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RESILIENCE AND SUSTAINABLE POVERTY ESCAPES IN **MALAWI**

Report

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This document was prepared by Lucia da Corta, Lucy Scott, Marta Eichsteller, and Anderson Gondwe. DISCLAIMER: This report is made possible by the support of the American People through the United States Agency for International Development (USAID.) The contents of this report are the sole responsibility of the author and do not necessarily reflect the views of USAID or the United States Government. All errors remain the author's own.

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There is a companion policy brief to this research report: Scott, L. and Chinsinga, B. (2018). Sustaining Poverty Escapes in Malawi. Washington D.C.: USAID.

Contents

EXECUTIVE SUMMARY

The focus of this report is on household poverty escapes and what explains why some households escape poverty and remain out of poverty (sustainable poverty escape), while other households escape poverty only to fall back into poverty (transitory poverty escape) and still others never escape (the chronically poor). This report combines analysis from two rounds of the Malawi Integrated Household Panel Survey (IHPS, in 2010 and 2013) with qualitative research incorporating key informant interviews, life histories, and focus group discussions in Balaka and Mchinji districts to investigate further the drivers of sustained and transitory poverty escapes. The report investigates the key factors which lead to the rise and fall and change of household resources (land, livestock, and non-farm assets), attributes (household composition, gender and education levels), and activities (including jobs and non-farm enterprises) and the relationships and strategies of households that enable them to escape poverty sustainably and minimize the likelihood of returning to living in poverty again.

Analysis of the IHPS shows that while 15 per cent of households escaped poverty between 2010 and 2013; 14 per cent moved back into poverty over the 3 years and 19 per cent remained in chronic poverty.

Key findings at the household level from the report to explain the reasons for poverty ascents and descents including changes in the household resource base, characteristics, activities, shocks and stressors:

Initial household resource base

- In the qualitative fieldwork, **sustained escaping households concentrated investments in resources associated with non-farm activities** including transport vehicles and properties alongside more limited investments in land, particularly in wetland.
- Regression results show that **households with more livestock** than the average (of six in both years) over time experienced significant improvements in welfare across urban and rural areas. In the qualitative fieldwork small livestock (goats, chickens) were not as important as cattle in terms of transforming incomes.
- Regression analysis reveals that **households that acquire electricity also experience an increase in per capita expenditures**. The improvement in electricity acquisition is even higher for households in rural compared to urban areas, possibly reflective of the comparative advantage that might accrue to households in these areas that can then be the first to offer electricity based **non**-farm enterprises.
- In the fieldwork, **transitory escapers were more likely to take high interest rate loans than sustained escapers and this contributed to their descent back into poverty**, frequently the result of confiscation of assets by financial institutions and private lenders.

Household capacities and attributes

- Regression results reveal that an increase in **household size and dependency ratio is significantly associated with reductions in monetary welfare over time**. Fieldwork supports this finding with sustained escapers tending to be nuclear households with a small number of dependents.
- The qualitative fieldwork showed how **education has been a key factor in sustaining poverty escapes** for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably. Education as a key factor for household heads in sustaining poverty escapes is not reflected in the regression results, perhaps reflecting the immediate costs of educating children in the context of low-quality education in state schools and high costs of private schools.
- The fieldwork also revealed how **the regularity of separation and divorce, and the subsequent withdrawal of spousal support (including for children's education), drive female**

breadwinners' descents back into poverty. Key reasons include matrilineal norms regarding women's responsibility for children's upbringing and male migration.

Household activities

- The fieldwork revealed that in rural areas, those **farmers who sustained poverty escapes did so through diversification within farming and off-farm** and through the avoidance of tobacco farming, or quick movement out of tobacco when prices started falling (as they have since 2015). Farmers who sustained poverty escapes also (i) invested in wet land crops (ii) had a strong understanding of new techniques and the importance of working closely with extension workers and high/appropriate input use; (iii) diversified into livestock for dairy or transport; (iv) purchased fertile land rather than farming clan land; and (v) refrained from taking loans.
- Regression results showed how **ownership of a non-farm enterprise is associated with an increase in monetary welfare**, though this is only statistically significant for male-headed households and those in rural areas, as compared to female-headed households or those in urban areas. Fieldwork provided some explanation, highlighting how men tend to dominate more lucrative non-farm businesses, while women dominated petty trading activities, using less capital, particularly in rural areas where there is less demand for their snacks etc.
- The regression results show that, overall, employment of the household head is significantly associated with improvements in monetary welfare. Specifically, **employment of the household head is significant for male-headed households and those in rural areas and not for female-headed households and those living in urban areas**. Qualitative fieldwork revealed how local carpentry work for housing construction was a strong vocational skill (other than farming) that could contribute to sustained escapes in rural areas, with this being a predominantly male occupation.

Shocks and trends

- **Price shocks were the most commonly reported shocks in the panel data**, with the qualitative fieldwork also highlighting the importance of low and unpredictable crop prices (including for tobacco, pigeon and maize).
- Both the qualitative and quantitative findings revealed that, while one shock was not associated with declining welfare, **households that experienced more shocks were significantly more likely to experience declines in welfare**.

In this context, life histories indicate that the key strategy in sustaining escapes from poverty was through diversification in livelihoods both across and within sectors, together with the ability to maneuver into new economic activities quickly when prices change.

This report is accompanied by a policy brief authored by Lucy Scott and Blessings Chinsinga.

1. INTRODUCTION

This report examines why some households are able to escape poverty and remain out of it (a sustained poverty escape) while others escape poverty only to return to living in it again (a transitory poverty escape).

Impoverishment is a problem in Malawi. Recent analysis of Malawi's fourth Integrated Household Survey 2016/17 (IHS4) reveals that the incidence of poverty using the national poverty line[1] barely changed between 2010/11 and 2016/17 (50.7% to 51.5%) and that ultra-poverty (consumption below the national food poverty line) declined from 24.5% to 20.1% over the same period (NSO and World Bank 2018). However, poverty dynamics analysis of Malawi's Integrated Household Panel Survey (IHPS) reveals a more nuanced picture and that, between 2010 and 2013, 14 per cent of non-poor households slipped into poverty while 19 per cent remained in poverty. Meanwhile, 15 per cent of households escaped poverty. Understanding the reasons for poverty escapes and descents is a key feature of this report. This includes understanding pathways of poverty escape, of why some households then fell back into poverty, what they did differently compared to sustained escapers and how wider political, economic and climatic context and relationships either supported or constrained poverty escapes. Insight into the character and pathways of sustained escapes over the recent past can further guide policy to promote the resilience of those that have escaped.

Box 1: Definitions of poverty trajectories used in the study

Impoverishment in this study refers to the process whereby a person or household that is non-poor slips into poverty. **Chronic poverty** is long-term poverty that persists over many years or even a lifetime and is often transmitted intergenerationally. **Transitory poverty escapes** refer to individuals or households that used to live in poverty, succeeded in escaping poverty, and then subsequently fell back into poverty. USAID defines **resilience** as "the ability of people, households, communities, countries and systems to mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth" (USAID, 2015). In this work, resilience is viewed as a set of capacities enabling households to escape poverty and remain out of poverty over the long term (experience a **sustained poverty escape**), even in the face of shocks and stresses. In other words, in the context of this study, the capacity to be resilient means an individual or household is ultimately able to avoid becoming impoverished or a poverty escape that is transitory.

This case study gathers insights from the following data sources:

- Analysis of two rounds of the **Malawi Integrated Household Panel Survey (IHPS) in 2010 and 2013**
- Interviews from **15 in-depth national level key informant interviews and 8 district level key informant interviews** on policies and programs to reduce poverty and sustain escapes with officials from the Government of Malawi, NGOs and other civil society actors in Lilongwe. These interviews were also extended to multilateral and bilateral development partners, including WFP, UNICEF, DFID and GIZ. The district level interviews took place in Balaka and Mchinji districts.
- Field research[2] from Balaka district and Mchinji district in March and April 2018, including:
    - A rich set of eight **focus group discussions (FGDs)** (approximately 70 people total) in four communities in two districts. These FGDs tracked respondents' understanding of poverty escapes and descents with a focus on the key drivers of escape and descent in the more recent period 2005-2018.

[1] As measured using the Cost of Basic Needs approach
[2] Note, all life history names and/or localities have been anonymized in this report.

- **Group interviews with knowledgeable people** (KP) with four groups (approximately 40 people) in each of the ten communities to identify key events and processes operating in those areas. Participants included government extension officers, teachers and chiefs.
- **Life history interviews** with **40 individuals** (equally divided between men and women) identified in the FGDs being on different poverty trajectories. This choice was embedded in rigorous participatory wealth rankings within gender disaggregated FGDs.

- **Wider literature** on policy, poverty reduction and poverty dynamics in Malawi.

Throughout this paper we use a Q² analysis to connect quantitative and qualitative data in a meaningful way to create a new understanding of sustained and transitory escapes in Malawi. We also analyze data at different levels through macro, meso, household and individual evidence to enable a more comprehensive understanding of the drivers of sustained and transitory escapes.

Section 2, which follows, introduces the macro-level context for poverty-reduction based on literature on the drivers of poverty reduction in Malawi. Section 3 relates the macro-level context to the local and community-level drivers of upwards and downwards mobility based on the fieldwork. Section 4 provides an overview of poverty dynamics in Malawi based on analysis of the IHPS. Section 5 then investigates drivers of change in household resources, capacities, activities and shocks in sustaining poverty escapes and the strategies through which escapes are sustained. Section 6 concludes and directs the reader to a companion paper with policy and program recommendations for reducing impoverishment and sustaining escapes.

2. MACRO DRIVERS OF POVERTY REDUCTION

As laid out in Vision 2020, signed in 2000, Malawi's ambition is, by 2020, to be a middle-income country with 'equal opportunities for and active participation by all' and economically empowered vulnerable groups. This Vision is implemented through a series of Malawi Growth and Development Strategies (MGDS); including MGDS II from 2011 to 2016 and the current MGDS III – 'Building a Productive, Competitive and Resilient Nation' from 2017-2022.

Since 2000 Malawi has achieved four of the eight Millennium Development Goals (MDGs) including those on reducing child mortality; combating HIV and AIDS, malaria and other diseases. As noted in the MDG end-line report, the country started the MDGs with a particularly low base compared to other countries, making achievement of these four goals more remarkable (Government of Malawi 2015). In terms of education, while Malawi didn't achieve any MDGs, it did see progress on several indicators including the rate of enrollment of primary children (increasing from 69 percent in 2000 to 88 percent in 2014) and the proportion of children attending primary school both rising steadily (ibid).

However, Malawi remains one of the poorest countries in the world and, in other measures, particularly those relating to the reduction of monetary poverty, the country has seen less success. In relation to the first MDG goal of eradicating extreme poverty, Malawi was way off-track with extreme poverty decreasing from 53.9 percent at baseline to 50.7 percent at end-line. The incidence of ultra-poverty (consumption below the food poverty line) meanwhile, actually increased between 2000 and 2015 from 23.5% to 25.7% (MDG end-line report[3]; MGDS III). Absolute numbers of people living in poverty also increased during the 15-year period, as did the depth of poverty (Record et al. 2018).

[3] Monetary poverty targets under Goal 1 of the MDGs are measured in terms of the international poverty line. Recent analysis of Malawi's fourth Integrated Household Survey 2016/17 (IHS4), using a national cost of basic needs poverty line, reveals that the incidence of moderate poverty has barely changed between 2010/11 and 2016/17 (50.7% to 51.5%) while ultra poverty, as measured using a food poverty line, has declined from 24.5% to 20.1% over the same period (NSO and World Bank 2018).

Limited progress at poverty reduction in Malawi is linked to low economic growth. Between 1995 and 2015 real per capita gross domestic product (GDP) grew at an average of around 1.5 percent per annum, while this growth has also been very volatile (Record et al. 2018). Relatively, the country experienced strong growth between 2003 and 2010 (Said and Singini 2014), while from 2011 until 2015 there has been economic stagnation (Record et al. 2018), including economic contraction in three of the seven years since 2010 (NSO and World Bank 2018). Beyond limited economic growth, commentators point to three proximate reasons for limited poverty reduction this century (Record et al. 2018):

- Low agricultural productivity – with most of the sector operating on the basis of one rain-fed crop a year. Agriculture meanwhile, is the main economic activity for the bulk of the poor; with 87 percent of Malawian households engaged in agriculture to some degree and the sector providing employment for 64 percent of the population;
- Limited opportunities for nonfarm self-employment in rural areas, and the returns on such activities are relatively low, especially for the poor. In 2016/17 just, 23 percent of rural households owned or operated at least one nonfarm enterprise (NSO and World Bank 2018)
- Limited investments in, and coverage by, safety net programs. In 2016 the social cash transfer covered 4% of the total population, school meals program 12% and public works under the Malawi Social Action Fund 17%. Meanwhile, subsidies under the Farm Input Subsidy Programme (FISP) were received by 37% of the total population (World Bank 2018).

A deeper analysis of stagnant poverty reduction points to; (i) the importance of fiscal management to ensure stability in economic growth; and (ii) the need for better allocation of fiscal resources to focus on areas that have the most impact on growth and poverty reduction (Record et al. 2018). Regarding the former, weak medium-term budget planning, budgetary indiscipline and weak expenditure control, soft budgetary constraint and slow fiscal responses to shocks have all played a significant role in macroeconomic instability; to such an extent that **fiscal (mis)management is a greater driver of economic volatility than external weather shocks** (Record et al. 2018).

Agricultural policy, through instruments such as the Farm Input Subsidy Programme (FISP – accounting for 1% of GDP – World Bank 2018), is also skewed towards supporting maize production rather than promoting much needed agricultural diversification, in general (KII, March 2018). Agricultural initiatives are also geared more towards **coping with risks**, particularly weather-related risks, **rather than with mitigating them** – (e.g., through irrigation and extension services) (Record et al. 2018). This overall focus on coping rather than prevention is reflected in broader expenditures, with expenditure on humanitarian aid comprising 6 percent of GDP in 2016; dwarfing average expenditure on safety net programs from 2011 to 2016, at 0.6 percent (World Bank 2018). The 2018 National Resilience Strategy is a welcome shift away from a focus on coping, aiming to break the country's cycle of food insecurity through resilient agricultural growth; risk reduction, flood control and early warning and response systems; human capacity, livelihoods and social protection; and catchment protection and management.

However, fiscal indiscipline means that Malawi's debt-to-GDP ratio more than doubled between 2007 and 2015 meaning the country has limited ability to borrow out of a fiscal crisis. Permanent fiscal adjustments and hard choices on public expenditure are therefore required to make the necessary investments for broad-based economic growth and poverty reduction (Record et al. 2018; Tostensen 2017).

3. MESO-LEVEL DRIVERS OF POVERTY MOBILITY

This section draws on national KIIs, FGD and group-interview evidence from two rural villages (one in Balaka and one in Mchinji district), as well as two urban settlements in the same districts. In each community one group interview was undertaken with knowledgeable people (including teachers, traditional elders, etc.) in addition to one FGD with a cross-section of female residents and one FGD with a cross-section of male residents, both included participants across a range of levels of wealth. Among other objectives, these methods constructed a community-level timeline of major events and changes in the area since independence, with a focus on the period since 2005.

Key differences between the two districts should be noted. Balaka is relatively poorer. Climate change affected rural Balaka between 2015 and 2017, evidenced by drought and floods. Households in the region typically grow cotton as a key cash crop, especially better-off farmers and those in English-owned high-tech farms. However, inherited land was very infertile and could not be farmed productively without expensive fertilizer. Balaka also saw more households moving out of farming compared to Mchinji. In contrast, households in Mchinji experienced wealth improvements when tobacco became more profitable, although some sustained escapes were seen to diversification out of tobacco into maize groundnut pulses with dairy cows or oxen for transport. Urban Mchinji also experienced considerable activity associated with cross-border trading opportunities.

Findings from the majority of FGDs and group interviews with knowledgeable people, talk of a general stagnation in wellbeing since 2014, which is beyond the period of the survey years. This more recent timespan since 2014 followed a previous period, of approximately eight years of relative improvements in wellbeing. This section discusses the main meso- drivers of upwards and downwards mobility reported in FGDs communities since 2005. Most of the factors that have driven poverty escapes during this period have also, when operating in reverse, driven descents into poverty. Table 1 provides an overview of these before they are discussed in more detail, below.

Table 1: Drivers of upwards and downwards mobility as reported by FGD participants

Drivers of upwards mobility	**Downwards**
Good market prices for agricultural outputs	Unstable and exploitative agricultural output prices
Availability of affordable farm inputs (seeds and fertilizer)	Inability to afford agricultural inputs (also linked with periods of inflation and high input prices)
Increased rainfall and provision of treadle pumps	Risks to crop production: Drought and low rainfall; floods/ heavy rains destroying crops; declining soil fertility and climate change; pests – fall army worm
Access to beneficial forms of finance – including VSLs and microfinance, particularly for women. Avoidance of adverse forms of finance – notably private lenders(loan sharks) , FINCA and Alliance One.	Inability to repay loans, asset confiscation and ultimate termination of certain livelihoods.
Electricity increasing the viability and profitability of non-farm businesses	Increasingly erratic electricity (more recently – since approximately 2010)
Engagement in politics as a means of accessing government support (more recently – since approximately 2010)	Declining school quality with UPE (in 1994) leading to increased personal costs for education, including private tuition and private schooling.

Source: FGDs in rural and urban Balaka and Mchinji

Crop markets

Unstable and exploitative prices for agricultural outputs are an important driver of downwards mobility. The opposite, high market prices for agricultural outputs, can drive upwards improvements in wellbeing. Given the dependence of rural Malawians on agriculture, price shocks in terms of the sales price of agricultural produce emerged from the FGDs as a primary driver of both upwards and downwards mobility. FGD respondents and KIIs in Lilongwe point to their understanding of a key policy-level historical driver of this - the decline of the Agricultural Development and Marketing Corporation (ADMARC) – which had, before the onset of multi-party democracy in 1994, provided farmers with ready markets and guaranteed prices for their produce.

The liberalization of produce marketing and restructuring of ADMARC means that, even though ADMARC is still mandated to stabilize prices, the market for farm produce has become dominated by vendors and traders who offer farmers exploitative prices. A major concern for FGD participants in urban Mchinji was that in instances when ADMARC has money to buy farmers' produce, the processes of purchase are not transparent, and it comes to the market late when farmers have already sold the bulk of their produce to vendors;

> *"there is a great deal of corruption when ADMARC is buying produce from farmers; it is often not the farmers that are able to sell to but rather the vendors who procure from us at very cheap prices or the ADMARC officials who use the very same money to buy produce from farmers at depressed prices and sell the maize to ADMARC making money where they did not sow… last year the government announced the maize will be bought at MK 170 per kg but ultimately the maize was being bought at MK 40 per kg and the government did nothing to come to the rescue of the poor farmer" (FGD, urban Mchinji, KP)*

As mentioned above, the limited capacity and effectiveness of ADMARC means that farmers need to market their own produce. However, across FGDs, respondents felt that the absence of reliable markets has made the lives of people who depend on farming very difficult. Participants recounted changing prices that farmers receive for tobacco, maize, beans, pigeon peas and groundnuts as driving upwards and downwards mobility over time. Specifically related to downwards mobility, qualitative findings indicated that this is partly due to changing international prices – for instance the currently low price of pigeon peas – and also because uncompetitive markets leave farmers at the mercy of a few unscrupulous traders. FGD participants in rural Mchinji pointed out that the major deficit of the current government has been the failure to facilitate the creation or development of markets where they can sell their farm produce at competitive prices. As such they emphasized that most people have become poor in their community since 2014 when the government came to power (FGD rural Mchinji, men).

In several FGDs, respondents pointed to the role of government and NGO programs in perpetuating instability in output prices. In Balaka town, key informants pointed-out that between 2005 and 2010 programs encouraged people to grow particular crops, lots of people would adopt it, but there was no expansion of the market and so prices dropped (FGD urban Balaka). The same was reported in urban Mchinji where an organization recently encouraged residents to grow paprika and tobacco, but this simply ended up "driving most of us deeper into poverty; we grew these crops for two consecutive years, but we could not get the returns they promised because of poor markets" (FGD urban Mchinji, men).

Meanwhile, when sales prices are favorable, farmers are able to improve their situation. With farmers having more money in their pockets, there is a virtuous cycle enabling rural households to improve their wellbeing through investing the profit from surpluses into more profitable non-farm enterprises. However, given the vulnerability of farmers to unreliable output markets, there is a general feeling by FGD participants across the research communities that sustained escapes through agriculture is no longer possible because of unstable and exploitative prices for selling produce (FGD KP Balaka town).

High cost of inputs

High prices for improved agricultural inputs (including seeds and fertilizer) combine with unstable and exploitative prices for agricultural products to drive descents into poverty. As with volatile output prices, FGD participants point to a key policy-level driver of the high costs of agricultural inputs - **the dismantling of farmers clubs** with the move to multi-party democracy in 1994. Older FGD participants explained how these clubs had enabled farmers to access credit facilities that supported farmers' ability to procure productivity-enhancing inputs including improved seed and fertilizer on time and in desired quantities. The club structure also facilitated access to extension. This is no longer the case though. As reported by one FGD respondent; "these structures disappeared with the transition to the multiparty democracy as every structure associated with the one-party state was discarded **even if it was functioning properly** and serving the needs of Malawians" (FGD, urban Mchinji, KP).

The demise of farmer's clubs was accompanied with the liberalization of business which effectively meant that everyone was free to do as they wanted in terms of who they bought from and sold to and the prices that were demanded. One FGD participant explained that during a difficult period from 1994-2004 "the maize fields were consistently yellow […] many of us could not afford to buy farm inputs **at higher prices** which made it almost impossible to harvest enough to eat throughout the year" (FGD, urban Mchinji, KP).

FGD participants point to the Malawi Growth and Development Strategy (MGDS I) from 2006 to 2011 as a positive development in terms of stabilizing the price of agricultural inputs – with the distribution of starter packs and subsidized fertilizer. In the research communities, through these efforts, farmers were able to produce enough, and this contributed to poverty escapes. As observed by one FGD, "food productivity was enhanced through the Farm Input Subsidy Programme (FISP) because after a very long period of time people were [finally] able to apply to their fields the right amount of fertilizer" (FGD, urban Mchinji, KP). They contrast this situation with today, pointing out that FISP is no longer the magic wand for food security that it used to be. In particular, the eligibility criteria have been changed so that people are unable to access subsidized fertilizer as cheaply as before. Also, a major challenge facing rural people today is the high cost of productivity enhancing inputs including fertilizer and seeds. For the urban FGDs there were reports that the majority of residents were not beneficiaries of FISP because urban dwellers are regarded as better-off than their rural counterparts.

Declining soil fertility

Related to the high cost of improved inputs is the fact that these inputs are becoming more necessary to gain sufficient yields due to declining soil fertility. FGD participants point out that between 2004 and 2011 agriculture thrived because the soil fertility levels were very high, but since then, "this is no longer the case; soil fertility levels have substantially declined because the pieces of land have been overused". They argued that previously they were able to harvest bumper yields without using fertilizer. Again, "this can no longer happen today: without using fertilizer just know that you are condemned to hunger until you are able to use fertilizer because without fertilizer you cannot produce anything tangible" (FGD, urban Mchinji, KP). **More recently, FGD participants report that climate change has negatively affected yields, as has the fall army worm, both reducing farmers ability to escape poverty.**

Access to finance

The impacts of volatile prices for agricultural outputs are compounded by the need to take loans to buy inputs, so driving descents into poverty. At the same time, access to favorable finance is also viewed as a driver of improvements in wellbeing. For instance, female FGD participants rural Mchinji explain how loans have made people fall into poverty – after taking-out loans to fund agricultural production, farmers ended up selling their crops at low prices. However, they still were expected to repay the loan and sold their harvest and property to make the repayment. In some instances, the price that farmers received for their products was less than the value of the loans that they had taken – leading to confiscation of property. Describing the current situation, one FGD participant noted:

"we are struggling. It is like we are in hospital and there is no healing. In 2016 and 2017, people invested a lot in farming, but profit was very low. I invested 100,000 in farming but after selling my crops, I got between 30,000 and 40,000. People who got loans and invested in farming, they felt the heat because they had to sell all their produce to repay the loan" (FGD, rural Mchinji, KP)

Low market prices and production shocks that reduce the profitability of farming, combine with high interest rates offered by some Micro-Finance Institutions (MFIs) to drive farmers into poverty. Repayment schedules are not flexible and don't incorporate the risks of rainfed farming. In urban Balaka, FGD respondents explained how people in the area are accessing loans from MFIs such as FINCA and loan sharks, which they are using to start small scale businesses. However, they reported that these loans are pushing people further into poverty as they have large interest rates (60% and 100% per month), leading to an inability to repay and subsequent asset confiscation:

"The loans are a source of misery here. People who have tried to borrow from FINCA and these other loan sharks are ending up going back to poverty because the interest rates are huge, and they cannot make profitable business out of it and end up with their property - like household items, even Iron sheets - being grabbed in the loan recovery process." (MFGD, Balaka Urban)

However, although many FGDs cited finance as a driver of poverty descents, access to favorable finance was cited in several FGDs as a reason for escapes from poverty, particularly for women (FGD, rural Balaka, KP; FGD, urban Mchinji, KP). This was particularly the case through involvement in VSLs:

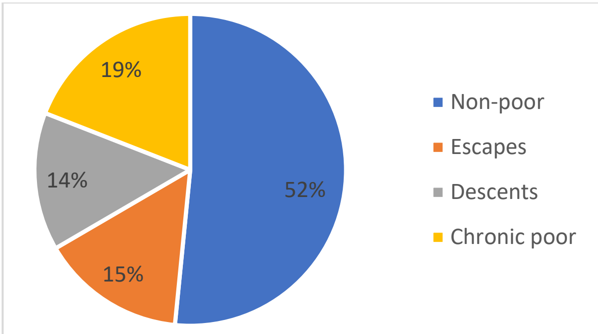
"One thing that has assisted in transforming the lives of women in this area is the coming in of the VSLs. These are providing small capital to start small scale business such as selling cooked food, vegetables, and groceries and others are brewing local beer and this is giving them income that is changing their lives. There are different types of VSLs, some are really for the poor people who cannot manage to save more. They can save like K50 in a week." (FGD participant, rural Balaka)

Limitations of electricity supply pose a constraint to non-farm business profitability leaving people at the mercy of agriculture. Limitations of electricity supply is given more recently (since approximately 2010) as a reason for at least stagnation of well-being and contributing to slow declines. This is particularly in a context where it has become almost impossible to run some businesses that require electricity to be available to clients all the time (FGD, urban Mchinji, KP). As explained by the DPD in Mchinji, the erratic electricity supply is affecting those involved in agro-processing including milk bulking groups that are incurring enormous losses. In turn, they are more likely to have to default on the loans taken to improve the businesses.

4. OVERVIEW OF POVERTY DYNAMICS

In this section, we examine poverty dynamics according to analysis of the Malawi IHPS. This paper uses the national poverty line (Kw 85, 852 per annum - the same constant real poverty lines from IHS2 and IHS3 but updated to adjust for changing living costs; National Statistical Office, 2005, 2012 and 2014). Analyzing poverty dynamics, it can be observed during the period of 2010-2013 that while 15% of households escaped poverty for 3 years, 14% descended into poverty over the 3 years and 19% remained in chronic poverty.

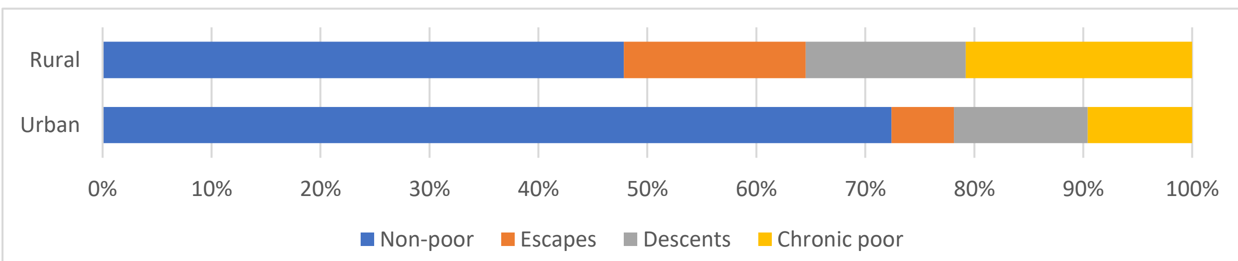
Figure 1: Poverty trajectories in Malawi, 2010-2013



Source: Analysis of Malawi IHPS (N=1,720 households)

Analysis of the IHPS data also shows that central and southern regions see more escapes out of poverty between 2010-2013 than the northern region. The central and southern regions also experienced less chronic poverty. However, more substantial differences are between the rural and urban areas. Figure 2 shows that urban areas saw more households staying out of poverty (remaining non-poor) and much less chronic poverty than rural areas. Escapes from poverty are more visible in rural compared to urban areas between 2010 and 2013.

Figure 2: Poverty trajectories in rural and urban areas (2010-2013)



Source: Analysis of Malawi IHPS (N=1,720 households)

5. HOUSEHOLD-LEVEL ANALYSIS OF DRIVERS OF SUSTAINED AND TRANSITORY ESCAPES

In this section we analyze household level drivers of sustained and transitory escapes. Drivers are grouped into those relating to:

(I) **Resources** including land, livestock, other assets, electricity and savings/capital.
(II) **Capacities and attributes** including household structure, gender, education and skills.
(III) **Livelihoods or 'activities'** which households engage in including farming, non-farm enterprises, entrepreneurial/business activities, remittances and salaried and vocational employment.
(IV) **Shocks** including price, climate and health shocks and how households cope in the face of these.
(V) **Strategies** including diversification.

This section draws on mixed methods research, comprising:

- Analysis of 1,720 households across two waves of the Malawi IHPS for 2010 and 2013 (see Box 2 for the quantitative approach employed in this paper, and the Annex A for regression results);
- 40 life history interviews in two districts: Balaka and Mchinji. The attribution analysis is focused specifically on the sample of 40 life histories from these two districts (see Annex C, D and E). The 40 life histories include 10 chronically poor, 13 transitory escapers, 13 sustained escapers and 4 never

poor[4]. There are 20 from Balaka district and 20 from Mchinji, and there are 21 females interviewed and 19 males.

It is worth noting here that the quantitative approach to the analysis relies on two-wave data, to assess determinants of mobility amongst households that have escaped or descended into poverty between 2011 and 2013, regardless of pre-survey poverty status. The life histories go beyond the survey period to explore whether an escape from poverty is sustained or transitory, and more broadly what are the factors associated with the descent. In other words, an escape in the quantitative data could turn into either a sustained or transitory escape later down the line in the qualitative data. The factors associated with downward mobility in the quantitative data is also in turn indicative of why households may fall into poverty either for the first time or through a transitory escape.

Box 2: Approach to quantitative analysis

This study employs fixed effects regressions to investigate determinants of poverty mobility amongst households that have escaped from poverty or descended into poverty. Fixed effects regressions allow us to explore changes over time within households (rather than between households) and how this impacts monetary welfare through per capita expenditures during survey years. In the equation:

$$\boldsymbol{Log(Welfare_{i,t}) = \beta_0 + \beta_1 Head_{i,t} + \beta_2 Region_{i,t} + \beta_3 H_{i,t}}$$

for $v_i = (1,\ Head_i,\ Region_i, H_i)$
where $Welfare_i$ is the per capita expenditure of the household i,
$Head$ is a vector of variables defining the characteristics of the household head,
$Region$ is a set of dummy variables on household region, and if it is urban or rural, and
H is a vector of household specific controls.

In the analysis, we describe results across urban and rural samples unless stated otherwise, and only comment on results that are statistically significant at conventional levels ($p<0.05$; where $0.05<p<0.10$ this is explicitly highlighted as marginally significant). We also include a 5% band above and below the poverty line in which we exclude households from the analysis to minimize measurement errors. See Annex for regressors and regression results. The Annex presents the results of these regressions on the entire sample of households escaping or descending into poverty, and on subsamples disaggregated by area of residence and gender of the household head. Please refer to the Basic Information Document for the Integrated Household Surveys in Malawi for a discussion of understand sampling strategy and construction of poverty lines.

Note: the presence of two-wave panel data renders a fixed effects model a better fit for our analysis, compared to an analysis of transitory and sustained poverty escapes as conducted in companion case studies (i.e. Scott et al., 2016), which rely on multinomial regressions to compare the longer poverty trajectories (PNP and PNN) between households.

This report aims to understand the drivers of mobility in welfare amongst households that have escaped or fallen into poverty, with a focus on what explains why some households are able to sustain poverty escape, while other households escape poverty only to fall back into poverty. The next section analyses

[4] 2 of the 13 sampled transitory escapers were found to have fallen steeply, but not fall back into poverty, so they were re-categorised during the analysis as sustained escapers. Moreover, 4 of the sampled sustained escapers were not poor in 2005 – they either escaped earlier than 2005 or were never poor. This group are labelled SE (NP) when referred to in the life histories.

drivers of upward and downward mobility based on life history interviews, as well as on panel regressions carried out on the subset of households that have escaped or fallen into poverty between survey years.

INITIAL HOUSEHOLD RESOURCE BASE

- **In the qualitative fieldwork, sustained escaping households concentrated investments in resources associated with non-farm activities including transport vehicles and properties alongside more limited investments in land, particularly in wetland.**
- **Regression results show that households owning more livestock than the average over time experienced significant improvements in welfare across urban and rural areas. In the fieldwork small livestock (goats, chickens) were not as important as cattle in transforming incomes.**
- **Regression analysis reveals that households that acquire electricity experienced an increase in per capita expenditures. The improvement in electricity acquisition is higher for households in rural areas, possibly reflective of the comparative advantage that might accrue to households in these areas that can consequently develop non-farm enterprises.**
- **In the fieldwork, transitory escapers were more likely to take high interest rate loans than sustained escapers and this contributed to their descent back into poverty, frequently the result of confiscation of assets by financial institutions and private lenders.**

Transport and properties to rent-out

Sustained escapers frequently reported investing in productive assets across the board. A common investment was in transport vehicles (bikes, motorbikes and cars) and associated selling of spare parts. **Investment in transport vehicles was either to rent-out or to diversify or add value to their retail or wholesale business by self-transporting products for sale**. These types of investments by households in urban areas are illustrated below:

> *Ali rented out his fleet of bicycles, and also used them as bicycle taxis. After some success, he then noticed the high demand for spare parts for bikes and moved into the sale of spare parts for bicycles (SE, Ali Mbwana, Mchinji urban).*

> *Duncan is a 45-year-old hardware store owner who added value to his hardware business by purchasing a Mazda bongo minibus to transport purchased wholesale items to his shop in Balaka town. Because of this investment, his business expanded, he explained that the vehicle more than doubled the size of the shop. This also reduced business costs deriving from paying other people to transport the stock. (SE Duncan Aman, Balaka urban).*

Sustained escapers also invested much more than transitory escapers in housing and business rentals. Plots of land were purchased with the objective of building rental properties, particularly in urban areas, accompanying the increase in immigration to the fieldwork communities for employment (e.g. teachers and NGO officials). Owning rental property was also a means of insurance in the event of hardship or as a store of capital to meet rising educational costs, as explained below:

> *"in my whole life I believed that good investment is in assets and not necessarily keeping the money in a bank or in a pot under the bed but investing in assets. That is why every time I had some money I was buying a plot and construct a house so that in the future I can use the houses to cushion me in case of shocks and although I am uneducated but am sure am intelligent because these houses really became my pillar and saved from huge trouble later" (TE Kindney M. Mchinji urban)*

Insurance against potential bankruptcy was a particularly important motivation for investments in rental properties in the context of rising vulnerability of retail and falling incomes of farmers since 2013, as illustrated by Duncan:

> *"In 2013 the price of crops was good – maize cotton pigeon and cowpeas – with the high income they were buying house and hardware materials. This was the year I purchased the minivan. However, between 2014-2018, the demand for my hardware products were down. People have not been buying as much from my hardware store because farmer incomes fell over this period. We (hardware store owners) are entirely dependent on small farmers. When the government or other institutions construct buildings and bridges – they don't buy from us (small hardware owners)." So, between 2014- 2018 Duncan used his savings to purchase six plots of land to build houses for rent. He would purchase some every few years. Why? Because if my business goes bankrupt, I can get an income from these houses. This is insurance." (SE Duncan Aman, Balaka urban).*

It is notable that investment in rural housing for rent was less reliable than in urban areas as there were not always people ready for rental, as experienced by Gertrude:

> *After her illness, Gertrude depended on farming, her 2 small rented houses that give her 20,000 every month. Sometimes she also rents out the part of the house that was used as grocery at a cost at a price of 40,000 or 50,000 every month. But (in this rural area) it is not automatic that every year the room is rented out. (TE Gertrude Mtemuze, Mchinji rural)*

Land

The regression analysis revealed that, for both households in urban areas and female-headed households, **an increase in the amount of land owned is significantly associated with a decrease in per capita expenditures.** The regression findings may partly reflect the overall vulnerability of those households whose primary occupation is crop farming to shocks – including recent falls in crop prices and climate shocks. It could also reflect the fact that people investing in land are willing to forego some current expenditure to accumulate an asset. Additionally, in urban zones, the price of land is highest for areas closest to the market, meaning that wealthier households engaged in urban trade and manufacturing often have smaller central plots while poorer households are on the outskirts of town with larger plots. The finding on land ownership associated with lower per capita expenditures for female-headed households may reflect an intrinsic labor constraint.

In contrast, in the fieldwork, some sustained escapers combined investments in non-farm enterprises with (a) a plot of land for building a rental property and (b) purchase of a small amount of fertile land, often wet land – dimba - and along rivers. Farmers who sustained escapes in rural areas often used purchased land rather than farming clan land and had access to wet land (even if to grow maize). In urban areas, investment in newly purchased wet land or rented in land for cultivation was part of a complex portfolio of non-farm enterprises designed for diversification and to enhance crop trade, particularly maize (see activities section).

Livestock

Regression results reveal that households that owned more than the average number of livestock over time (six in both survey years) experienced a statistically significant improvement in welfare across urban and rural areas. This is also the case for livestock defined as a scalar, where an increase in the number of livestock by one unit over time is also associated with an increase in the per capita expenditures of the household.

The fieldwork districts did not have large scale livestock production. Small livestock were important support to escapes, including through acting as a form of insurance to be sold in the case of shocks, but were not transformative in terms of ensuring that escape would be sustained. However, the fieldwork did reveal that cattle ownership could be transformative, enabling households to repay loans and providing additional income through sales of milk and as a source of transport. The experiences of Gladys, Thokozani and Nicholas each illustrate this:

> *Gladys, a farmer in Mchinji, received a dairy cow from HEIFER International (NGO) as a pass-on program. This has been the base for extra income as she has been producing and selling milk daily. One cow grew to 3 which came in handy when she had to sell one to meet loan repayments after the Admarc drop in prices, she was in a position to sell one dairy cattle at MK450000 without falling into poverty. (SE, Gladys Nkusa Mchinji rural)*

> *Thokozani Nyambosi is a farmer who used his proceeds from tobacco to buy two cattle and an ox-cart. This proved to be very useful because the ox-cart became the principal means of livelihood generating an average MK 40,000 per week. (SE, Thokozani Nyambosi, Mchinji rural)*

> *Nicholas Nkhoma focused heavily on his tobacco farm. However, he maintained some cattle and oxcart purchased from Zambia. He twice sold his cattle in order to stay stable after a period of poor tobacco prices and loan repayment. He also sold cattle to buy fertilizer to restart when last year's prices were poor. He said those without livestock tended to fall into poverty during periods of poor tobacco prices. He also has a bull (dairy breed) which people rent in at K4000.00, to mate with their cows. (SE (mislabeled TE) Nicholas Nkhoma Mchinji rural).*

Electricity

Regression analysis reveals that households that acquire electricity experience an increase in per capita expenditures. The improvement in electricity acquisition is higher for households in rural areas, possibly reflective of the comparative advantage that might accrue to households in these areas that can consequently rely on non-farm enterprises.

However, the fieldwork did not find high use of electricity, perhaps because of the relative poverty of the areas chosen. Electricity for recent sustained escapers was acquired more frequently to improve their family homes (for lighting and to run electrical appliances) once a certain level of wealth was achieved – suggesting a measure of reverse causality where rising wealth is associated with electricity acquisition.

The fieldwork did however highlight the importance of electricity for profitable non-farm businesses run by households that have sustained their poverty escape over the last five years. For example, Laison was extremely poor during his childhood recalling periods of extreme hunger. He worked hard as a bricklayer and used the savings to buy a grocery shop and to invest in his farm (cotton, pigeon pea, maize, cassava). He said that in 1996, he applied for electricity and was successful. This stimulated him to open a barbershop in 1996. He recalls:

> *"I was the first person around this village to have electricity and a barbershop. I sent a friend who was going to South Africa to buy me the shaving machine and a lot of people in this village came to have their hair cut here. I used the money made from the grocery and of course the barbershop to buy the battery charging machine and I have been operating all these together with the grocery up to date." (NP SE, Laison Kachisi, Balaka urban)*

The business has been good over the years and it has been cushioning him in cases of disaster when he could harvest less from his fields. He retained all these businesses through to 2018 and his farm together with cross-border trade in food from Mozambique selling in lean season leading him to buy a saloon car and gate to protect his assets.

Regression analysis found that households with a flush toilet experience an associated increase in per capita expenditures. This may also reflect reverse causality but is interesting because it shows that as households get richer over time and escape poverty they prioritize investment in certain household resources including flush toilets largely in order to reduce exposure to cholera.

Loans

The fieldwork revealed many cases transitory escaping households losing resources as a result of confiscation by financial institutions. Access to finance was a dual edged sword: **favorable finance could support sustained escapes while adverse financial inclusion can further drove impoverishment.** Sadly, among the life histories of transitory escapers, loans were a frequent driver of downward mobility through the sale of assets to meet payment of outstanding debts to financial institutions threatening asset confiscation (collateral) for unpaid loans (21 attributions for transitory escapers). Some of these were 'forced' confiscations before the opportunity to raise the finance to meet loan repayment. Sustained escapers by contrast often highlighted the danger of taking up loans and so avoided taking them. They were aware of the consequences and emphasize the financial practices, capital accumulation and income necessary to pay back loans which have such high interest rates.

Life histories pointed to six main ways to access loans in the fieldwork communities: banks, microfinance institutions (MFIs), private agricultural input suppliers, Village Savings and Loans (VSLs), informal money-lenders and family. **Access to capital from banks requires collateral and for many people is simply unavailable** (only mentioned in the fieldwork in terms of *'I could not get it'*). This is reflected in the FinScope (2014) survey which shows that 51% of the adult population doesn't use any formal or informal financial product (the latter primarily being products from MFIs). One form of potentially more favorable form of financial inclusion for the poorest are Village Savings and Loans (VSLs). They can often be softer on loan non-recovery. For female-headed households, access to this type of favorable finance is particularly important for poverty escapes (see Section 3).

Adverse financial inclusion and seizure of collateral, meanwhile, was much more common among MFIs (such as FINCA, FINCOOP and Vision Fund) **and with the local moneylenders** and was a key cause for downward mobility among transitory escapers. They had several characteristics:

- Interest rates were very high-some as high as 200-295%
- Little protection against debt spirals – taking out debt to finance earlier debt
- Farmers assumed all the risk and some financial institutions (e.g. FINCA) were very strict on recovering collateral (assets) of borrowers even after a fall in price or other shock.
- Invasive and harsh forms of loan recovery and impoverishment were common, characterized either by armed bailiffs confiscating assets – usually in home, including iron roof, sofa, beds, fridge anything moveable and /or forced sale of assets (land and bicycles).

This was narrated by Robert who, since 2015, has been trying to repay his loan to FINCA:

> *At one point, FINCA officials went to his blind mother to bother her about the loan and she sold her land and paid 200,000. He was very furious with their act and went to their office and said the following: 'Just arrest me so that I die in prison. I have failed to pay your money. If I die in prison you will recover your money, the insurance will pay you. Please stop harassing my mother' (TE Robert Maliosi Balaka urban)*

In the fieldwork communities there was also **no protection against debt spirals or preventing people from taking multiple loans to cover existing debts**. The situation is additionally complicated by the mixed-debt economy system, where informal loan sharks co-exist with MFI, as explained by Kidney:

> *"This time I did not have money to repay the loan at FINCA, so I got the money from a loan shark at 100% so that I can finish the FINCA loan and get another loan. So, I finished the loan and got another loan from FINCA, and this time I got K500, 000 to repay K750,000 in a year and I only paid the interest to this loan shark and remained with the principle to pay him later and I used this money to start a business of selling second-hand shoes." (TE Kidney M, Balaka urban)*

Another source of transitory escapes occurred when the lending contracts of input providers (seeds, fertilizers) were misunderstood. According to one KI, 'production of crops on contract with companies especially tobacco and sugarcane farmers but without them fully understanding the terms of the contracts can push people into poverty '(Director of Planning and Development, Mchinji District, 3rd April 2018). The DPD referred to the lending of inputs to tobacco and sugarcane prices on the basis of repayment of the loan through crops sold immediately after harvest directly back to the lender at the low prices. According to the farmers, the stipulations of the contract can be strict, easily misunderstood and harshly enforced. One respondent lost 5 bags of tobacco of his own tobacco crop to the police operating to enforce Alliance One loan recovery which was unjust. The crop taken was planted using his own inputs.

HOUSEHOLD CAPACITIES AND ATTRIBUTES

Key messages:

- **Regression results reveal that an increase in household size and dependency ratio is marginally significantly associated with reductions in monetary welfare over time. Fieldwork supports this finding with sustained escapers tending to be nuclear households with a small number of dependents.**
- **The qualitative fieldwork showed how education has been a key factor in sustaining poverty escapes for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably. This though, is not reflected in the regression results.**
- **The fieldwork underlined the importance that people give to secondary and increasingly tertiary education. It also revealed the costs of educating children in the context of low-quality education in state schools and high costs of private schools. These costs can contribute to transitory escapes by drawing income away from capital used to invest in businesses and farms.**
- **The fieldwork also revealed how separation and divorce, and the corresponding withdrawal of spousal support, drives descents into poverty.**

Household size

The panel analysis reveals that an increase in household size is significantly associated with reductions in monetary welfare. The reduction is much larger when the new member is a dependent (resulting in a 30% decline in welfare), compared to a member of working age (19% decline in welfare).

In the life histories, households often referred to large household sizes as a reason for their poverty or reason to earn compassion and support from the community. Chronically poor respondents (4 attributions) and transitory escapers (6 attributions) referred to high numbers of dependents as leading to declines in well-being. Sustained escapers were found to take on dependents from extended family (3 attributions), but did not complain of them as a burden possibly due to their financial ability to take on these children, and were more likely to have smaller families so that taking-on an extra child from a relative had a less substantial impact on their wellbeing.

Education

The fieldwork revealed how education has been a key factor in promoting poverty escapes for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably. These findings though, are not reflected in the regression results, where secondary education and, with one exception, primary education is insignificant in promoting poverty escapes. The exception is for urban areas where the regression results reveal that household heads that have completed primary education experience a reduction in welfare that is only marginally significant.

In the fieldwork, vocational training of household head was also relatively higher among sustained escapers (8 attributions as compared to 2 transitory escapers and only 1 chronically poor). Vocational training is particularly important in contexts where farming prospects are slim and is most prevalent amongst men in the sample and includes carpentry, construction work and tailoring.

However, most of the sample of life history respondents, because of financial imperatives, had to drop out of school in the transition years between primary and secondary school. In contrast to the experiences of most life history respondents, Duncan and Thokozani both explained how they overcame financial constraints to education by working to support themselves through school:

> *Duncan Aman came from a very large, poor family. When he failed his exams, he asked the local missionary to find him a school which would accept him. He then moved alone to a village where a rural school would accept him despite failing exams and worked ganyu before and after school and during weekends and holidays to pay for rent and fees. (SE Vincent Chitsulu, Balaka rural).*
>
> *Thokozani was from a very poor family and would have dropped out at form 4 had it not been advice by a friend to keep going and 'not yield to the pressure to drop out'. When selected to Mchinji Secondary School in 1989 he paid for himself by 'cultivating a small dimba garden during the holiday and would then ask my father to look after it and the sell the produce on my behalf raising money for school fees in advance for the next term". (SE, Thokozani Nyambosi, Mchinji rural).*

According to Thokozani, his secondary school education encouraged his sustained escape from poverty despite other tobacco farmers finding challenges of poor prices difficult. He attributed his relative success to moving out of tobacco and close work with extension workers, arguing that one cannot succeed with modern farming if you do not invest in new skills and knowledge, which requires continuous learning. He explained the situation more:

> "*I have developed skills to connect and interact with extension workers which have helped me to advance my farming. This is the case because I have realized that modern farming requires learning constantly new skills and these skills can only be learnt from extension workers*". *(SE, Thokozani Nyambosi, Mchinji rural)*

Because of adolescent pregnancy and an understanding that the baby is the young mother's responsibility, neither Christina nor Stella had the opportunity to continue their schooling, as described below:

> *Christina was in secondary school when she fell pregnant – she was shunned by her parents for 4 years and found herself alone to eke out a living with her baby by doing ganyu and found temporary shelter. It*

was only 4 years later when she said she would go back to school that she was invited back in. (SE, Christina, Balaka rural)

Stella had sharp downward mobility following her pregnancy with a local boy she loved. She dropped out of secondary school and fell steeply into poverty – ganyu labor and farming a 1-acre farm with little knowledge of how to farm. She said, 'It was the worst period of her life'. Her boyfriend on the other hand was encouraged to finish secondary school and take a 2-year electrician course before marrying her. (TE, Stella Sulani, Balaka rural)

Financing school fees

Most of the life history respondents wanted to educate their children and despite their poverty, investing in secondary education for their children was seen as essential. **Both sustained and transitionary escapers invested heavily in private secondary schooling**, due to perceived problems with school quality, and the better off sustained escapers invested in private primary schools for their children as well. For most sustained and transitionary escapers, private schooling was a heavy drain on household income, yet it reflected the value placed on its importance for improved resilience and wellbeing later in life, as described by Time:

"I am willing to invest in the education of my children as I have seen how my own colleagues who had the opportunity to proceed with their education have prospered. I will repeat my biggest regret in life is that I do not know how to read and write English and as such I know I lose out on a wide range of potential opportunities" (SE Time Martin Balaka Urban)

National statistics show how the percentage of household members attending private secondary schools increased from 5.5 percent in 2010 to 14.4 percent in 2016 in rural areas (and from 10.5 to 31.3% in urban) (IHDP, 2017). The fieldwork revealed how this reflects a view that education is not being adequately provided by the state system. However, the fieldwork revealed risks to placing such a high priority on quality schooling as the decision to invest in children's education for future returns took money away from investing today in productive activities necessary to generate income. Some transitory escapers took out loans so that their children could remain in education, contributing to their economic decline and reducing their ability to withstand economic shocks. This situation was particularly tricky for single-parent households (mostly mothers) when fathers were not supporting the children's education or refused to pay for the education of children from his wife's previous marriage. For example:

Stella had intended to re-plough a profit of 30,000 back into her second-hand clothing business but in 2014 her husband separated from *her, and instead she had to use the money to pay for her eldest son's school fees in a private secondary school. She explained why she chose to finance secondary school for her son over the second-hand business: 'I did not want my children to suffer (from a lack of education) as I did. My mother couldn't afford to send me to secondary school which hurt me very much. I wanted them to move forward even if it meant my business would fail.' (TE Stella Sulani, LH, Balaka rural)*

Gender norms and transitory escapes

In the regressions, female-headed households that married in the later survey year experienced improvements in welfare. Relatedly, an area from the fieldwork for descent among transitory escapers was the regularity of separation and divorce and corresponding withdrawal of male support. In the fieldwork, 9 out of 21 women experienced declines in wellbeing due to divorce/separation, and most were transitory escapers, often with several separations in one life time. Most separations were accompanied by downward mobility as men forfeited their support for their children and wives, leaving wives to support themselves and children. Moreover, separated women's ability to raise and educate children is challenging in the context of rising infertility of clan land and rising real educational costs.

The frequency of separation was intensified by two factors: (i) young pre-marriage pregnancy and (ii) male absences and remarriage following urban or international migration. Pre- marriage pregnancy was high in the fieldwork area and in Balaka district early pregnancy can also be related to girl's initiation rituals immediately following puberty (PCI 2014, draft, 12-13). Both Stella and Suzie's daughters got pregnant young, while the father left them:

> *Stella had to leave secondary school, while the father was encouraged to stay in secondary school and to finish an electrician's degree. Once obtained he did marry her, and they had a second child. But he stayed in Lilongwe and after a couple of years he left Stella and support for their two children. Stella who left school early was forced to do ganyu in order to feed and educate her kids. (TE Stella Sulani, Balaka rural).*
>
> *Suzie's children are also suffering from divorce and early pregnancies which increases Suzie's burden as a grandmother. Her first-born daughter married just after primary schools divorced with 3 children and she lives with Suzie; her second son dropped out of school after impregnating a girl who he then married, her third child a girl was impregnated when writing her final secondary school exams, her 4th born girl was impregnated in form 2 by her boyfriend in forms 3. Now the daughter is staying with Suzie with her new baby hoping that she will get married with the father of the baby after completing his secondary education. (TE, Suzie Sapangwa, Balaka Urban)*

While some women managed to sustain their escape through their own well-established, diversified businesses, others had not solidified their own enterprises before husbands withdrew their income. Women in this position are impelled to use any savings made from work and non-farm enterprises toward reproductive expenses (education, food, clothing, health) rather than immediately productive, income earning expenses, as Susan's situation shows:

> *Susan's husband in 2016 started misbehaving by drinking a lot of beer and having extra marital affairs and he stopped supporting the family. "He started sleeping around with women and he was not assisting me in any way. I was doing everything alone, ranging from paying for school fees of the children, buying food and all the expenses for this household were on me. This affected my business and the money was finished." The responsibility she assumed affected her negatively and she lost all the money she had accumulated paying for school fees and taking care of the household. (TE, Susan Katenga, Mchinji urban; see also TE, Stella, Balaka rural)*

Richer, urban women would appeal to the courts. **In two cases of female transitory escapers the courts ruled in their favor, but they have not yet seen the benefits**. Without enforcement, the law carries no weight and deters poor women from even trying. In Rose's case below, her husband ignored two rulings:

> *Her husband started being unfaithful and he abused her and so she left the home with only her clothes. Friends lent her money to pay for a lawyer. Two times the husband didn't honor the order. The first was the Balaka Magistrate Court ordered the husband to pay Rose 50,000 every month in immediate support while they waited for the Zomba High Court ruling. In the second, the Zomba Court ruling was made, and the property portfolio was ordered to be shared. But the husband still refused to obey the court order. The court ruling showed that she was expected to receive 4 maize mills, 2 houses, 1 shop, 1 small house in the settlement. Significantly **she is also unemployed**, her job managing the businesses in Balaka were owned by her husband, so when the marriage ended so did her livelihood. She lives with her other divorced sister in a grass thatch hut. (TE, Rose Kazembi, Balaka urban).*

HOUSEHOLD ACTIVITIES

Key messages:

- **The fieldwork revealed that in rural areas, those farmers who sustained poverty escapes did so through diversification whether within farming or across farm and off-farm activities, through the avoidance of tobacco farming, or quick movement out of tobacco when prices started falling (as they have since 2015).**
- **Regression results showed how ownership of a non-farm enterprise is associated with an increase in monetary welfare, though this is only statistically significant for male-headed households and those in rural areas, as compared to female-headed households or those in urban areas. Fieldwork provided some explanation, highlighting how men tend to dominate more lucrative non-farm businesses, while women dominated petty trading activities, using less capital, particularly in rural areas where there is less demand for their snacks etc.**
- **The regression results show that, overall, employment of the household head is significantly associated with improvements in monetary welfare. Qualitative fieldwork revealed how local carpentry work for housing construction was a strong vocational skill (other than farming) that could contribute to sustained escapes in rural areas, with this being a predominantly male occupation.**

Farming

During the life histories, respondents frequently complained about the risks involved in farming. However, in both Balaka and Mchinji, many sustained escaping households stayed in farming and even expanded their engagement in it. In Mchinji, notably **some sustained escapers thrived through diversification within agriculture**, as illustrated by Gladys:

> *Gladys started using fertilizer with the support of a 'soft' low interest NGO loan. She found she harvested much more maize and groundnuts and between 2010-2014 prices for groundnuts were high and farm input costs were low. She purchased 5 acres land with profits and found that she did very well moving to level 4. She did not invest in tobacco. She then was a recipient of a dairy cow from HEIFER International (NGO) as a pass-on program. Overtime she accumulated 3-4 cows (one sold). This has been the base for extra income as she has been producing and selling milk daily together with income from helping out with veterinary support to others on the pass-on program. What kept her buoyant when prices for maize was low (2016/7) was the ability to sell dairy cattle to repay loans MK450,000 .and avoidance of the steep falls in tobacco prices with relatively more stable groundnuts. (SE, Gladys Nkusa, Mchinji rural)*

Another example is seen in Thokozani's life history, summarized below (Box 3).

Box 3: Sustained escapes in farming through diversification

Thokozani Nyambosi began with renting in ½ acre of land for tobacco, which led to purchase of 3 acres of land. His surplus grew, and he first diversified by purchasing **two cattle and oxcart** which was 'a game changer' as his oxcart transport business earns him on average MK 40000 per week. He also had sales from his wetland (dimba) gardens leading to level 5.

He felt traders were not honest enough about tobacco price. They were giving him less than what his tobacco had fetched over and above the fees that he was paying for using their quota. So, he tried first to <u>acquire his own quota to enable him to have direct access to the auction floors.</u> With his own quota it meant that it was easier for him to track his tobacco sales, which greatly helped to improve his returns. However, he had a shocking experience with the sales. He sent to the auction floors 13 bales of tobacco weighing on average 115kg but when delivered at the auction floors most of the bales were recorded as weighing 55kg and several of them fetched only 3cents

He decided to **discontinue with tobacco cultivation after experiencing terrible prices** in the 2010/11 growing season. To fill the gap left by tobacco he first **expanded the cultivation of groundnuts and soya** to take up the vacuum created by the abandonment of tobacco cultivation, but he admits that these two crops are not as lucrative as tobacco farming.

He then **intensified cultivation of dimba crops** by acquiring 2 and ¾ acres of dimba gardens to grow vegetables in 2015, which has ensured that the gap left by tobacco did not greatly affect his livelihood circumstance. So, his wellbeing level stabilized at level 5+ (rich/resilient as outlined in the Annex).

Thokozani spends most of his time trying to **work with extension workers** so that he can cannot succeed with modern farming he thinks requires continuous learning. (SE, Thokozani Nyambosi, Mchinji rural)

Regional differences also emerged. Sustained escaping farmers in Mchinji were distinguished from transitory escapers by; (i) investing in wet land crops and moving-out of tobacco; (ii) diversification into livestock for dairy or transport; (iii) urban crop traders investing in cultivation of crops (maize, beans, some vegetables) to be marketed across the Zambian border or other to deficit districts in Malawi (and avoiding marketing through Admarc where prices were suppressed). In Balaka, **farmers that sustained their poverty escape have prospered through having well-established non-farm enterprises as their primary activity and farming as second activity.** This is likely because Balaka was exposed to successive drought and floods between 2015 and 2017 and to increasing dry periods, unfertile land, and poor outputs. Accordingly, those who had earlier translate input-intensive farming profits like cotton into non-farm enterprises, or had low paid salaried work, were able to sustain escapes from poverty in spite of recent climate trends in the area.

In both Balaka and Mchinji farmers that sustained their poverty escape; (i) used purchased land (chosen for fertility/or virgin land) rather than clan land; (ii) had a strong understanding of new techniques working closely with extension workers and very high relative fertilizer usage and appropriate use of pesticides (both districts); and (iii) were much less likely to take a loan than transitory escapers.

Specifically in urban areas in both districts, some sustained escapers whose primary activity was non-farm enterprise or trade retained existing farms for family consumption or as a secondary activity with some sales in surplus years. But they did not mention actively investing further in farming. Another group of sustained escapers, though their primary activities were also non-farm enterprises, did invest in land in addition (often wet land) for two main reasons:

(i) Acquisition of land for maize cultivation for home consumption and insurance. For example, Susie Spanwanga was involved in small non-farm enterprises and with the surplus rented 1 acre to produce 15 bags of maize simply to supplement home consumption. These types of new urban farmers tended to be level 4 (where they are not poor but not rich) and the purchase of 1 acre was greatly valued – even if in Susan's case, the amount produced is low.

(ii) A second type of 'new urban farm' are those wealthy non-farm entrepreneurs who are also crop traders. This group are found renting or buying wet land in order to grow maize and beans to supplement their cross-border crop trade (esp. Zambian border). They therefore overcome the price which is kept artificially low because of the export ban.

Mr. Kaichisi was born into a poor household, but today is a very wealthy business person with multiple non-farm enterprises and trade. He also invested in land for production of maize and other crops in order to supplement their Zambian crop trade. Mr. Kachisi's livelihood is currently depending on his businesses. He has a grocery shop, a barbershop, a battery charge center, and a fast food center. He also farms and singled out farming as the base of his development. Mr. Kachisi's irrigated land together with ability to find maize and bean markets in Zambia introduced resilience into his non-farm business portfolio. He said that he uses the money from the businesses to hire labor and farm inputs and when he sells the crops he will put the money into the businesses to increase capital. (SE, Kaichisi, Mchinji urban)

Some sustained escapers highlighted moving away from farming in the recent period. Notably, these sustained escapers had non-farm work as their principal activity, as did Joseph and Isaac:

> *"I have scaled down on farming because it is not profitable; it is a waste of money and time especially since the markets are very poor as a matter of routine" (SE Joseph Kaunda Balaka rural)*

> *"it is suicidal to engage in farming for business purposes because of poor prices and the highly unpredictable climatic patterns" (SE Isaac Phiri Mchinji urban)*

According to district level officials, however framing the problem of transitory escapes in terms of the need to scale down farming and in favor of non-farm enterprise development misses the prospects for farmer incomes through irrigation/watershed management, diversification to those crops which are in demand in regional markets (e.g. groundnuts, beans and soya) and for which there are value chains (e.g. groundnuts, soya and Irish potatoes).

Non-Farm Enterprises and Trade

Regression results show how ownership of a non-farm enterprise is associated with an increase in monetary welfare, though this is only statistically significant for male-headed households, as compared to female-headed ones. Moreover, the rise is also significant only in rural areas, indicative of the advantages that can accrue to rural households engaging in non-farm livelihoods.

The qualitative fieldwork provides some explanation. In rural areas, fast profits accrue to service providers if they are the first to supply that service in a village (i.e. a monopoly) or perhaps are the only service provider with electricity. These are mostly male activities – such as - rural grocers, moneylenders, crop traders, hardware, bike taxi or others - supported by significant capital investments accounting for the difference between male and female headed households. **Female headed households struggle to find starting capital and the most common rural non-farm enterprise is producing and street selling cooked snacks, charcoal, firewood and agricultural goods.** These non-farm enterprises (NFEs) in rural areas can be paid less than ganyu labor. They depend on success on a daily basis. All the profit goes into household consumption. While small relative to going wages for agricultural work it is often the only work available. This situation is illustrated by Dorothy:

> *Dorothy Enoch like many women in the village sells fried foods in order to support her income from ganyu labor and unfertilized farming of 2 acres. The savings from selling fried foods are small. She has capital of only 1000, her profit was just 300 per day which is between ½ - 1/3 of the daily wage. This profit goes straight to into consumption not into savings. With her income, she buys basics such as soap (so the children can go to school in clean clothes) plus salt and maize. She only does snack selling when she does not have paid labor. (TE, Dorothy Enoch, Balaka rural)*

Moreover, even when women do start a non-farm enterprise with larger capital investment in rural areas, such as second-hand clothes selling, when crises strike (climate, separation) the capital for the NFE is the first thing to go in favor of child provisioning and educational fees.

However, the fieldwork also shows that in urban areas there is greater demand for non-farm services- even petty trade – and non-farm enterprises are leading to significant rise in their welfare.

- Petty activities – charcoal selling, fried food selling, drinks selling have a greater market and are shown to raise family welfare more so than in urban areas because prices for these services are better
- Non-farm enterprises - There are growing number of women who have access in capital through their husbands or NGOs which they have used to promote their own businesses. Greater urban demand for goods means that their NFEs can prosper: these include second-hand clothes trading, restaurants, fabric shops, video cinemas, bicycle taxi and women have a strong presence in crop trading.

Urban transitory escaper owners of non-farm enterprises and traders tended to be subject to shocks leading to their downward mobility. The first was a sharp fall in demand for their non-farm services as farmers' incomes fall as a result of farmers' exposure to climate and price shocks. Certain Non-farm enterprises are more exposed to falls in producer incomes, such as hardware and second-hand clothes and tailoring – because farmers stop buying clothes and constructing houses. The sustained escapers of these services that survived had taken precautions including:

- Diversification into house/business property rentals and bicycle taxis and spare parts to service bicycles: these derive demand for services from non-farmers, i.e. NGO officials, government officials, teachers and students – all who sought temporary accommodation in urban areas. There was also diversification across sectors in agriculture as well as rentals and transport.
- Quick movement into products in demand by poor people: maize, beans, oil, salt – as farmers and laborer's all needed these items on a day-to-day basis.
- Trading in wider markets for their non-farm enterprises – trading cross districts, and over the border (as Zambia and South Africa) were less vulnerable to local producer incomes.

The second shock to urban entrepreneurs was incorrect information about markets – including far flung or international markets. Transitory escapers were exposed to informational gaps about international markets – relying on traders coming to them. Robert, a sustained escaper, visited Dar Es Salam, to find out more about the market:

> *Robert Maliosi stopped selling goat meat because he felt it was small business comparing to goat hides' business. In 2013 the demand for hides was high and some Kenyan traders told him he could sell his hides in Tanzania. On the basis of the enthusiasm about such prospects, he took a 5 million loan to supplement his own capital. On a trip to Dar Es Salam he learnt at the border that the buyers have stopped buying hides and left the country. He was confused but proceeded to Dar Es Salam to verify. When he got there, he found that it was true, and found that the warehouse which stored his hides were rotting. He suffered from then on trying to repay the FINCA loan with a heavy interest of 1.6 million and paying 400, 000 every month.*

Sustained escapers had better information about far flung markets: Sustained escapers owning non-farm enterprises had made trips to make business contracts and assess demand for products before starting (see SE, Isaac, Mchinji urban in following migration section).

The third vulnerability was largely gendered. Female urban transitory escaper entrepreneurs did not own the properties they used for their shops – they rented and so could be evicted. Secondly their boss was their husband and so could become unemployed when he leaves. Rose's situation illustrates this:

Rose's husband was successful and spent a lot of time in South Africa. Rose had a key job in Balaka - she became manager of the maize mill and welding services and purchased 2 cars for transport of items for the business. She worked with two hired in accountants. In 2009-10 during this period Rose and her husband became very rich as he continued to expand. And Rose said at this point she was at the center of running these businesses in Balaka. When her husband left her, she lost not only access to her house but also her job.

Sustained escaping female entrepreneurs owned their own properties and worked for themselves and so were more insured against separation.

Employment: Unskilled, vocational and salaried

According to the regression results, employment is significantly associated with improvements in monetary welfare across the sample of households that escaped or fell into poverty. The fieldwork finds that it is mostly skilled employment that leads to improvements in welfare.

Unskilled ganyu labor is associated with chronic poverty: it includes agricultural and non-agricultural casual labor, normally undertaken with a sense of desperation. It is very common among the chronically poor to raise money to meet food costs, and among transitory escapers to raise cash for fertilizer or school costs. Most employment among sustained and transitory escapers almost always involved a skill (carpentry, brick laying,) or vocational work (electrician, taxi and truck drivers). It was often highly linked with urban migration (mostly Lilongwe) or migration abroad (Zambia, South Africa).

In the fieldwork sample, salaried employment played a relatively small role in poverty escapes compared to non-farm businesses and farming, with most incidences of salaried employment in the life histories being for women (7 cases to 2 male). Male salaried workers often migrated to urban areas (mostly Lilongwe). Female salaried employment was largely female teachers and also include a veterinary technician (trained by NGO) and a government worker. Several ex-husbands worked in Lilongwe as electricians, truck drivers, taxi drivers, security guards who may have been salaried for the periods of their contracts

Migration

Migration was a key way employment was turned into a skill and capital for a business development in Malawi. This was an important way to raise capital for non-farm enterprise in the absence of vocational training and secure financial market. It was also a way of gaining skills and key contacts necessary for non-farm enterprise development (Box 4).

Box 4: A sustained escape enabled through migration

Isaac said: "I will always look back to the opportunity to work with a carpenter friend on a house roofing project in Chipata, Zambia as a turning point in my life. My carpenter friend, Mr. Twaibu, won a contract to roof a house in Chipita and invited me to come along with him. We stayed there for over two months and the contract was good. Moreover, Mr. Twaibu was quite generous. I got 40% of the contract. Our two months stay in Chipata was quite useful. While there I sniffed several business opportunities and after a comprehensive analysis I decided to venture into the sale of produce for I sensed that the demand was very high. The money that I got from working with Mr. Twaibu was more than enough capital to get me started in the produce business, which is now is the backbone of my livelihood".

Today Isaac Phiri has successful sustained his escape from poverty. He is involved in cross-border produce business involving mainly rice and beans which he gets from Malawi and sells in Zambia. Sometimes he also includes smoked fish from Malawi and gets plastic bags from Zambia and sells in Malawi. He initially started selling the produce in the border district of Chipata but now goes as far as South Luangwa National Park. He goes on these business trips at least three times a month. He estimates that he earns about MK 250,000 per month from this business. Between 2011-2018, he continued doing the cross-border produce business finding further lucrative markets and his business **was further buoyed by the stability of the Zambian Kwacha**.

He also invests in property for **rent and transport**: during this period, he continued investing in construction building eight shops that he rents out as hawkers and barber shops earning on average around MK 130,000 per month. He also operates motorbike taxis and has acquired two additional fully serviced plots that has lined up for development within the next two years consolidating his well-being category at level 6.

Finally, he also engages **in farming** focusing on maize and groundnuts using 2 acres and 1 and ½ acres of land for these two crops respectively. He cultivates these crops entirely for consumption. His wife also runs a micro-level bakery specializing in flitters, which earns her between MK 16000 to MK 20000 a month "which is essentially for buying salt and other small needs to keep the household going"

He observed that "I rely on the produce business as my number one means of livelihood; **all what I have achieved can be traced back to the Zambia business,** followed by the houses for rent and farming but once again the latter two are successful because of the Zambia business. The produce business is my main means of livelihood."

Source: (SE, Isaac Phiri, Mchinji Urban)

Migration was dominated by men – women's migration was associated with domestic service when they were adolescents. While migration could lead to a sustained escape for a household it could also lead to a sustained escape for the husband, who started a new life, and an associated transitory escape for his family, who he left behind. One KI observed that 'most men migrate to South Africa leaving their wives some who are labor constrained and cannot make some decisions on their own. Thus, the wife is plunged into poverty because some activities that were being done when they were together are stopped' (KI, Program Manager, PCI Malawi, 26th March 2018). The experiences of both Mary and Rosemary illustrate this situation:

> *Mary Bubba was a domestic worker with 3 kids but managing with dual income of herself and husband. When her husband went to 'find work in Mozambique' he never returned. She is responsible for food and educational costs and is working hard to meet these costs. (CP Mary Bubba, Balaka urban).*
>
> *Rosemary is on a divorce pathway. Earlier cooperation from her husband up to now has helped her sustain an escape – her husband supported her move to build a restaurant in urban Mchinji. However, in 2003, her husband stopped selling second clothes and instead started selling cane chairs to South Africa. She struggled financially because that was the period her husband spent more time in South Africa. All of a sudden, she became head of household and had to make decisions regarding investments. She laughed while explaining that she is the one who makes a lot of money in the family. She said; 'Yes, my hubby is into business, but my dear, I don't know whether his business is profitable. He goes to South Africa with his cane chairs and stays for more than a month. Who does that? Yes, we do things together, but I am mostly the one who runs the house. I pay fees for my daughter at Mzuzu University (200,000 annually) and another daughter who is in form 3 at Likuni Girls Secondary School (MK110,000 annually). And my brother pays for the son who is at Polytechnic. (SE, Rosemary Sanduikira, Mchinji urban).*

SHOCKS AND TRENDS

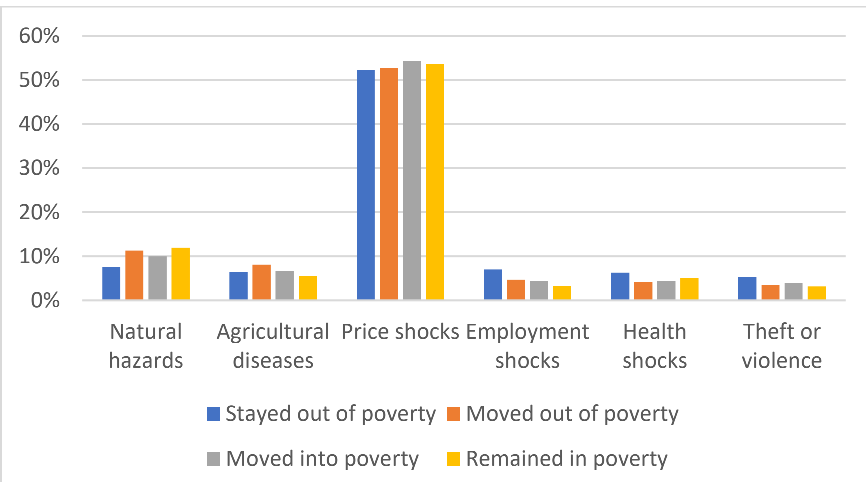
Key messages

- **Price shocks were the most commonly reported shocks in the panel data, with the qualitative fieldwork also highlighting the importance of low and unpredictable crop prices (including for tobacco, pigeon and maize).**
- **Both the qualitative and quantitative findings revealed that, while one shock was not associated with declining welfare, households that experienced more shocks were significantly more likely to experience declines in welfare.**

Price shocks contribute to downwards mobility

The most predominant reported price shocks by households in the IHPS on all poverty trajectories are unusually high costs of agricultural inputs (reported by 21% of households) and unusually high prices for food (reported by 25% of households). However, in the fieldwork sample there was relatively greater price shocks associated with low and unpredictable crop prices (tobacco, pigeon pea and maize).

Figure 3: Self-reported shocks by households on different poverty trajectories[5]



In Mchinji the overriding problem was the falling and unpredictable price of tobacco. And so, in this district what distinguished transitory and sustained escape farmers was the latter's ability to avoid or withdraw from tobacco farming with its highly unpredictable and falling price. Transitory escaping farmers failed to withdraw from tobacco farming before the prices started dropping, taking loans to replant for the next year which then ate into the year's profit and could lead to default and loss of assets. Nicholas explained that such loans intensify losses from poor prices:

> 'If *things are not well on the market and you have a loan, it is the person who has a loan that suffers more. Moreover, if you have a bad year and cannot raise money you can't farm without selling assets. ….*

[5] Natural hazards include drought and flooding. Agricultural diseases – diseases of crops and livestock. Price shocks – unusually low prices for agricultural outputs, unusually high costs of agricultural inputs and unusually high prices for food. Employment shocks – end of regular assistance or remittances, reductions in earnings from the household, reductions in current earnings, loss of salaried job. Health shocks – serious illness or accident of household member, death or household member.

And if you have no assets, the following year, you will be grounded'. *(SE/TE Nicholas Nkhoma, Mchinji rural)*

The fieldwork revealed that most farmers of cotton and tobacco made escapes from poverty through the cultivation of these crops in earlier periods (pre-2015) and that recent successive climatic shocks (droughts, heavy rains) combined with fall in some crop prices (e.g. tobacco, pigeon pea) meanwhile, have advanced transitory escapes for farmers still cultivating those crops.

Health shocks are not frequently mentioned in the Malawi IHPS and health was also not a prominent issue in the life histories. This is partly attributed to the government-funded national healthcare service. The central health issue in the country remains instead around the quality of healthcare. Diagnoses and treatment are limited by resources and are sometimes wrongly ascribed which can lead to impoverishment or death. Indeed, the need for medical treatment is mentioned only in transitory escaper and chronically poor life histories where respondents referred to medical problems that caused long-term inability to work (accidents) and deaths. Among the instances of reporting health shocks, female household head respondents often referred to the real 'user costs' of government healthcare including transport costs.

Stella Sulani speaking about one benefit of being married was that her husband paid for private medical care which was closer to her house, which was especially important in the rainy season 'During the rainy seasons the roads became impassable and so if her child was sick instead of going to free hospital (2-3km) she was able to have the money to go to the private clinic which was closer to her house- walkable distance". (TE Stella Sulani Balaka rural)

A series of shocks: Poor prices, climatic shocks, loan sharks, business sabotage

In both the qualitative fieldwork and regression analysis, households that experienced multiple shocks were significantly more likely to experience drops in welfare. This is also true for male-headed households and households living in rural areas. The fieldwork also finds that the impacts of these shocks are intensified by (i) taking loans for consumption/school fees/farm investment next year (ii) corresponding separation from husband.

From the fieldwork in Balaka, a key driver of transitory escapes was successive climatic shocks combined with poor prices. In this district, transitory escaping farmers had less well established non-farm enterprises than sustained escapers. As a result, transitory escapers could not sustain climate shocks combined with price shocks which had a devastating impact on their incomes. For instance, both Kenneth and Yana below first escaped through cotton/maize/groundnut farming which led to investment in non-farm businesses. Yet the latter were not strong enough when double and treble climate and price shocks hit.

Kenneth started cotton farming and made some money and with the proceeds he bought a bicycle enabling a dry fish business and investment in a grocery store. However, he suffered TB and spent 3 months in hospital and he could not attend to his non-farm businesses. As a consequence, his fish business and grocery store were not fully recovered when his farm production took a hit from successive rains: In Dec 2014 and again 2017, "This is the year that brought me down to poverty. Imagine in one year I faced the accident of my house collapsing and my crops were destroyed. I was looking forward to harvest more that year because I applied fertilizer as I was a FISP beneficiary and had a good plot of cotton which if not for the heavy rains my life would be somewhere" he narrated. (TE, Kenneth Ndalama, Balaka rural)

For Yana, the downward mobility caused by the double shock of low rains and poor prices in 2015/6 had led to the loss of capital for her recently established second-hand clothes selling. Her problems were intensified by taking loans and by another poor harvest in 2017, she could not repay the loans and all her moveable assets were sold or confiscated. Thus, for Yana, these climatic and price crises not only had knock on effects for her new non-farm enterprise but also, she took loans which intensified her descent.

> In 2013 Yana, a cotton farmer, branched out into the selling second hand clothes, however her business and not yet established when in 2015/6 the district was hit by a drought which severely reduced her maize production. This was further exacerbated by low prices for her cash crops. "*That is the period I can't forget. Of course, we did not produce enough maize due to the drought, but I had a lot of pigeon peas and groundnuts but imagine the vendors buying our pigeon peas at K20 per Kg! (compared to K550 in 2017). This was the beginning of our down fall. We harvested but failed to make profits*"." She explained. She lost her capital for the second-hand clothes and she struggled to pay school fees. She then took loans from VSLs and loan sharks to pay for the school fees and these loans accumulated. But in 2017, she got another poor harvest and so failed to pay all the loans accumulated. As such, she sold her moveable assets (bicycle, sofa set, livestock) the loan shark came and confiscated her plates and pots. Now, "*All the assets are gone, and my house is just like a football pitch*"

Transitory escapers often used loans (9 out of the 12 loans taking cases) to survive shocks. The examples where MFIs worked effectively to sustain people through shocks are the exception rather than the rule. However, this illustrates how effective the lending can be under the right circumstances (Box 5).

Box 5: The effectiveness of lending in certain contexts

Vincent Chitsulu is a very successful grocer on a road in a trading hub between remote Balaka rural and Balaka district town. He sustained a double shock to theft and fire but remained resilient through Finca loan and savings and unused stock kept at home.

First shock: **People broke into his shop and stole his products -** bags of rice, soap, cooking oil. The total value taken was 200,000 kwachas. Vincent coped by selling the remaining stock for cash and then got a 200,000 loan from Finca (MFI) to re-buy stock. He joined a group of 10 members to receive the loan and his home was inspected for assets for collateral in the event he defaulted. Vincent had a lot of assets – such as music speakers and bikes so they gave him a loan. The amount he borrowed was 200,000.

Second shock: **After 4 months his shop was burnt**. He guesses that perhaps someone is envious of him. He coped because he had 12 bags of rice at his house together with 120,000 savings also kept at home. So, he sold the rice under a temporary structure (shack by road). He then purchased a few other items for sale such as cooking oil, salt, and eggs which he purchased with his savings.

Notably Vincent didn't incur the problems faced by others taking Finca loans and reckons this is because his monthly profits are so high compared to farmers and other traders.

- He sold items people needed, e.g., daily cooking ware, sugar, salt, eggs, soap, and body lotion/ Vaseline. Each month he invested 40,000 in these products and resold them for a profit of 20,000. Each year he earned 240,000. (WB 4+).
- He also farms two acres of maize and groundnuts and says he can harvest 40-50 bags and sells the surplus
- He is a crop trader
- He had moveable assets from his prior migration to south Africa – speakers, and bikes and so his house was stocked with potential collateral.

HOUSEHOLD STRATEGIES FOR SUSTAINED POVERTY ESCAPES

Key messages

- **Life histories of sustained escapers point to diversification in livelihoods both across and within sectors, together with the ability to maneuver into new economic activities quickly when prices change. The fieldwork pointed to three key types of strategy that sustained escaping households adopted:**

1. **Diversification within agriculture, including cultivating wetland and rearing cattle, combined with relatively smaller investments in non-farm activities. Sustained escaping households were also quick to move out of tobacco farming when prices fell;**
2. **Focus on investments in non-farm businesses, particularly grocery and hardware stores and restaurants and transport vehicles for renting out, combined with smaller investments in farming. Again, non-farm business entrepreneurs found ways to still make a profit even in bad times through a keen eye to changing market prices and moving fast;**
3. **Large-scale trading, particularly among sustained escapers in urban areas, including through engagement in cross-district and cross-border trade. This included trading maize, beans, vegetables cross Malawi and cross border (the Zambian border) and accessing regional markets and import/export of South African products.**

A key characteristic of all three strategies is diversification. The fieldwork finds resources of transitory escapers by contrast tended to be far less diversified than those of sustained escapers. In rural areas, transitory escapers had more agriculturally based assets and activities that were less likely to include non-farm enterprises, cattle or wet land. Meanwhile, sustained escaping households in rural areas, as discussed above, were found to diversify largely with agriculture in terms of livestock (dairy, transport, rental of bulls), expansion of wet land, new crops (wet and dryland crop), and the ability to move quickly out of tobacco. In rural Balaka, sustained escapers had well developed non-farm enterprise or salaried employment together with their farm production. In urban areas, transitory escapers whose predominant livelihood was in non-farm activities tended not to have a farm to fall back on for their own-consumption. Meanwhile, sustained escaping urban entrepreneurs were marked by the greater number of non-farm livelihoods they were involved in than transitory escapers, and the use of migration and skills as a complementary strategy especially amongst escapes in general and by traders specifically.

Sustained escapers invested in assets and activities that were less affected by downturns in farming. Recent periods of poor prices for crops (esp. tobacco), high prices for fertilizer and climate shocks affected farmers and non-farm enterprises owners alike, the latter depending on healthy farmer incomes to generate demand. However, there were certain assets which were less affected by this recent downfall including housing, transport, cross district/cross border trade associated with food crops and wet land or fertile land owners. Meanwhile, the non-farm enterprises operated by the transitory poor in urban areas tended to be vulnerable to falls in producer incomes (e.g. selling hardware, or second-hand clothes).

What is notable across all three strategies is the relatively limited use of financial institutions. Resort to financial markets was more often than not a cause of transitory escapes rather than sustained escapes. This was due, in a large part, to the predatory practices of lenders, including both MFIs and private money lenders. It is not that transitory escapers necessarily had lower financial literacy or invested their loans into unviable enterprises. Rather, as explained by wealthy sustained escapers, repaying a loan at such high repayment rates and with little flexibility can be beyond most people's financial planning. Fieldwork showed that there was no clear finance chain moving from small finance institutions through to SACCOs Malawi Union of Savings and Credit Cooperatives (MUSCCO such as Fin Coop) and bank savings and loans. Migration and trade across borders to some extent filled this gap in finance for starting capital.

6. CONCLUDING REMARKS

The qualitative and quantitative research findings discussed in this report investigate the drivers of poverty dynamics at the macro-, meso-, household and intra-household levels.

At the macro-level they highlight the importance of the policy framework (particularly that concerning agriculture, infrastructure and service delivery, as well as financial and fiscal policies) and the implementation of those policies in driving household poverty trajectories.

- FGD participants point to issues with crop markets, high costs of inputs in the context of declining soil fertility, and access to finance.
- During the recent period (2014-18) improvements in well-being made through farming (high prices, low prices of inputs) slowed down due to a combination of flood, droughts, agricultural price and market shocks.

At the household level, the qualitative research revealed that sustained escapers made investments across the board, including in, non-farm businesses, housing for rent and transport vehicles for rent and migrant links for work and trade with South Africa, Mozambique and Zambia:

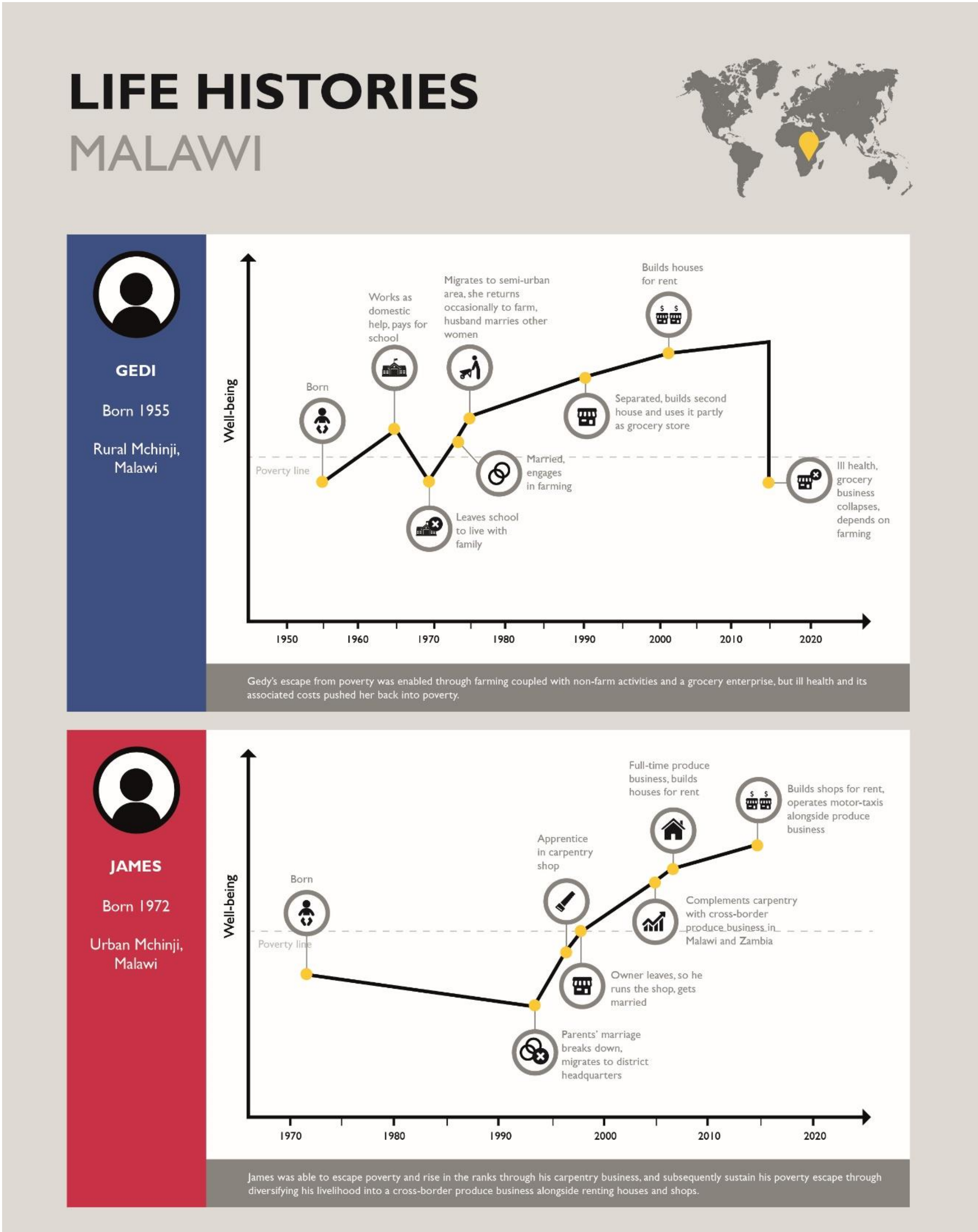
- Very **rarely was engagement in non-farm activities characterized by leaving agriculture entirely.** But for sustained escapers it diminished in relative terms to non-farm employment, enterprises and trade. And for some wealthy traders there was active investment in farming, particularly maize and beans for trade across Malawi and across the Zambian border.
- In the fieldwork, sustained escapers were found to make investments to diversify into a variety of nonfarm businesses, which contrasted with engagement petty trade and activities involving low start-up costs which characterized the non-farm activities of the chronically poor.
- Sustained escapers were rarely supported by favorable finance or the ability to move up the finance ladder from NGOs to SACCOs. Rather, sustained escapers tended to avoid, if possible, taking loans, while transitory escapers were characterized by high levels of debt default and asset loss.
- Separation and divorce were also a regular feature of transitory escapers, leaving women as key providers for education.

Sustained escaping households tended also to be smaller households, with a limited number of economic dependents outside the nuclear family. The household head's secondary education in particular played an important role in ensuring a household's ability to escape poverty sustainably. In the fieldwork, households achieving sustained escapes are now investing significantly in private primary and post-primary education to sustain their escapes for the next generation. This reflects the widespread perception of quality problems in the public education sector. Notably, education costs draw money away from today's productive investments.

The fieldwork revealed meanwhile, that transitory escapers reported significant loss of land and other assets due to: 1) divorce and separation; 2) debt default and debt spirals and the causes underlying it, including payment of school fees, medical bills following illness, farm income falls from price shocks and climate, and theft,

An accompanying policy brief further investigates the implications of these research findings.

Figure 4: Life history diagrams



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ANNEXES

A. SUMMARY STATISTICS

Table A1: Variable form for variables in Table B1, and mean values in latest survey year

VARIABLES	Status	2014 mean value
Electricity (% of households)	Dummy	3.37%
Piped water (% of households)	Dummy	15.81%
Flush toilet (% of households)	Dummy	0.93%
Distance to ADMARC (in Kms)	Continuous	8.20
Distance to paved road (in Kms)	Continuous	8.83
Urban residence (% of households)	Dummy	15.70%
Household size	Continuous	5.68
Dependency share	Continuous	52.84%
Female headed household (% of households)	Dummy	22.79%
Age of head	Continuous	44.84
Head completed primary education (% of households)	Dummy	16.98%
Head completed secondary education (% of households)	Dummy	3.72%
Remittance received (% of households)	Dummy	11.74%
Head employed (% of households)	Dummy	72.91%
Livestock>mean (% of households)	Dummy	30.35%
Non-farm enterprise (% of households)	Dummy	4.88%
Acres of land owned	Continuous	3.01
Presence of shock (% of households)	Dummy	98.37%
Number of shocks	Continuous	4.16
Central region	Dummy	N/A
South region	Dummy	N/A
Year=2013	Dummy	N/A

B. REGRESSION RESULTS

Note: Fixed effects regression results presented below amongst households that had either escaped or fallen into poverty between 2011 and 2013. The dependent variable across subsamples is monetary welfare, measured through the log of per capita expenditures of the household. The independent variables examine changes over time as well through the panel data, within households, rather than changes between variables as explored in typical cross-section specifications. Observe that the best fit is for urban households, as identified by an examination of the R-squared value.

Please refer to Box 2 for more detail on the empirical specification employed in this analysis.

Table B1: Primary specification, regression results

VARIABLES	All households escaping or descending into poverty	Rural households	Urban households	Male-headed households	Female-headed households
Electricity	0.843***	0.897***	0.625***	0.857***	0.497***
	(0.132)	(0.143)	(0.213)	(0.144)	(0.169)
Piped water	-0.0380	-0.145	0.00706	-0.0796	0.144
	(0.0885)	(0.108)	(0.191)	(0.106)	(0.242)
Flush toilet	0.401**	0.388**		0.204	0.609***

	(0.199)	(0.185)		(0.278)	(0.139)
Distance to ADMARC	0.0117	0.0188	-0.0443	0.00812	-0.0271
	(0.00987)	(0.0123)	(0.0628)	(0.0121)	(0.0275)
Distance to paved road	-0.00800	-0.00988	-0.149*	-0.00429	0.0703**
	(0.00940)	(0.0110)	(0.0897)	(0.00943)	(0.0319)
Urban residence	0.285			0.316	0.826***
	(0.176)			(0.261)	(0.228)
Household size	-0.186***	-0.185***	-0.174***	-0.165***	-0.248***
	(0.0156)	(0.0170)	(0.0457)	(0.0212)	(0.0352)
Dependency share	-0.297**	-0.301*	0.115	-0.382*	-0.114
	(0.150)	(0.164)	(0.481)	(0.207)	(0.258)
Female headed household	-0.111	-0.0853	-0.162		
	(0.0973)	(0.106)	(0.224)		
Age of head	-0.0126	-0.0113	-0.0667	-0.0154	0.0413
	(0.0172)	(0.0194)	(0.0456)	(0.0212)	(0.0453)
Age-squared	7.37e-05	7.57e-05	0.000673	0.000124	-0.000398
	(0.000158)	(0.000178)	(0.000584)	(0.000196)	(0.000485)
Head completed primary education	-0.00809	0.0307	-0.194*	-0.0114	-0.385
	(0.0627)	(0.0735)	(0.111)	(0.0676)	(0.295)
Head completed secondary education	0.127	0.253	-0.0672	0.0158	
	(0.157)	(0.181)	(0.232)	(0.154)	
Remittance received	0.0547	0.0595	0.0325	0.121	0.00557
	(0.0736)	(0.0796)	(0.180)	(0.0948)	(0.111)
Head employed	0.116**	0.130***	0.0991	0.138**	0.0691
	(0.0474)	(0.0502)	(0.109)	(0.0549)	(0.110)
Livestock>mean	0.223***	0.205***	0.298**	0.245***	0.161
	(0.0473)	(0.0499)	(0.126)	(0.0538)	(0.122)
Non-farm enterprise	0.216***	0.173**	0.0361	0.265***	-0.230
	(0.0677)	(0.0808)	(0.117)	(0.0783)	(0.154)
Acres of land owned	-0.000638	0.000685	-0.00116***	-0.000441	-0.0231**
	(0.000886)	(0.000420)	(0.000285)	(0.000943)	(0.0112)
Presence of shock	-0.0429	0.0503	0.102	-0.0206	0.0388
	(0.0610)	(0.0680)	(0.134)	(0.0700)	(0.141)
Number of shocks	0.0384***	0.0314***	0.0318	0.0503***	-0.00125
	(0.0105)	(0.0110)	(0.0348)	(0.0118)	(0.0214)
Central region	0.897***	1.402***	0.339	1.183***	0.285
	(0.247)	(0.195)	(0.383)	(0.187)	(0.295)
South region	0.488*	0.824***		0.833***	
	(0.276)	(0.218)		(0.183)	
Year=2013	0.0299	0.0710*	-0.477***	-0.0234	0.113
	(0.0400)	(0.0426)	(0.115)	(0.0478)	(0.0941)
Constant	12.14***	11.68***	14.27***	11.79***	10.93***
	(0.475)	(0.511)	(0.900)	(0.515)	(0.937)
Observations	1,720	1,461	259	1,337	383
R-squared	0.261	0.260	0.557	0.266	0.337
Number of HHID	860	746	145	709	232

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table B2: Alternative reduced specification with more scalars, regression results

VARIABLES	All households escaping or descending into poverty	Male-headed households	Female-headed households
Electricity	0.686***	0.709***	0.581***
	(0.130)	(0.149)	(0.169)
Piped water	-0.0531	-0.0280	-0.0962
	(0.101)	(0.122)	(0.215)
Flush toilet	0.351	0.0826	0.901***
	(0.218)	(0.278)	(0.143)
Distance to ADMARC	0.0142	0.0120	-0.0636*
	(0.00943)	(0.0111)	(0.0352)
Distance to paved road	-0.00377	-0.00139	0.158***
	(0.00870)	(0.00865)	(0.0358)
Dependency share	-0.682***	-0.800***	0.00167
	(0.176)	(0.222)	(0.316)
Female headed household	-0.137		
	(0.132)		
Married	-0.224*	-0.693***	0.833***
	(0.133)	(0.177)	(0.185)
Age of head	-0.0442**	-0.0380*	-0.00959
	(0.0181)	(0.0229)	(0.0437)
Age-squared	0.000346*	0.000290	-0.000123
	(0.000182)	(0.000235)	(0.000477)
Head completed primary education	0.0281	0.0288	0.0145
	(0.0633)	(0.0675)	(0.245)
Head completed secondary education	0.129	-0.0205	
	(0.172)	(0.169)	
Remittance received	0.0789	0.127	0.0437
	(0.0764)	(0.0917)	(0.121)
Head employed	0.0998**	0.116**	0.0754
	(0.0493)	(0.0562)	(0.115)
Number of livestock	0.0104***	0.0105***	0.0156
	(0.00220)	(0.00223)	(0.00995)
Non-farm enterprise	0.203***	0.254***	-0.419***
	(0.0682)	(0.0799)	(0.145)
Acres of land owned	-0.000581	-0.000440	-0.0259**
	(0.000620)	(0.000685)	(0.0109)
Number of shocks	0.0368***	0.0504***	-0.0114
	(0.0104)	(0.0114)	(0.0196)
Urban residence	0.293	0.301	1.895***
	(0.182)	(0.256)	(0.233)
Central region	1.198***	1.215***	0.736
	(0.191)	(0.253)	(0.455)
South region	0.713***	0.845***	
	(0.177)	(0.227)	
Year=2013	-0.0370	-0.0669	0.0765
	(0.0421)	(0.0480)	(0.0985)
Constant	12.07***	12.30***	10.72***
	(0.442)	(0.504)	(0.906)
Observations	1,720	1,337	383
R-squared	0.140	0.195	0.190
Number of HHID	860	709	232

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

C. THE STUDY REGIONS

The qualitative field research was conducted in two districts: Balaka district and Mchinji district. Within each district, we sampled two communities, one urban (a sub-area of Balaka and Mchinji towns) and one rural. This research was carried out in March and April 2018. The districts were sampled based on their diverse economic activities and sources of livelihoods which included both PNNs and PPPs. The 40 life histories were split equally between the two districts, with 20 in Balaka and 20 in Mchinji. They were also split male and female, though in practice we had 21 female LH and 19 Male LH.

Method	Total Number of interviews
National Level Key Informant Interviews	15
District Level Key informant interviews	8
KP FGD- with knowledgeable community leaders	4
FGD with a cross-section of women	4
FGD – with a cross-section of men	4
Life history interview – never poor	4
Life history interview – sustained escaper	13
Life history interview – transitory escaper	13
Life history interview – chronic poor	10

D. FIELD RESERCH INTERVIEWS

Key Informant Interviews

At national level, a total of 15 key informants' interviews and 8 district level key informants. These focused on policies and program approaches to reduce extreme poverty and to sustain escapes. Respondents included officials from the Government of Malawi, NGOs and other civil society actors in Lilongwe.

Focus Group Discussions

KP FGD: We began with an FGD held with a group of 7 – 10 knowledgeable women and men from each community ('KP FGD) – total of 4 KP FGD interviews. The objective of this was to first obtain insights into the economic, social, policy and political history of the community. This history is then related to the sustained poverty escapes, anti-poverty policies, and political settlements.

Male and Female FGD: We then undertook 4 FGDs with 8 -10 women and 4 FGDs with 8-10 men from a cross section of the community. The first goal was to define 6 community specific well-being classifications. The objective was to understand the types of characteristics that defined the six categories (see below). The second was to further discuss drivers of upward and downward mobility. The third was discuss the role of gender in up and downward mobility and change in gender norms from men and women's perspectives (hence all male and all female focus groups).

Life Histories

A total of 40 LHs were conducted in the sampled communities. Households were selected to reflect patterns of sustained escapes, transitionary escapes and chronic poverty and never poor. We obtained our LHIs from the male and female FGDs, we had equal number of male and female interviewees. The study participants were asked to give their story chronologically from their childhood. They traced changes in well-being levels and highlighted key reasons, including key social, political and economic events, processes, networks, and changes in relationships and norms, and policy impacts that enabled them to escape and sustain poverty or experience other forms of poverty trajectory described above.

E. APPROACH TO PARTICIPATORY WEALTH-RANKNG

	Researcher's perspectives	Participants perspectives				
Levels and name	Conceptual /universal Definitions	Labour capacity and livelihoods	House and productive assets	Education	Food access and quality	% in site
1. Destitute	· People who cannot work, and so depend on others for basic needs (food, housing), · Very old, physically or cognitively impaired · Tend to be socially excluded.	· Don't have capacity to farm because very sick or very old · Disabled · Clearing the land but cannot till the land because don't have the energy. · Can manage poultry but not goats – don't have energy for goats due to labour capacity. · They don't even have the capacity to cut the grass for thatch.	· Sleep on a mat – not bed. Live in dilapidated shelters – not a house – usually shelter must be mobilized by community leader · Only hoe- key productive asset. · Because they don't even have the capacity to cut the grass- and so therefore they leak - need someone else to do it for them.	· Mostly only elder (e.g. grandmother) who cares for orphans (e.g. daughter's children where daughter dies or lives with second husband). · School is free, but uniforms or untorn clothes must be purchased. So, the kids will stay at home because don't even have clothes to go in torn or unclean (this happens even where teachers turn blind eye to not having uniforms).	· Depend on other people giving them maize flour · The nsima they eat is made from maize husks · Gather free (Okra) – green leaves from forest · One meal a day.	30%
2.Very Poor	· Extreme poor working people who are physically able to work but who have no or few productive assets. · Income is erratic and some days they don't eat. · They must accept whatever wage is offered, and often negotiate adverse labour relationships. · They eat when they work. · Shocks will push them into destitution. · They have little or no negotiating power with employers and so tend to be included adversely in labour markets and other institutions (family, community, polity)- accept whatever wage/price is given/little voice.	· Mostly they lack food and only find it after doing ganyu. · Their farm can only produce one month's food. · They will spend much time in ganyu during key demand times and on their farms (esp. Dec.) and can't afford even subsidized inputs (fertilizer) and so no or tiny yields. · Their access to food may be helped by family or donors who target food transfers to this group and to the destitute. · Large family sizes ·	· Hoe · Sickle · Axe · Land –cultivate up to half an acre- even if they have access to about 2 acres. · Can't manage to till the whole land because doing ganyu – so might rent it out (but if do so, might lose it). · Also, ganyu to cut grass · Or burn charcoal /sell firewood	· Education – large family sizes – lots of dependents · Children go to school, some drop out – doing ganyu labour. Some get to standard 8 but none to secondary. · User fees are high relative to incomes. Don't have soap to wash clothes. Parents need 500 for 'school fund' each term and 1500/ year – 'school development fee' and '1200 exam fee 'every term (to pay for copying) from standard 5 to 8. · So, start dropping out at level 5 and at 8 before secondary drop out.	· Mostly lack food and only find it after doing ganyu. · Have maize flour but not white flour (more highly milled). · Can purchase pumpkin and sweet potato leaves, cassava- found in farms or beg from neighbor. · Cooked cassava at lunch, only one evening meal of Nsima and veg	20%
3. Poor	· People with laboring capacity, some productive assets but not enough to escape laboring for wages or food to make ends meet. · His group also must rely on adverse credit and labour relationships. · May have land /cattle/small business but cannot save enough in good years	· Labour and livelihoods · Can produce food for farm for maximum 3-4 months – unless family is very big than not even 3 months · Can do very small business like selling banana and maize corn fritters – fried. · Small garden in home irrigate in back yard or	· Assets · Livestock – chicken or one goat (given by donor directly or by pass on scheme)	· Ed · Children can make it to secondary school but cannot pay all 4 years only say 2 and have someone help them pay the rest. · The nearby white farm (with Malawi management) might	· Food · Can have 2 meals of maize. · Legumes pigeon peas and sometimes afford small dry fish	20%

	necessary to withstand shocks (health, drought). · Often must sell assets to cope in crisis and go hungry. · Vulnerable to downward mobility to 'very poor'	behind bathroom grow a few veg and sell.		help them – huge modern farm.		
5.Rich/ Resilient	· Sufficient assets, social networks) to prevent significant downward mobility relative to overall productive wealth · May employ small amounts of labour on farm or be involved in small -scale trade	· Can hire in labour · Provide very small loans to people · Their farms produce for the whole year · Can produce cotton for sale – rainfed. · Irrigated farming – rent in the land	· Can have house with iron sheets. · Motorbike · Bicycles which rent out	· Education · Children can finish secondary school and if selected can go to national secondary can pay and pay boarding	· Food · Have small families – 2 or 3 children · 3 times a day · Skin shows they have milk and eggs	10