



Chronic Poverty Report 2023

Pandemic Poverty

Summary and Overview

Chronic Poverty Advisory Network

CPAN is a network of researchers, policy makers and practitioners across 15 developing countries (Afghanistan, Bangladesh, Cambodia, Ethiopia, India, Kenya, Malawi, Nepal, Niger, Nigeria, Philippines, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe) focused on tackling chronic poverty and getting to zero extreme poverty and deprivation, and by sustaining escapes from poverty and preventing impoverishment. It is looking to expand this network to the 30 countries with the largest numbers of people in poverty. It has a 'hub', which is currently hosted by the Institute of Development Studies in the United Kingdom.

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Of course, responsibility for the contents of the report rests with the authors, and the report does not represent the views of IDS, the Covid Collective, or of FCDO.

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Acronyms

ANC	African National Congress
CBT	Cash-based transfer
CMSMEs	Cottage, micro-, small and medium enterprises
CPAN	Chronic Poverty Advisory Network
DRC	Democratic Republic of the Congo
DRM	Disaster risk management
DRR	Disaster risk reduction
EPWP	Expanded Public Works Programme
GBV	Gender-based violence
GDP	Gross domestic product
HDP	Humanitarian development peace
HIC	High-income country
HNO	Humanitarian Needs Overview
KII	Key informant interview
LIC	Low-income country
LMIC	Low- and middle-income country
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MIC	Middle-income country
MILO	Monitoring Impacts on Learning Outcomes
NCDM	National Committee for Disaster Management
NGO	Non-governmental organisation
PMI	Poverty Monitoring Initiative
PSNP	Productive Safety Net Programme
SGBV	Sexual and Gender based violence

Summary

Pandemic poverty

The worst experiences in the pandemic were often felt by people in the bottom half of the income distribution, who were already living in poverty, who were near and vulnerable to poverty, or who had previously escaped poverty but lost their resilience mainly as a result of the measures taken to contain the Covid-19 virus – particularly in regard to jobs, markets, food security, and school attendance. Many of the poorest lost access to the casual labour opportunities they relied on for subsistence, while others lost access to markets or experienced significant food price inflation. Certain groups experienced additional hardship. For example: migrants faced extremely difficult journeys home, and discrimination and exclusion when they reached home; women bore a disproportionate share of the added caring responsibilities through lockdowns and experienced heightened exposure to domestic and other abuse and violence; and children in poor and rural areas often suffered significant losses of learning and many were unable to access school meals. The resulting wide-spread food insecurity and malnutrition was often not adequately compensated by food distribution or social protection measures.

Asset sales and other negative coping responses, including education losses, combined with the small to non-existent impact of mitigation or recovery measures in many situations, and the layering of the pandemic on other covariant and idiosyncratic shocks, mean that the effects of the Covid-19 pandemic will be felt for many years. It is likely that the multiple shocks induced by the pandemic itself – the deaths and illness it caused, and by the restrictions on economic and social activity widely (if variably) rolled out in response to the pandemic, and overlain by inflation, natural hazards like droughts, floods and hurricanes, and conflict and insecurity – will place a large number of people not only into temporary poverty, but into chronic poverty, from which escape will be extremely difficult and expensive for the next decade or longer.

The case for strengthened mitigation measures

Policy responses were generally dominated by the concern to protect lives while livelihoods and resilience were secondary or barely addressed. While protecting lives was clearly extremely important, the risks differed significantly for different populations and were not adequately assessed by decision-makers in different contexts. The measures taken were often not proportionate to the level of risk actually there, which was sometimes significantly lower for populations in poor countries than in richer countries because of more youthful demographic structures, and the outdoor character of economic and social life.

The lives/livelihoods trade-off is artificial, as losing lives has a massive impact on household wellbeing, and poverty resulting from livelihood losses can feed into ill health and loss of life (especially for infants and children). In relatively poor countries, with young populations who might be less severely affected by the virus, as became noticeable relatively early in the pandemic, it made sense that decision-makers should focus on livelihoods as much as lives. This report focuses on the trade-off between imposing restrictions as the leading response to a pandemic and to making social and economic progress.

To get a better balance between these objectives, mitigating measures need significant strengthening, particular for but not only in low-income countries (LIC). Experiences from countries like Cambodia or Bangladesh indicate that this balance can be achieved. Key factors are: fiscal space including borrowing capacity; political commitment to protect the welfare of the vulnerable citizens; an ability to assess and re-assess risks in the round; and the ability to implement mitigating measures. These varied significantly, as did investment in and rates of vaccination, which was capable of significantly increasing the speed with which restrictions could be lifted from 2021 onwards. More generally the pandemic revealed a big divide opening up between LICs and other countries on a number of indicators – across a range of mitigating measures.

Excess mortality during the pandemic was related to the range of mitigating measures¹ in LICs – measures introduced to mitigate the effects of restrictions; and surprisingly not to the stringency of the restrictions introduced to manage the spread of the virus in low- or middle-income countries (LMIC) more generally. A cross-country analysis suggests the need to promote non-standard approaches to and innovation in pandemic management in LMICs to take account of different socio-economic contexts and virus dynamics and effects.

Policy responses to promote recovery from pandemic-driven poverty

Long-term investment in health services must be significantly increased and is definitely needed to put countries in a better position to help recovery and withstand future pandemics. Where such investments had been made, such as in Nicaragua, governments were in a better position to manage the pandemic and make decisions which would minimise the socio-economic damage from imposing restrictions.

National decision-making in the pandemic was best when joined up across several sectors and disciplines – ‘who is in the room’ making decisions makes a difference. Where there is capacity at the local-level, many decisions in the management of and recovery from a pandemic are also best taken at local levels, as was discovered in a number of countries as the pandemic continued over time. This helped to minimise the disruptions caused by the restrictions. Local-level decision-making

has been at the forefront of good practice in humanitarian work in recent years, and such lessons needed to be applied to pandemic management too.

Social protection (especially social cash transfers) was the main global response to mitigate the effects of restrictions. However, many measures were short lived, and did not continue through the pandemic, despite the continued recourse to lockdowns and other restrictions. Where they were of a longer duration and built on previous strong social protection systems, effects could be positive and the service was appreciated.

Much stronger national systems of social protection are still required in most LICs and LMICs, which can then be adapted and expanded in crisis situations if this is to be an effective policy response.

Other economic policies could also be significant in preventing impoverishment such as household debt-management measures, or special measures for returning migrants, for example. However, in most settings these measures were absent, late, or weak. Many governments provided financial and tax reduction support to formal businesses. However, measures directly targeting the informal economies where most poor and vulnerable people work were badly needed but neglected, with the exception of some measures supporting smallholder farming and financial services.

A 'New Deal' for the informal economy is therefore needed, following the pandemic. As women are frequently working in informal employment or self-employment, this would particularly benefit them and help to compensate for the very negative effects they experienced from lockdowns, movement restrictions, and school closures.

Financial services were not as responsive as they could have been during the pandemic. Mobile money was extremely useful and could be more widely extended in future. Some financial institutions postponed repayments but continued charging interest, thus making loans more expensive. There could be significant learning from the United States of America (USA) where interest was frozen.

A review of financial services, including micro-finance, is urgently needed now, following the pandemic to redress the damage already done and to avoid future household over-indebtedness prior to any emergency. Additional regulation may also be required.

Macro-economic management matters. Where the macro-economy had been well managed there was a possibility of a balanced policy response, with additional public support to health services and social protection, without recourse to heavy borrowing. Cambodia, which recently became a Middle-Income Country (MIC) was able to make furlough payments, provide additional social protection coverage and depth, and other public expenditures because of its prudent fiscal management.

School closures lasted for a long time and were imposed early in the pandemic. This resulted in a massive loss of learning especially for children in poor and rural households. The losses are likely to lead to greater future poverty than the present poverty created by the pandemic.

There was significant variation in length of school closures. The extremely long closures widespread in parts of Latin America and South Asia are puzzling, and, in some cases, persisted long after economic re-opening. This puzzle is perhaps explained by the absence of strong lobbies for school students compared with enterprise and worker-based lobbies and protests. It may also be due to governments' concerns with their legitimacy in the eyes of the population, which may not have been enhanced by premature re-opening of schools, despite the learning losses which were occurring, and increasingly well evidenced.

Alternative education models allowed parents to choose whether to send children to school, or for local authorities to decide when schools should close or open depending on infection rates. These models could be adopted more widely in any future pandemic (depending on virus dynamics and the extent to which children are infected or are carriers) in order to minimise learning losses and learning poverty, where investment in health services was greater.

School feeding programmes can help with children's nutrition as well as motivation for attending school but were also widely lost during the pandemic. LICs need significant investment in school feeding programmes.

Multiple crises that affect people in the bottom half of income distribution need effective policy responses to the pandemic. Most notably, this includes policies for energy and food price rises during or in the wake of the pandemic, and other crises caused by drought, flooding, or conflict. Joined-up responses are easier where crisis response decisions are taken in a collaborative way.

Integrating pandemic or conflict management into disaster risk management (DRM) and the mandates of DRM agencies has advanced during recent years; much more rapid advances are also needed in the humanitarian-development-peace nexus, as well as social protection systems to reduce the negative effects of polycrises on poor and vulnerable people.

Overview

Chapter 1

Introduction: rationale and starting points

The rationale for this report is that there is an information gap for decision-makers, especially those working for people in and near poverty. For example, on how poor they are and why. This gap exists for example in terms of the extent of people's poverty and the multi-faceted reasons for it. There may be a commitment gap as well, where elite decision-makers are not highly committed to the welfare of the citizens in and near poverty who vote them into office.

Decision-making structures determine 'who is in the room' making the decisions, and this is very important in shaping outcomes. Broad or inclusive decision-making structures are more likely to lead to the lives of poor and vulnerable citizens being taken into account in a highly stressed environment where there is a lot of uncertainty and international pressure to act, as in the onset of the Covid-19 pandemic.

The report adopts a 'resilience framing'. In a crisis, this is mainly about the capacity to absorb the effects of a shock or multiple shocks (absorptive capacity), even though some people can adapt their lives to cope (adaptive capacity). During the pandemic, few were in a position to transform their situations (transformative capacity). Resilience was massively undermined especially for the poorest. Job and income losses caused by restrictions were felt most by the poorest, and their recovery was slowest in 2021 and 2022. Food insecurity was high across the bottom half of the income distribution in many countries, and highest among the poorest in most countries.

These effects were worse for women on average, and with men at home and unemployed, domestic and other violence and abuses of women increased. There were few if any counter-balancing attempts to shift social norms, in what could have been a transformative moment. Men's employment typically recovered more rapidly than women's by 2021.

Migration provides critical opportunities to escape poverty, particularly internal migration. There is evidence that international remittance losses were less severe than could have been expected overall, and bounced back despite border closures, but the poorest households suffered the greatest remittance losses from all sources of migration. Migrants were rarely the subject of mitigating measures, perhaps because they do not constitute an effective lobby, and they were likely to relocate again during or shortly after the pandemic. There is also often extremely low-quality information available to policy makers about who is migrating, where and why, especially when it comes to internal migrants.

Sales of assets increased during the pandemic, especially amongst the poorest households who could least afford to lose them. Progress lost on

resilience needs recovering and building before any future pandemic or other significant crisis. There were also other negative coping strategies with potentially long-term effects, as people resorted to degrading and humiliating livelihood strategies in some circumstances.

Having good health is critical for resilience. Structural public health investment and expenditure increases are needed especially but not only in LICs – this is a very clear policy message. However, it is not so clear how such increases in investment in health services can be achieved given the critical indebtedness of a growing number of countries. There is a substantial financing gap for achieving the Sustainable Development Goals (SDG) in many countries which will have to be filled. There are countries which have been making such investments, and to good effect in the pandemic, but this needs to be replicated extensively, repairing in some cases decades of under investment.

The effects of mitigation measures, whether in the economy, education or health, were not much in evidence in the household surveys and qualitative research reviewed here. Even where there were some mitigation measures in place these were not enough to prevent negative coping. Recovery measures were broadly non-existent for the people in and near poverty. As a result, the effects of the Covid-19 pandemic will be felt for many years.

Chapter 2

Lives versus livelihoods: the trade-off between public health restrictions and resilience

In managing a pandemic, the objective of maintaining resilient livelihoods needs to be balanced with saving lives and boosting resilience. A wide variation in decision-making structures and processes shaped this balance.

Mitigation measures need significant strengthening in future pandemics (and other crises) especially but not only in LICs. Decision-makers need a menu of mitigation measures which they can adapt to context in a future pandemic. The strength of mitigation measures that countries introduced depended on 1) fiscal space and prior macro-economic management; and 2) political economy or 'political settlements'. These can and did in a few cases evolve in a crisis.

There was huge variation in public expenditure on the pandemic. Adequate additional aid to fill financing gaps, especially in LICs, was not forthcoming as donor countries focused on their own populations, and countries' debt levels escalated. As the pandemic receded, many aid donors have also refocused aid to the Russia-Ukraine war.

Decision-makers need to be better informed about how people in and near poverty live and survive so they can make better decisions.

Few governments appreciated the pressing need for very substantial mitigation measures; Cambodia and South Africa were two exceptions among our focus countries.²

Excess mortality was not clearly related to stringency of restrictions but was related to strength of mitigations in LICs. This questions any uniform or imposed approach to managing a pandemic.

Chapter 3

A comparative lens: country case studies of mitigation measures during Covid-19

Crises are different and context is important. It is not beneficial to simply copy responses from one to the next. Lessons learned from previous epidemics were selectively adopted; the previous major global crisis – the 2008 - 2009 financial crisis generated some macro-economic lessons which were applied in the pandemic but were only partially relevant and needed to be adapted and extended.

A global crisis needs context-specific national and sub-national policy responses rather than a one size fits all response. Top-down guidance and legislation effectively drowned out a potential context-rich and divergent set of responses which could have emerged in poorer countries where socio-economic, policy and virus dynamics were significantly different. This is also the case where capacities to mitigate the effects of extreme public health restrictions were very limited and which did nevertheless emerge in some, as this report documents.

Decentralised decision-making has significant potential for well-adapted resource allocation and pandemic management (e.g. for the safe re-opening of economic activities or schools), though its application is dependent on local capacities. Community redistribution can also be powerful, and capable of filling policy gaps, especially when supported by local governments. In conflict situations where government can be absent such measures can take on a special significance.

Chapter 4

The responsiveness of social protection through the Covid-19 crisis

Social protection coverage in LMICs was low going into the pandemic. Countries with well-functioning systems were in a better position to respond to the crisis, but funding for social protection is highly inadequate in these countries and a fraction of what high-income countries (HIC) spend. Highly unequal investments in people's capacities to withstand and recover from the Covid-19 crisis through social protection will likely contribute to higher global inequalities.

There was a surge in social protection programmes in response to the Covid-19 crisis, but the majority were temporary (many lasted three months and most had concluded by the end of 2021). Benefits in most countries were too low to prevent impoverishment and destitution among vulnerable households.

Support to businesses and other indirect wage support made up a large share of social protection measures, eclipsing programmes directly supporting individuals, households, or informal workers who make up the majority of people in lower-income settings, and those who were worst affected by the pandemic.

Some countries mobilised social protection responses quickly and programme innovations were achieved – particularly in digital disbursement. Positive lessons can be drawn on how to adapt social protection measures in the event of a global pandemic or similar crisis.

The rapid expansion of existing programmes, and design of new programmes, often overlooked the needs of vulnerable groups. Many countries lack comprehensive and up-to-date registers of eligible social assistance beneficiaries and there is a dearth of information on groups structurally excluded from existing social protection schemes – there were some positive examples of effective targeting of harder-to-reach and vulnerable groups from which lessons can be drawn.

Chapter 5

Economic impact and policy responses

Macro-economic management is critical. Where the macro-economy had been well managed there was a possibility of a balanced policy response, with additional public support to health services and social protection, without recourse to heavy borrowing. Cambodia, which recently became a MIC, was able to make furlough payments, provide additional social protection coverage and depth, and other public expenditures as a result of its prudent fiscal management.

It is clear from our interviews in eight countries during the pandemic that poor and vulnerable people would have appreciated policy responses beyond the macro and beyond social protection.

Many governments provided financial and tax reduction support to formal businesses. However, measures directly targeting informal economies where most poor and vulnerable people work, as well as women, were badly needed but neglected, with the exception of some measures supporting smallholder farming and financial services. A 'New Deal' for the informal economy is therefore needed, following the pandemic.

Women are frequently in informal employment or self-employment, and their jobs and occupations were especially negatively affected by

the restrictions and recovered slowly. There were few measures aimed at ameliorating their challenging situations. Women also experienced significantly increased sexual and gender-based violence.

Financial services made, at best, modest responses to the need of many people to borrow money to survive during the pandemic. Mobile money was extremely useful and could be more widely extended. Some institutions postponed repayments but continued charging interest.

A review of financial services, including micro-finance, is urgently needed following the Covid-19 pandemic to avoid future household over-indebtedness prior to any emergency. Additional regulation may be required.

Chapter 6

Delivering pro-poor education: lessons from Covid-19

School closures during the pandemic disrupted access to education globally, resulting in rising 'learning poverty', dropouts, and various health consequences, all with intergenerational effects.

The future increase in poverty due to learning losses is likely to outweigh the current estimated increase in poverty due to loss of livelihoods, additional deaths, and illness. There are also a wide range of intergenerational consequences, aggravated by large losses in early childhood care, nutrition and education, and children falling 'off track' in their early development.

The length of school closures varied considerably across countries. While the logic of extended closures was to protect older family members, schools should be kept open or otherwise closed for as short a period of time as possible, with revised and more context-specific criteria for closures.

Delivering additional resources (e.g. financial, staff, learning materials, and more) to enable the uptake of learning modalities among vulnerable students, or developing a multimodal strategy to ensure pro-poor access, were both supply-side interventions to promote equitable learning. Given prolonged school closures, some governments made modifications to curriculums and implemented remedial education and re-enrolment campaigns. There were fewer examples of adaptations to teachers' professional development to support learning among marginalised children.

A range of conditions enabled education which benefited children in poor households during school closures, including access to electricity and connectivity, and coordination around information sharing to support marginalised children. Underpinning these interventions were

efforts to improve data infrastructure to better capture dimensions of marginalisation.

Low- and no-tech means of promoting distance learning were observed to improve access to learning for marginalised children when combined with interventions that involved the support of families and communities in learning. Communities also played a remarkable role in financially supporting the education of marginalised children. These interventions were often more effective when coupled with measures to support caregivers.

Significant mental and physical health effects (e.g. absence of school meals, child abuse) combine to create intergenerational effects. School feeding is especially important for children's physical, cognitive, and educational development especially in poor households, but seems to have been a casualty of school closures and has been less prevalent in LICs. A big focus is needed on school feeding, especially in LICs, and working out the best ways of continuing to feed children if schools close. Support for socioemotional learning is also important not least to address intergenerational effects.

Chapter 7

Equitably responding to and recovering amid polycrisis

The pandemic was only one of multiple layered or sequential crises in many contexts, though responses to these were often focused on single hazards. This may limit the effectiveness of interventions, at best, or create additional sources of risk and vulnerability that cause impoverishment.

There are three traditions of policy and practice from which insights can be drawn on how 'polycrisis' can be responded to better: the humanitarian-development-peace (HDP) nexus, disaster risk management (DRM), and social protection.

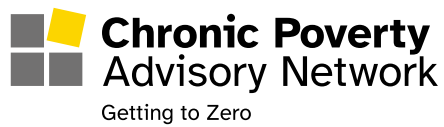
Poverty-reduction strategies from development agencies in conflict contexts sometimes explicitly or implicitly acknowledge and respond to polycrisis, by considering and responding to evolving needs. During the Covid-19 pandemic, there were examples of manging the conflict-climate nexus by identifying multiple hazards through early warnings and releasing contingency funds.

Strategies to integrate Covid-19 considerations into disaster risk reduction (DRR) were often supported through existing DRM funds. Risk assessments and trigger designs (e.g. an anticipatory action undertaken once an event occurs or a pre defined threshold is reached) were also modified during the pandemic.

Social protection was sometimes used to respond to Covid-19 and disasters. However, cash transfers need to continue for long enough and be big enough to deal with back-to-back crises in such a way that the payments help re-establish modest resilience in beneficiary households.

Where responses to multiple crises were inadequate, many households and communities relied on micro-level coping strategies. Community-level responses to working on polycrisis benefitted from localised knowledge of population risks and needs, and the ability to quickly reorient existing platforms (e.g. social movements or institutions) to respond.

Responding effectively to polycrisis requires a disciplined government amid strong multilateral partnerships, adopting a multisectoral, multidisciplinary approach to respond to both equity and risk. Digitalisation was a key modality enabling these efforts, as was the degree of flexibility of the fiscal space and funding sources. It is often a combination of these responses that increase the effectiveness of working in and on polycrisis.



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