others aren't.

Gains from entrepreneurial, largely informal business ventures also helps to explain escapes in both regions. This factor was associated with 27 percent of escapes in communities of Cajamarca and 22 percent of escapes in communities of Puno.

Steady employment, and the remittances often associated with it, plays a key role in poverty escapes. Families with someone holding a private sector job were 7 times more likely to have escaped poverty in Puno than those without such employment.

Improvements to roads and market-related infrastructure has clearly played an important role in improved household welfare – the odds of escaping poverty in Cajamarca were 53 times greater than for staying poor for households that had seen their market access improve.

We found that livestock plays a key role in poverty escapes in Puno, but not in Cajamarca. In Puno, households that had improved the quality of their livestock (through breed upgrading) were much more likely to have escaped poverty. Livestock-related activities, particularly dairy, has also

helped Puno households to diversify their income and improve welfare. This 'cargo net' function that dairy can play (i.e. helping households climb out of poverty) needs to be further examined.

Explaining Descents

The principal reason found to be associated with households' descent into poverty in both regions was ill health and health-related expenses. Cajamarca households were twice as likely and Puno households twelve times as likely to have fallen into poverty if they had experienced significant health problems. We also found evidence that the importance of health as a precipitator of descent has increased over the past 10 years.

Reducing descents more effectively will therefore require paying considerable attention to health-related factors. Not only does ill-health reduce the earning capacity of a household's members; in the absence of affordable and easy-to-access healthcare facilities, it also adds considerably to the household's expenditures, thereby striking a double blow, which quite often results in households' falling into chronic poverty.

Large family size, death of the principal income earner, and social and customary expenses on marriages (includes expenses related to setting up a new home) constitute an important set of factors often associated with descent in Cajamarca.

Factors associated with descent vary across regions, and they also vary over time. Health, disability and marriage expenses have increased in importance over time as propellers of descent and maintainers of poverty, and land division has assumed importance in Puno though not in Cajamarca communities.

Livestock are playing an important 'safety net' role, keeping households from falling into poverty in both regions. In Cajamarca, it is beef and dairy cattle that are playing this role, while in Puno, beef and camelids are key assets helping to mitigate poverty descents.

Determining appropriate specific interventions and policies for different regions will require local communities, civil society organizations and governments working closely together with this information.