How resilient are escapes out of poverty in Africa?

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Challenge Paper 2

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Poverty in Africa

- Reducing poverty and hunger have been a critical policy issue in all of the African countries for the past half-century.

- Globally, there have been great strides in the reduction of extreme poverty in recent years.
  - The poverty headcount ratio halved between 1990 and 2010 from 42% to 21%.
  - A decline in the absolute number of people living in extreme poverty, as measured by living below $1.25 a day purchasing power parity, from 1.9 to 1.2 billion.

- Success in the reduction of extreme poverty has been concentrated in China, East and Southeast Asia and to a certain extent South Asia.
Poverty dynamics

• Most of the earlier studies have been ‘static’ in nature
  – Analyzing poverty at point in time

• There is a lot of dynamics in household welfare
  – Households have successfully climbed out of poverty
  – Other that were once well above the poverty line have now descended into poverty

• If factors causing these dynamics were known, it might be possible to replicate these factors more broadly through poverty reduction strategies
How resilient are the escapes?

• We know little about what happens to individuals and households after they escape extreme poverty.
  – Do they continue on an upwards trajectory, improving their situation?
  – Or, do their living conditions stagnate at a level just above the extreme poverty line?
  – Alternatively, after a period out of poverty do these individuals and households return to living in their former situation?
How resilient are the escapes?

Policy implications

• These questions about poverty dynamics have policy implications both for targeting and more broadly for poverty reduction strategies.
  
  – Effective poverty reduction strategies involve both promoting the poorest people out of extreme poverty,
  
  – As well as preventing people who are currently not living in extreme poverty from falling into it.
Study objectives

• The purpose of this paper is to investigate the factors which enable households not just to escape poverty; but to escape poverty, remain out of it and ideally to continue on a trajectory of improvement.

• Panel data with three waves is increasingly available, providing an opportunity to investigate a household wealth trajectory after escaping poverty, which can help to inform the sustainability of poverty escapes.
Data sources

- Ethiopian Rural Household Survey (ERHS)
- Uganda National Panel Survey (UNPS)
- Kagera Health and Development Survey (KHDS)
- Kenya: Tegemeo Agricultural Panel data
- KwaZulu-Natal Income Dynamics Study (KIDS; South Africa)
- South Africa’s National Income Dynamics Study (NIDS)
- Viet Nam Household Living Standards Survey (VHLSS)
- Indonesia Family Life Survey (IFLS)
- Philippines Family Income and Expenditure Survey (FIES)
Measure of welfare and poverty lines

• Welfare measure
  – Per capita household expenditure data and using national poverty lines
  – Household income per capita

• National poverty lines
Figure 1: Possible poverty trajectories across three waves of panel data

N = not poor
P = poor
Table 1: Household poverty trajectories from selected recent three-wave panels

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<th>Ethiopian Rural Household Survey (ERHS)</th>
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*Based on per capita household expenditure data and using national poverty lines

* Uses income data
Figure 2: Poverty Escapes and Descents across three Survey Waves

- Escape poverty W1 to W2
- Fall into poverty W1 to W2

- Escape poverty W2 to W3
- Fall into poverty W2 to W3
Figure 3: The subsequent fortune of households that escaped poverty between wave 1 and wave 2
### Table 2: Factors significantly associated with escaping poverty or remaining out of poverty at the third transition-1

- **Demographic characteristics**
  - Share elderly (+)
  - Share of children (-)(+)
  - Education attainment (-)
  - Household head male (-)
  - Age head (+) (-)
  - Household size (-)
  - Remittances (-)

- **Assets**
  - Value of cattle (+) (-)
  - Access to farming land (-)
  - Landholding (-)
  - Value agriculture equip (-)
Table 2: Factors significantly associated with escaping poverty or remaining out of poverty at the third transition

- **Shocks**
  - Drought/ irregular rain (+)
  - Injury/ illness (+)
  - Deaths (+)

- **Community level**
  - Rainfall received (-)
  - Electricity (-)
  - Piped water (-)
  - Motorable road (-)
  - Distance to town (-)
Figure 6: Movement across the consumption quintiles between wave 1 and wave 3 by the poorest
Figure 7: Household per capita consumption relative to the poverty line

Uganda

Source: Uganda National Panel Survey

South Africa

Source: National Income Dynamics Study

Rural Ethiopia

Source: Ethiopian Rural Household Survey

Rural Kenya

Source: Tegemeo Agricultural Survey
Figure 8: The factors associated with living in poverty, escaping poverty and sustained poverty escape (PNN)

**South Africa (KIDS and NIDS)**

- Large household
- Female household head
- Head works in agriculture
- Head has little education
- Poor quality housing
- No electricity

**Small household**
- Older household head
- Head has more than 3 years of primary education
- WATSAN
- Community has all-weather road

**Head has more than 3 years of primary education**
- Cultivable land

**Live in poverty in wave 1**

**Escape poverty in wave 2**

**Escape poverty in wave 2 and remain out in wave 3**

**Rural Ethiopia and Uganda (ERHS and UNPS)**

- Large household
- Age household head
- Head works in agriculture
- Head has little education
- Poor quality housing
- Little land owned

- Head has primary or secondary education
- Head has formal education
- Land owned
- Receive remittances
- Good quality housing
- Community has all-weather road
Sustained poverty escapes and the national context

Figure 4: PNP (poor-non poor-poor): PNN (poor-non poor-non poor) ratio

PNN Normalised to 1
Sustained poverty escapes and the national context [1]
Sustained poverty escapes and the national context [II]

Average Human Development Index (HDI) Value
Policy Implications: Investigating further the factors associated with resilient poverty escape

• **Land access**
  – Ownership of cultivable land, or the right to use it, is significantly associated with sustained poverty escapes
  – Ability to cultivate land effectively (labor and farm inputs)

• **Education**
  – Education is important for poverty escapes because it is associated with working outside agriculture and also obtaining skilled work
  – Improving quality of education

• **Regional development**
  – Being in an economically dynamic region provides opportunities to escapees which are not available in less dynamic regions
  – Importance of migration
Conclusions: Sustaining poverty escapes

- It is far from inevitable that a household, after it has escaped poverty, will continue either to live out of poverty, or on a trajectory of upwards improvement.

- Analysis of three-wave panel data shows how, across a range of contexts, at least 15% of households that escaped poverty between wave 1 and wave 2 had returned to living in poverty in wave 3.

- Even if a household remains living out of poverty there is again no guarantee that their situation will continue to improve.

- A combination of policies is likely to be needed to achieve sustained escapes from poverty.

- Events that contribute to poverty escape and sustained escape are context specific - meaning a range of different policy responses are needed.