RESILIENCE AND SUSTAINABLE POVERTY ESCAPES IN NEPAL

Report

APRIL 2018

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EXECUTIVE SUMMARY

Nepal experienced considerable poverty reduction over the last two decades. It’s poverty headcount reduced from 63.8% in 1995 to 30.8% in 2010, according to the 2010 national poverty line, and even lower to 25.2% in 2010 (Uematsu et al., 2016). The enablers of poverty reduction in Nepal have included an increase in migration and remittances, non-farm diversification, higher non-farm wages, and a decline in fertility rates (World Bank, 2016). However, over the same period, several factors including low economic and agricultural growth, weak public infrastructure, continued exclusion of disadvantaged groups, and conflict and other shocks prevented households from escaping poverty, or pushed households which had escaped back into poverty.

Figure 1: Poverty trajectories in Nepal, percent of households, 1995/96-2010/11

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, or resilience), while other households escape poverty only to fall back into poverty (transitory poverty escape) and still other descend into poverty for the first time (impoverishment). Analysis of the Nepal Living Standards Survey (NLSS) for this case study reveals that transitory poverty escapes are a significant phenomenon in both rural and urban Nepal. Between 1995/96 and 2010/11, around 25% of households either escaped poverty only to fall back into poverty, or became impoverished over time (Figure 1). In urban areas, these rates were slightly higher (27%) compared to rural areas (24%), brought up by a particularly high rate of impoverishment (23%) in urban areas.

This report combines analysis from three rounds of the panel component of NLSS with qualitative research approaches, in particular, key informant interviews, life histories, and participatory wealth ranking to further investigate the drivers of sustained and transitory poverty escapes and of impoverishment. The report investigates the resources (land, livestock, and value of assets), attributes (household composition and education level), and activities (including jobs and engagement in non-farm activities) of households that enable them to build their resilience to sustainably escape poverty and minimize the likelihood of them falling back into poverty or descending into poverty for the first time.

Key findings suggest that in Nepal, the following factors contribute to sustainable poverty escapes:

1) Building the initial household resource base
   • Building assets are generally helpful in improving welfare, but in Nepal have been highly vulnerable to risks including conflict, theft, and fires as the fieldwork highlights. Overall, assets are thus associated with a statistically significant increased risk of an escape from poverty being transitory.
   • “Having land is… better than not having land” (Arka Fakar, urban Banke). Still, poor productivity of land, as outlined in the fieldwork, continues to limit its benefits in promoting poverty escapes.
   • Livestock helps smooth consumption when other costs arise, and is particularly a beneficial source of income for households with productive members. Of the resource base attributes covered in the study, livestock had the largest impact on promoting sustained escapes from poverty, providing households with a relatively liquid asset to smooth consumption in times of distress.

2) Improving household and personal attributes and capacities
   • Regression results indicate that larger households are less at risk of a poverty escape that is transitory rather than sustained. The fieldwork develops this, revealing that large households are advantageous to some families depending on the demographic makeup.
Female headship due to widowhood, separation, or divorce can drive households back into poverty after they have escaped; on the other side, according to qualitative data, marriage alone may be insufficient in sustaining a poverty escape, especially where gendered norms curtail women’s agency.

3) Reducing the risks associated with single-source economic activities
- According to qualitative data, engagement in agriculture can, in specific circumstances and for households with sufficient land, be a successful pathway out of poverty, particularly in instances where households have access to information about production technologies and quality inputs, where partnerships exist between husband and wife, where there is diversification (even within agriculture), and when linked with markets.
- Non-farm enterprises offer a particularly sustainable way out of poverty, especially for those with training and education. Controlling for other variables, regression results indicate that engagement in a non-farm enterprise reduces the risk of a poverty escape being transitory rather than sustained by the largest amount compared to other economic activities. Still, lack of customers and capital problems constrain profitability for some households.
- Engagement in non-farm economic labor also has its risks. Fieldwork reveals that social connections in these settings continue to disadvantage marginalised social groups.
- Migration can under certain circumstances be a pathway out of poverty, particularly where skills learned through migration are used upon returning to Nepal. However, cases of indebtedness and social breakdowns through death and permanent illness often offset the benefits, and render poverty escapes only transitory as seen in the regression results.
- Risks of loan traps and non-repayment mean that loans are associated with impoverishment.

4) Managing and mitigating the effects of shocks and stresses
- Health shocks increase the risk of a poverty escape being transitory rather than sustained. This operates through increased health expenditures and the reduced ability of ill or disabled members to contribute to income generation.
- Alcohol consumption and associated behaviours can reverse household welfare gains, contribute considerably to a heightened risk of a poverty escape being transitory rather than sustained, and also prevent asset accumulation. Controlling for other variables, regression results reveal that alcohol consumption has the largest risk of an escape from poverty being transitory rather than sustained.
- According to qualitative findings, rapid-onset disasters like flooding can prevent an escape from poverty from being sustained; while flood relief helps offset some of these immediate losses, they may not necessarily help households recover from floods in the long term.
- According to qualitative results, the Maoist insurgency prevented poverty escapes from being sustained and may have contributed to the intergenerational transmission of poverty.

The study also investigated drivers of mobility amongst households that have:
1) escaped poverty sustainably or are near poor but improved their welfare over time.
- Tangible and intangible asset development helps improve welfare amongst sustained escapers.
- According to qualitative findings, non-farm diversification, agriculture with collaboration, and financial management are three activities that have helped households build resilience and continue to improve their welfare over time.

2) been persistently below 1.25 times the poverty line across survey years.
- Chronically poor and insecure near-poor households face additional constraints, particularly around unfavourable demographics, which prevent improvements in their welfare.
- The chronic poor and insecure near-poor also experience enablers of upward mobility. These include building an asset base, receipt of remittances, and past engagement in the Maoist insurgency.
INTRODUCTION

Nepal experienced considerable poverty reduction over the last two decades. Its poverty headcount reduced from 63.8% in 1995 to 30.8% in 2010, according to the 2010 national poverty line, and even lower to 25.2% according to a revised 2010 estimate (Uematsu et al., 2016). This progress took place during a time of intense conflict, disasters, slow economic growth, and post-conflict recovery, which makes Nepal’s successes in poverty reduction even more noteworthy. However, around 25% of households over the same period either escaped poverty only to fall back into poverty, or became impoverished. Moreover, almost a fifth of non-poor households in 2010 had per capita expenditures less than 1.5 times the national poverty line, suggesting they may remained vulnerable to poverty. Their proximity to the poverty line makes them particularly vulnerable to falling into poverty in the face of another shock.

The focus of this report is to examine the drivers of sustained escapes from poverty. It brings together:

- New **quantitative analysis** of the panel component of the Nepal Living Standards Survey (NLSS), comprised of 434 households in 1995/96, 2003/04, and 2010/11 in rural and urban areas of Nepal.
- Insights from 13 **key informant interviews** with development stakeholders in Kathmandu, Banke, and Dailekh districts in Nepal. Banke and Dailekh were chosen as the analysis of the NLSS revealed they had large shares of households that were both transitory escapers and sustained escapers, and also as they are located in the Feed the Future zone of influence.¹
- Information from eight² **focus group discussions** (FGDs) used to create historical participatory wealth ranking in four settlements (half rural and half urban) in Banke and Dailekh. These gender-disaggregated community FGDs provided a snapshot through which to better understand the meso-level drivers of mobility in wellbeing.
- **Life history interviews** with 40 individuals who were identified during the participatory wealth ranking as being on the different poverty trajectories.³
- **Wider literature** on the extent and nature of poverty reduction and poverty dynamics in Nepal.

**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. In this work, **sustained poverty escapes** or resilience is viewed as a set of capacities enabling households to remain out of poverty over the long term, even in the face of shocks and stresses. In other words, the capacity to be resilient means an individual or household is ultimately able to avoid becoming impoverished or a poverty escape that is transitory.

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¹ Feed the Future is the U.S. Government’s global hunger and food security initiative.
² Two FGDs were held at each site listed. An additional FGD was undertaken in a site which was stated to be an urban municipality. However, subsequent fieldwork did not proceed there as the site displayed little characteristics of urban or even peri-urban areas. Finally, it should be noted that the qualitative analysis includes households only from two districts (Dailekh and Banke) and though it offers useful insights on poverty dynamics in different areas of the country, does not aim to be nationally representative.
³ Note, all life history names have been anonymised in this report.
MACRO DRIVERS OF POVERTY REDUCTION

As noted above, Nepal is largely viewed as a success story on poverty reduction, especially over the last two decades. Various macro drivers have been responsible for this success story, in spite of considerable constraints. These are summarised in Table 1.

Table 1: Constraints and enablers of poverty reduction in Nepal

<table>
<thead>
<tr>
<th>Constraints</th>
<th>Enablers</th>
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<tr>
<td>Low economic growth driven by the urban service sector, with little benefit to the large rural population (Bhatta and Sharma, 2006). Growth that did take place from 1995 to 2003 was driven by urban areas and wealthier quintiles (CBS, 2005).</td>
<td>Increased migration and remittances. Since the turn of the century, Nepal's migration destinations have changed from India to other destinations abroad such as Malaysia and the Gulf countries. At the same time, remittances grew from less than 1% of GDP in the late 1990s, to 15% in 2005 and 22% in 2010. In addition, by 2010, over half of Nepali households received some form of remittances (World Bank, 2016). By 2016, as much as 30% of GDP was from remittances, the second highest share in the world (Ratha et al., 2017).</td>
</tr>
<tr>
<td>Low agricultural growth, including low returns for the poor driven by a decreasing size of landholdings, limited irrigated land and access to technology and formal credit (Bhatta &amp; Sharma, 2006; Prennushi, 1999).</td>
<td>Non-farm diversification and increased non-farm wages. Since the 2000s, there has been an uptake in demand-led growth of farm and off-farm self-employment incomes, believed to be a by-product of migration. Moreover, in rural areas, there was an observed shift from agricultural to non-agricultural labor incomes (World Bank, 2016).</td>
</tr>
<tr>
<td>Weak public infrastructure concentrated in urban areas amidst fast urbanisation (Bakrania, 2015), while their limited presence in rural areas was worsened by poor quality and higher cost (Bhatta and Sharma, 2006). More recently, however, roads have been extended and bridges built to replace dangerous ropeways.</td>
<td>Decline in fertility rates. While high population growth was originally cited as contributing to high poverty rates in the 1990s, the country has since witnessed a slowdown in fertility rates from 5 in the 1990s to 2.3 in 2016 (World Bank, 2016; Ministry of Health, 2017). Increased education, female labor force participation, urbanisation, and migration have all had a role to play in delaying marriage and reducing fertility (World Bank, 2016).</td>
</tr>
<tr>
<td>Exclusion of disadvantaged groups. For example, at the start of the survey period, almost three quarters (71%) the Limbu ethnic group lived in poverty. By 2011, only 10% of Brahmins and Newars lived in poverty, compared to 38% amongst the Terai Dalits (Patel, 2012)</td>
<td></td>
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<td>Various shocks. The Maoist insurgency was fuelled by the neglect of poverty in rural areas and stark caste/ethnic differences (Seddon and Hussein, 2002). Other shocks include natural hazards, particularly rapid-onset disasters like the 2015 earthquake, but also frequent episodes of flooding.</td>
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MICRO DRIVERS OF POVERTY REDUCTION

In addition to the macro-level enablers and constraints to poverty reduction, the literature also points to meso- and micro-drivers of poverty dynamics, which go beyond one-time poverty status to examine household-level changes in wellbeing over time. For example, analyzing the NLSS panel between 1995 and 2003, Bhatta and Sharma (2006) observe that a higher level of political violence was associated with a higher likelihood of chronic poverty. To this, Macours (2011) adds that there was a positive relationship between inequality and Maoist recruitment. In addition, analyzing field surveys in 2001 and 2007, Joshi et al. (2010) finds that the prevalence of disasters increased the risk of poverty descents.
Inequality of various forms has constrained the ability of households to escape poverty in Nepal. For example, higher agricultural inequality, defined through land holdings, is associated with a higher likelihood of chronic poverty. Additionally, there are stark differences in poverty rates between disadvantaged and privileged castes in Nepal, with the risk of falling into chronic poverty being much higher among the disadvantaged relative to other populations between 2001 and 2007 (Joshi et al., 2010). Social exclusion is also higher for women, minority ethnic groups, and those residing in remote regions (Mascie-Taylor, 2013). It is also found to be more intense where these characteristics overlap (Adhikari et al., 2014). Others argue that the differential poverty rates by caste group is determined by differences in human capital—primarily education and skills- and physical assets including land and livestock; as well as in returns to these assets (World Bank et al., 2006, in Wagle, 2016).

Certain household demographics and activities also emerge as particularly salient in increasing the risk of poverty. Female headship and higher dependency ratios were found to increase the risk of falling into poverty (Joshi et al., 2010), while older household heads and female involvement in service employment (Thapa et al., 2013) were observed determinants of rural poverty in particular, with wages lower for women compared to men.

Regional attributes also affect the likelihood of a household experiencing poverty. Households in the mid- and far-West regions of Nepal—today forming provinces 5, 6, and part of 7—tend to be particularly remote, with access to public services and standards of living much lower. In addition, dependency ratios are higher and assets are fewer in these areas, contributing to high poverty rates. Combining indicators of natural disasters, risk and resilience, and food insecurity furthermore revealed that the Western region had significantly higher vulnerability compared to other regions (Mascie-Taylor, 2013).

So far, the discussion has been of constraints to poverty reduction; however, the literature also points to enabling pathways out of poverty. An increase in the years of schooling of the head of the household acts as an enabler in helping households move out of poverty (Joshi et al., 2010). Empirical studies on migration is mixed. Thapa et al. (2013) find no significant effect of remittances in rural areas, hypothesizing that these transfers to rural households may have been “siphoned off to urban pocket areas.” Hagen-Zanker et al. (2014) find that migration often contributes to vulnerability in conflict-affected areas of the country. Yet others, however, find that one-fifth of the poverty reduction that occurred between 1995 and 2003 was a result of higher work-related migration and remittances (Loshkin et al., 2007). This migration was primarily international, though domestic migration common amongst poor and large households also had an impact on poverty reduction. Finally, other studies highlight the differential impacts of migration based on factors including caste and ethnicity, geography, and duration of migration (Sijapati et al., 2017).

**MESO-LEVEL DRIVERS OF POVERTY MOBILITY**

While the discussion so far has relied mainly on macro- and micro-level findings from the literature, the following section now explores meso-level drivers expounded in focus group discussions carried out as part of this study. The FGDs revealed meso-level changes over time and drivers of mobility in the four settlements in Banke and Dailekh. These are summarized in Table 2 and the text that follows.

<table>
<thead>
<tr>
<th>Drivers of downward mobility</th>
<th>Drivers of upward mobility</th>
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<tr>
<td>Rural areas saw continued dependence on agriculture as a main source of livelihoods, amidst low productivity from limited irrigation.</td>
<td>Agriculture development and diversification. Cultivation of new crops for commercial purposes (i.e. mushrooms, fruits), and increases in commercial livestock rearing (i.e. goat, bee-keeping) improved</td>
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</table>
Drivers of downward mobility

Many households invest all of their money in agriculture but get insufficient returns.

Lack of job opportunities, and insufficient, low wage labor work pushed individuals to migrate. The price rate for agricultural outputs often rose in markets though incomes did not increase on par. Households with single breadwinners noted difficulties. Sometimes the breadwinner could not send money on time if abroad. Women would then take loans and pay it back when their husband sends home money.

Migration was seen to come with its risks: people died, became handicapped, did not get a good job, were looted, engaged in substance abuse, did not save enough or were cheated by brokers. "If you get into the trap of a broker then you’ll become poor" (Men’s FGD, rural Banke). Also, when youth migrated to urban areas, many felt that only the elderly were left in the villages.

Some loans incurred heavy interest rates, though were seen as necessary to finance education, health costs, and household repairs. Participates noted a lack of awareness about saving: some felt people preferred to spend money on fashionable clothes and other luxuries to compete with each other.

Many perceived that the government did not always help people who aspired to improve their wellbeing, for example through starting new business activities. There was also a perceived lack of facilities like health centers to support wellbeing.

Various shocks, stresses, and norms impoverished: 1) Natural hazards: “We live in the perils of the river” (Men’s FGD, rural Banke). Many attributed this to God’s wrath. 2) Health: heightened expenditure in medicines and loans for treatment in the event of sickness. 3) Marriage practices like polygamy or dowry was seen to push families down. 4) Alcoholism and gambling were other types of stresses in the villages. “A person with bad character is bound to fall in life” (Men’s FGD, urban Dailekh). 5) Division of ancestral property alongside a growing population.

Drivers of upward mobility

returns to assets. Collection centers provide poor households with information about market prices to secure a fair price for produce. While payment used to often be made in kind and on employer’s judgement, now there is fixed rate for daily wage labor- “350-400 for women and up to 1000 for men depending on skills” (Women’s FGD, rural Dailekh). People get support from organizations now to open a business. If they have start-up capital, they can invest and gain business knowledge. In addition, people started non-agriculture labor work and diversified job opportunities. They are also now working all year around, thus replacing seasonal agriculture employment.

Though risky, migration and remittances, especially foreign employment (to Malaysia and the Gulf) is increasingly important to improving welfare.

Financial services and inclusion, and social support, now exists. Credit groups began to develop in the last decade. As farmers’ credit groups arrived in the village, people could get loans to make houses or other activities at a low interest rate. As a result, people have begun to put money in banks and save.

Projects and programs, including skill development trainings, started coming to the village, creating employment opportunities and allowing poor households to secure better jobs and improve their wellbeing and knowledge about agriculture. There is also now more program support for historically disadvantaged ethnic and caste groups. However, many felt that this support should be given to everyone who was poor regardless of caste.

Development of physical infrastructures such as roads, schools, and clean tap water has reaped benefits. Development of roads also improved connectivity with markets and provided job opportunities, i.e. people started to earn daily wage labor from digging roads, selling goods on the roadside, etc.

Women started to become economically and socially empowered after joining local groups in the last 2-3 years- they feel like they can speak more in public, and have increased self-confidence, awareness, and mobility. Women go outside the house more, engage in savings groups, and take up small jobs.
In addition to the community-level drivers outlined in Table 2, there were certain other drivers cited during the FGDs which varied by area of residence, gender, and time period:

- **Area**: Rural settlements cited demographic drivers more often, compared to urban participants in FGDs who tended to focus on activities and resources. On drivers of impoverishment, urban FGDs emphasized squatter homes and a trend towards modernization whereby people were increasingly spending on luxury items such as fashionable clothes and mobiles.

- **Gender**: Women in the FGDs were more likely to mention support and assistance schemes in improving household welfare across sectors—for example in starting a business, women’s empowerment, and caste-based support schemes.

### POVERTY DYNAMICS, WITH A FOCUS ON TRANSITORY AND SUSTAINED ESCAPES

The previous sections highlighted factors that influence poverty dynamics based on information from the literature and FGDs. This section introduces analysis of the panel component of the Nepal Living Standards Survey (NLSS), comprising three rounds over 1995/96-2010/11 to investigate poverty dynamics in the country. Figure 2 indicates that a quarter of households moved out of poverty between 1995/96 and 2003/04, while 10% fell into poverty over the same period. Interestingly, almost 20% of households fell into poverty over the last two survey years, most of which was concentrated in the Far West region. Of this, over half (55%) had transitorily moved out of poverty before the fall back into poverty.

![Figure 2: Poverty dynamics in Nepal, percent of households, 1995-2011](image)

**Figure 2**: Poverty dynamics in Nepal, percent of households, 1995-2011


<table>
<thead>
<tr>
<th>% of households</th>
<th>Stayed out of poverty</th>
<th>Slipped into poverty</th>
<th>Moved out of poverty</th>
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**Figure 3: Poverty trajectories in Nepal, percent of households, 1995-2010**

![Figure 3](image)

Figure 2 shows household mobility between waves, but does not reveal heterogeneity of poverty trajectories over the survey period. **Between 1995/96 and 2010/11, 12% of households escaped poverty only to fall back into poverty over time** (Figure 3). Moreover, two-thirds of the population were poor at some point in time.

**4 Churners: Non-poor in wave 1, poor in wave 2, and then non-poor again in wave 3.**
On a hopeful note, analysis of the NLSS reveals that a fifth of households who were poor at some point in time were initially poor in 1995/96, but managed to escape poverty sustainably over subsequent survey years. Together, transitory and sustained poverty escapers constitute a quarter of the sample. As such, it is worth examining what factors are associated with protecting households so that they escape poverty and stay out of poverty over time, as well as what factors are associated with transitory poverty escapes. The large share of impoverished also merit analysis of what drivers and constraints have been responsible for the downward trajectory.

This section examined poverty mobility across the survey years of the NLSS. We next present results of the quantitative and qualitative analysis into drivers of transitory and sustained escapes in Nepal.

WHY DO SOME HOUSEHOLDS ESCAPE POVERTY ONLY TO FALL BACK INTO IT, WHILE OTHERS ESCAPE POVERTY AND REMAIN OUT OF POVERTY OVER TIME?

This section investigates the extent to which various factors help promote or constrain the ability of households to escape poverty sustainably. These factors are grouped into those relating to: (i) household resource base; (ii) household attributes and capacities; (iii) engagement in certain activities; and (iv) shocks. The investigation relies on mixed methods research, comprising:

- Analysis of three waves of the Nepal Living Standards Survey (see Box 2 for the quantitative approach employed in this paper, and the Annex for regression results and summary statistics based on survey data); and
- Life histories with 20 urban and 20 rural households on different poverty trajectories in Banke and Dailekh in Nepal.

The findings in this section draw on a combination of quantitative and/or qualitative research analysis, as specified in the text.

Box 2: Approach to quantitative analysis

This study employs multinomial logistic regressions to investigate determinants of transitory poverty escapes and impoverishment. Our equation is similar to that employed in Diwakar (2016), where:

$$\Pr(Poverty Trajectory_{it} = 1 \mid \beta, v_{it}) = F(\beta_0 + \beta_1 Head_{it} + \beta_2 Region_{it} + \beta_3 H_{it})$$

for $$v_i = (1, Head_i, Region_i, H_i)$$

where Poverty Trajectory is probability of the household experiencing a transitory poverty escape, becoming impoverished, or sustaining a poverty escape,

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.

The base outcome is whether a household has experienced a sustained poverty escape. A variable coefficient that is greater than one indicates that a household has a higher risk ratio of the outcome (transitory poverty escape or impoverishment) relative to the reference group of sustained escapers.
In addition, fixed effects regressions were also conducted in this study, to analyze improvements in wellbeing amongst sustained escapers and chronically poor, respectively. These employ the same explanatory variables as noted above, but with a continuous welfare indicator for the outcome.

A methodological limitation in this study is a relatively small sample size (434 households) and high attrition which limits national representativeness and the ability to generalize findings to the larger population. Nevertheless, the study of longitudinal data like the NLSS reveals key insights on poverty dynamics that are otherwise obscured by cross-sectional analysis of poverty (Wagle, 2016).5

This report aims to understand the drivers of poverty escapes that are transitory rather than sustained.

**INITIAL HOUSEHOLD RESOURCE BASE**

**Key Message:** Building assets are helpful in improving welfare, but in Nepal have been highly vulnerable to risks including conflict, theft, and fires as the fieldwork highlights. Many households also purchase non-productive luxury goods to increase their social status at the expense of monetary welfare. Overall, an increase in asset value is associated with an increased risk of poverty escapes being transitory rather than sustained.

Many threats exist to asset-based routes out of poverty in Nepal. Behaviorally, FGDs highlighted a trend of households purchasing luxury goods for status, which limited their ability to improve wellbeing over time. Shocks such as flooding and fires were also noted to reduce the asset base of life history interviewees. Theft was also common, both during the Maoist conflict and in subsequent years. Consider the plight of Sanjay Kriyan in rural Dailekh: “In 2000, I was robbed by a [Maoist] villager who had a grudge on me. At that time nobody helped me. After that I was compelled to run away from there.” In the post-conflict period. Ashish Cheetri’s family also got attacked twice in an urban area of Banke. “Once, they stole the cycle. Then, they also stole our buffalo. Next, they tried to attack my grandfather. He had some money with him… So, they tied him to the bed and robbed his money.” However, Ashish’s father was reluctant to go to the police. “There wouldn’t be much police investigation, since we are poor.” Reflecting these varied threats, regression results indicate that a 1% increase in asset value6 is associated with triple the risk of a poverty escape being transitory and double the risk of impoverishment, relative to a sustained escape, though this is not disaggregated by type of asset. The risk of impoverishment is larger for disadvantaged ethnic and caste groups.7

**Key Message:** “Having land is... better than not having land” (Arka Fakar, in urban Banke). However, poor productivity of land, as outlined in the fieldwork, continues to limit its benefits in promoting poverty escapes.

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5 This study employs consumption aggregates constructed by Wagle (2016), which provide poverty estimates and final consumption expenditures close to those reported by the CBS. However, it differs from the CBS construction, which excludes items such as firewood and religious functions but include recomputed durable goods.

6 Asset value in the survey is measured as the value of the following durable goods: bicycle, camera, computer or printer, fans or heaters, furniture, jewelry, kitchen utensils, vehicles including scooters, radio, refrigerator, sewing machine, telephone, TV, washing machine.

7 Though the regressions control for conflict-affectedness, this covers only the most affected districts, when in fact 73 of Nepal’s 75 districts experienced some form of conflict-related casualties over the insurgency period.
Land is a particularly important type of asset for many poor households. Land ownership rates are much higher in rural (91%) compared to urban (35%) areas, according to the NLSS panel in 2010. By poverty trajectory, **chronically poor households were most likely to own land (97%), and sustained escapers least likely (79%).** This could reflect diversification or engagement in non-farm economic activities amongst the group of sustained escapers, a point we return to later. In any case, the panel did not allow for the amount or ownership of cultivable land to be assessed, and in the regression analysis land ownership was not a statistical significant factor in explaining poverty trajectories.

Qualitative insights nevertheless highlight the importance of cultivable land. “Having land is always better than not having land, having more lands means its sale value would be more, the agriculture produce from that land would be more so that means you have to buy less food from the market and this will save more money.” Over time, through use of hybrid seeds and improved irrigation facilities, some households have seen a rise in their agricultural productivity.

At the same time, land in Banke and Dailekh was often deemed unprofitable amongst the poor, with key constraints emerging in preventing households from using land to improve their economic trajectories or cushion against transitory escapes from poverty (Figure 4).

*Figure 4: Constraints in land as a pathway out of poverty*

#### Government projects

In several instances, government intervention without compensation was observed, as in the case of Kiran Lakshman in urban Dailekh. “We had lots of land here but then the government took my land to build this highway here… They had promised that they would give me some compensation for the land but I didn’t get any.” However, extension services and government programs also helped some households adopt new crop varieties and improve yields.

#### Poor fertility

- Aadi Faneel in urban Dailekh notes productivity constraints of poor quality, dry land.
- “Even though we have 1 ropani (0.05 hectares) of land the productivity of the land is very poor- may be it’s because of lack of irrigation and also the topography of the area that makes it unsuitable for agriculture.”

#### Low rainfall

- Without irrigation, many poor households relied on rainfall, as Gagan Hindaya in urban Banke explains:
- “Everyone does agriculture, ploughs the fields, plants the seeds and cultivates the crops. But rainfall is uncertain. Even after all the hard work, if the rain does not occur, then there’s no use of it. There is no irrigation facility here.”

#### Small plots

- In many instances, large family sizes limited the size of land inheritance for future generations. Krijal Kul in rural Dailekh explains:
- “There are many people who don’t have lands here because the ancestral land have been divided so many time among brothers and their children that they only have small land holding.”

#### Few productive workers

Even quality land requires labor to reap its benefits, as Krijal despondently added: “We had good amount of land but… my mother was weak and couldn’t work… and I had no brothers so who will work on the land.” Later on, her brothers secured her land, though she expressed no regret. “What will I have done with the land? I cannot plough it because of my disability.”
Key Message: Livestock – particularly goats - helps smooth consumption when other costs arise, and is a particularly beneficial source of income and consumption for households with productive members. Out of the resource base attributes covered in the study, livestock had the largest impact on promoting sustained escapes from poverty, providing households with a relatively liquid asset to smooth consumption in times of distress.

Figure 5: Livestock owned, 2010

Livestock is another important asset for many poor households in rural areas. Goats were the most popular choice, comprising almost half of all livestock owned in the latest survey year, and the rest predominantly comprising cows and buffaloes (Figure 5). The fieldwork indicated a preference for goats compared to cows and buffaloes, as the latter often took longer to sell. Similarly, there was often a larger supply of poultry, which did not yield as much money as goats and so also reduced their desirability.

By poverty trajectory, sustained escaper households owned around four goats on average, compared to two to three amongst households on other trajectories. Out of the resource base attributes covered in the study, livestock had the largest impact on promoting sustained escapes from poverty, providing households with a relatively liquid asset to smooth consumption in times of distress. In particular, households with a share of livestock higher than the median in the base year were around 70% less at risk of a poverty escape being transitory rather than sustained. Life history interviews mirror this finding, with cattle, goats and buffaloes being used to manage expenses. Ishwar Kamal, a sustained escaper in urban Dailekh, sold a goat to buy gold for his daughter in anticipation of her marriage. Similarly, Gagan in urban Banke recalls how he paid for his son’s treatment: “I sold the buffaloes to get the money and paid it back. That’s what you do; you raise buffaloes and sell milk or sell the buffalo when in need. Then, you need to buy the buffalo calves again and raise them.”

Livestock-rearing was particularly useful in cases where productive members were involved. For example, Samokora Shakya in rural Dailekh “used to memorize the chapters on livestock farming and also read books from others [and later] radio programs”, relating her knowledge to family members. In this way, goat-rearing was a particularly productive activity for households with educated, working-age members who could also help contribute to their upkeep. For others, like Fanindra Jenan in urban Dailekh, “it is profitable but we are also too old to take care of them.”

Box 3: Spotlight on urban poverty

The discussion so far has focused on resources most relevant to the rural poor. We know however that poverty also impacts those living in urban contexts, and in fact, rates of poverty are increasing in urban areas (Bakrania, 2015). As such, we also investigated poverty dynamics in urban areas of Nepal.

Between 1995/96 and 2010/11, analysis of NLSS reveals that 15% of households in rural areas were sustained escapers, compared to 12% of households in urban areas. Similarly, 12% of households in rural areas were transitory escapers, compared to just 5% in urban areas. Across the survey period, urban areas saw higher rates of impoverishment, though lower rates of chronic poverty, relative to rural areas (Figure 6). In particular, almost a quarter (23%) of urban households were impoverished over the survey period, compared to chronic poverty rates of 3% in these areas. Regionally, urban poverty in Nepal is highest in the Terai, comprising 22% of individuals (CBS, 2012).
There are also statistically significant differences in demographics and activities between urban and rural areas (Figure 7). For example, households in rural areas are over twice as likely to receive transfers, including remittances, and more likely to take out loans. As expected, they tend to engage in agricultural activities, while households in urban areas gravitate towards non-farm activities and enterprises. With regards to attributes, 54% and 33% of heads of urban households have completed primary and secondary education, respectively, compared to 33% and 14% in rural areas.

In spite of the gains accrued through education in urban areas, several dimensions of urban poverty prevail. Urban land prices continue to increase (UN-HABITAT, 2010), reflecting high rates of squatter settlements and households as noted in the fieldwork. Squatter households often reside in marginal areas, which are prone to more natural hazards including floods (Muzzini and Aparacio, 2013). Overcrowding in squatter settlements has amplified the spread of communicable diseases (Shrestha, 2013). Analysis of the NLSS reveals that in 2010, as much as 90% of rural dwelling units were comprised only of one household, compared to just 53% in urban areas. In addition, high rates of squatting relates directly to insecurity of tenure and low ownership of land titles. Even where land rights may be secured, financial constraints remain. As Nachi Kinchit in rural Banke notes, “We need to spend money to transfer the ownership. So when I will have money I will do that.”

In addition, infrastructure and public utilities in urban and peri-urban areas remain harder to access, particularly amongst the poorest households (MoUD, 2015). For peri-urban areas, this problem may be particularly acute. As a member of an FGD in Banke noted, “the main city area is not developed, so this [area] which has been merged with it, how will it develop? When the place was a VDC, locals made decisions around where to spend the budget but now they do not have that decision making power as things are decided by the municipality.”

Household resources emerge as key stock variables in the data and life histories which could be built to promote sustained escapes out of poverty. The characteristics of the household also has a role in promoting sustained poverty escapes, which is explored next.
HOUSEHOLD CHARACTERISTICS

Key Message: Regression results indicate that larger households are less at risk of a poverty escape that is transitory rather than sustained. The fieldwork also reveals that large households are advantageous to some families, depending on their demographic makeup.

Regression results reveal that an increase in household size by one person is associated with a 30% reduction in the risk of experiencing impoverishment or a poverty escape that is transitory, relative to a sustained escape from poverty. This may be a reflection of the type of household members. Life histories point to the productive labor children often provide. “As the children grew up, they started working and earning money. So, we were able to feed ourselves,” noted Hira Jiten in rural Banke. Akhil Jori in rural Dailekh spoke to the ups and downs that many families experienced across their life course. “There was one family who had lots of children so the status declined when children had to study, but after all the children started to work the status rose. Then again, after the children started staying separately from their family, [wellbeing] again declined, and the status declined further as people started getting old and had less energy to work.”

Relating to demographic preferences, respondents often expressed social practices and customs as forms of social capital which indicated continued son-bias and reflected wider gender inequalities. “My sons do manual labor. Later, the elder son got a job in police. The younger son does labor work,” stated Devi Lokit in rural Banke. Similarly, Aadi expresses prevailing norms and perceptions when she noted that “If I had a son then my situation would have improved but since I have a daughter someone else will take her away.” She added, “If she elopes then I won’t face any cost… at least that is what a lot of kids are doing here lately. If she doesn’t do that then I have my relatives and my brother who will help me with regards to covering the cost of marriage. People also give dowry but it’s not like what it is in Terai. Here it’s more of a gift as per one’s financial status.”

Key Message: Female headship due to widowhood, separation, or divorce can drive households back into poverty after they have escaped; on the other side, according to qualitative data, marriage alone may be insufficient in sustaining an escape, especially where gendered norms act to curtail women’s agency.

Figure 8: Marriage status amongst female headed households by poverty trajectory, all survey years

Another demographic characteristic which can affect poverty dynamics is the gender of the household head. Across the years, 16-17% of households were female-headed irrespective of area of residence. Regression results reveal that female headship is associated with a risk of a transitory poverty escape that is over 7 times that of male headship. This result partly reflects the type of female-headed household. For example, while 63% of female-headed households were divorced, widowed, or separated across survey years, the figure rises to 88% amongst transitory escapers but falls to 47% amongst sustained escapers (Figure 8).

Though over half of married female heads of households are sustained escapers, life histories reveal instances where marriage alone may be insufficient in promoting an escape, particularly if norms continue to curtail women’s mobility. Aarshi Shidil in rural Dailekh reflects that her freedom of movement was curtailed ever since her husband migrated. “I used to work here before and live with my husband here.
After he went abroad, I could go and stay in urban area [of] Dailekh and Surkhet but I didn’t go because people will think badly about me if I went and stayed there alone. People of village perceive badly if women go out more often here.” Even for women who do work, Devi notes that there continues to be “discrimination in payment between men and women. If the men get Nrs. 400 per day then the women get Nrs. 300 per day… They don’t give equal pay to all.”

Devi’s reflection also indicates differences in female agency and sustained escapes that may exist by area of residence. In the NLSS, amongst sustained escapers, heads of households were more likely to be female in urban areas (14%) compared to rural areas (8%) across survey years. Life histories show hints of increased agency for women in urban areas, which may be responsible for women’s improved ability to sustain an escape in these areas. During Sita Chakrapani’s trajectory upward in urban Banke, she noted “I did social work... I did tailoring work too. My mother in law informed me about [training programs]... So, I gradually got engaged in it. My husband also didn’t restrict me in any way.”

However, in urban areas, though women may experience fewer sociocultural restrictions, such examples point to their increased workloads stemming from the double-burden of income and care work (Chant and McIlwaine, 2013), without the same level of community support. Informalization of labor also has meant that most activities are unregistered and may lack contracts and social protection (Tacoli, 2012). This care work may be transferred to daughters, contributing to the transmission of traditional gender roles and, with it, income and time poverty (Chant, 2013).

This section explored household demographics, including amongst female-headed households. We next examine the ways in which migration and other activities have helped households escape poverty sustainably, while others have escaped only to fall back into poverty over time.

**HOUSEHOLD ACTIVITIES**

**Key Message:** According to qualitative data, engagement in agriculture can, in specific circumstances and for households with sufficient land, be a successful pathway out of poverty, particularly where households have access to information about production technologies and quality inputs, where partnerships exist between husband and wife, where there is diversification (even within agriculture), and when linked with markets.

Over three quarters of household heads were engaged in wage or self-employment in agriculture in the latest survey year. The share engaged in agriculture was highest amongst chronically poor households (94%). Life histories suggest that engagement in agriculture has been successful where households have:

- **Adopted improved inputs**, such as Arpita Sujot in rural Banke who remembers how “news spread in the villages about how the hybrid seeds increases rice productivity.”
- **Diversified within agriculture**: “We bought khet as well as pakho land... We also bought 2 oxen and I help my father to plough the land. We sell honey as well and we have planted various fruit trees... I have plenty of guavas, oranges, honey, and cucumber at home. We sell at the market nearby,” noted Akhil. By building his income from various agriculture-related sources including crop, land, and livestock, Akhil made a name for himself, after which “it was easier to educate my younger siblings.”
- **Access to markets**: Akhil noted that earlier, “There was not [a] big market to sell. But now with the access to road, we can sell our agricultural products to [the] Dailekh market as well as Surkhet area.”

However, **constraints exist and include transportation costs and acquiring information on market demand**, which prevented Arka Fakar’s husband, in urban Banke, from selling mushroom this year. “My husband used to go to every shop and hotel in the market area and ask them if they need some mushrooms... But this year he couldn’t do that because he didn’t have free time to do so and got busy in
his job. I cannot ride a bicycle so cannot go to different places quickly and sell these mushrooms packets like my husband could. If we travel by [bus] the transportation fare would be equal to or more than our earning so it is not profitable to do that."

While within-agriculture diversification is a step up for many households, it lacks sustainability insofar as it fails to diversify risk factors away from the agricultural cycle. A smaller but considerable number of households are engaged in non-farm economic activities, which we turn to next.

Key Message: Non-farm enterprises offer a particularly sustainable way out of poverty, especially for those with training and education. Controlling for other variables, regression results indicate that engagement in a non-farm enterprise reduces the risk of a poverty escape being transitory rather than sustained by the largest amount compared to other economic activities. Still, lack of customers and capital problems constrain profitability for some households.

Employment rates were highest amongst sustained escapers in the latest survey year, as was employment in non-farm enterprises specifically. On the latter, **38% of sustained escapers had a non-farm enterprise in the latest survey year, compared to 31% of transitory escapers and just 16% of impoverished households.** Almost a third of households were engaged in non-farm enterprises in the latest survey year. The type of enterprise varied, with retail trade and manufacturing of food products and beverages most common in 2010, though the latter was dominant only in rural areas. Four in ten sustained escapers that engaged in non-farm enterprises operated businesses related to retail trade, forming the most common type of enterprise in any poverty trajectory.

The quantitative results indicate that households that operate non-farm enterprise are eight times less at risk of a poverty escape that is transitory rather than sustained. Controlling for other variables, engagement in a non-farm enterprise reduces this risk by the largest amount compared to other economic activities. Even disadvantaged ethnic and caste groups who manage to engage in non-farm enterprise see their risk of a poverty escape that is transitory reduce. Ketan outlines the advantages of non-farm businesses. “With shops you will earn some money 100 or 200 rupee (1 or 2 USD) at minimum every day and so if you are in great need of money then having a business helps. Also if in case of emergency, for example if someone got sick and you need 40 thousand rupee (380 USD) instantly then those who have businesses will have that money more so than those who do agriculture. Also, if one were to take loans, the lender would give loans more easily to someone who owns a shop than to someone who does agriculture.”

**Box 4: Successful path out through business**

Six to seven years ago, I had opened this workshop at my home because I was not sure if it will work out so couldn’t risk renting a shop. I worked from my home for six months. After that an uncle of mine gave his land to use to build my workshop free of rent. Once I moved here my customers increased and I also had linkages with the market in Dailekh bazaar. My relatives and distant relatives too started to visit my shop for their carpentry needs. In this way my business started to grow. [I] needed to add workers who could help me so I hired a worker. But it didn’t work well, because I had to pay them consistent salary but my business would fluctuate, so there would be months where there was no work but I still had to pay them. So I let him go and it was me and my son who worked there but now my business is doing good so I hired a worker just a few days ago and I am a bit confident that I can pay him and run my business.

*Source: Interview with Ishwar Kamal, urban Dailekh.*

However, engagement in non-farm economic enterprises were not without their risks. The main
The problem cited in business operations was a lack of customers (15%), which affected 30% of chronically poor households, followed by capital or credit problems (9%) which occurred in around 12% of transitory escaper and impoverished households’ businesses, typically located in rural areas. Qualitative findings also point to the risks of non-farm enterprises, outlined in Figure 9.

Figure 9: Capital risks around non-farm enterprises

<table>
<thead>
<tr>
<th>Physical capital</th>
<th>Human capital</th>
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<tbody>
<tr>
<td>Illustrative description</td>
<td>&quot;I had thought about [doing the same work as my father in business] but I didn’t have any money to invest back then. You need capital and to buy motor machines... We could have started the same work, but it is an uncertain business&quot; (Dipesh Jeewan, urban Dailekh).</td>
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<tr>
<td>Illustrative risk</td>
<td>&quot;Sometimes there was deficiency of raw materials, sometimes the carpentry machine broke down so money was needed to be reinvested in the machinery. It is these crisis that has cropped up in my life regularly that has stopped me from moving upwards&quot; (Ishwar).</td>
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For women, these risks may be compounded. KII’s spoke of returnee female migrants who found it difficult to procure investment to start a business due to banks’ doubt regarding their abilities. They also faced social stigma particularly where they were engaged in domestic work abroad, as this was seen to compromise their dignity. As a result, these women were often unable to use the skills they had learned through migration, and in many instances ended up migrating once more under precarious conditions.

**Key Message:** Engagement in non-farm economic activities outside of managing an enterprise also has its risks. Fieldwork reveals that social connections in these settings continue to disadvantage marginalized social groups.

Engagement in the non-farm economy may be through owning an enterprise or involvement in activities within the sector. The prevalence of these employment activities vary by poverty trajectory. **Mining and construction labor was the most common type of non-farm activity in the latest survey year across poverty trajectories, though much lower amongst sustained escapers (12%) compared to transitory escapers (22%).** In contrast, market-oriented gardeners and crop growers were the third most common non-farm activity amongst sustained escapers (10%), but absent amongst activities undertaken by heads of transitory escaper, impoverished, or chronically poor households. Finally, domestic and related helpers, manufacturing laborers, and nursing and midwifery associate professionals were amongst the top ten activities for sustained escapers from poverty, though not in other trajectories.

While such summary data offer insights on the varied types of non-farm activities by poverty trajectory, it is worth noting that engagement in these activities, like that of managing an enterprise, is also not without its risks. Aashima Kumar in urban Banke notes that during the earthquake, the government did not provide salaries for a month. Akanksha Fragan also in urban Banke states that while non-farm activities may be
lucrative due to higher pay, they are also “hard to find on a daily basis. There are currently many people working as iron craftsman so there is lots of competition and hence less work.”

In addition, the work that does exist often relies on social connections, which further disadvantages marginalized social groups. As Aashima states, “Our youngest brother… is filling the form to be a police. But it’s all about power. They will make my brother go through all the tests and trials but in the end, they will cut him out,” while Sita Chakrapani in urban Banke believes the absence of “bribery and powerful connections” prevented her son from being selected to play cricket in Malaysia. Relatedly, analysis of the NLSS reveals higher rates of subsistence agriculture and lower presence of non-agricultural related economic activities amongst the chronic poor, partly reflecting their limited options and lack of networks. In contrast, the possibility of engagement in non-agricultural activities were noted where individuals had completed primary or secondary education, sometimes even received training, and typically had family or other social networks on which to draw.

**Key Message:** Migration can under certain circumstances be a pathway out of poverty, particularly where skills learned through migration are used upon returning to Nepal. However, cases of indebtedness and social breakdowns through death and permanent illness often offset benefits, and render poverty escapes transitory as noted in regression results.

Households may engage in economic activities in Nepal or choose to migrate. Migration has a long history in the country. Push and pull factors, like in other migrant-heavy countries, both indirectly enable and constrain poverty escapes in Nepal. As a push factor, Chetan Bagh in rural Dailekh states that “As it got difficult to make ends meet, I decided to go to India at 18.” In addition, the ten-year conflict greatly impacted rural to urban migration, mainly amongst non-poor households that could afford to migrate in the first place. The NLSS reveals that two-thirds of household heads who had migrated between the last two survey waves went to India, while the remainder migrated predominantly within Nepal. Of the latter, rural to rural migration was most prevalent, occurring in two-thirds of the sample (Figure 10). Similarly in the fieldwork, the chronic poor were more likely to migrate within the country or to India; however, several episodes of migration to Malaysia also emerged amongst sustained and transitory escapers.

*Figure 10: Migration destinations between 2006 and 2010*

These trends have changed since the last NLSS survey wave in 2010. Today, many households also migrate to the Gulf and Malaysia in much higher numbers (Thieme and Ghimire, 2014).
Life histories point to the various benefits that may accrue through migration. Like in other origin countries, remittances in Nepal have been used to improve the welfare of households. Deepika Dhanraj in rural Banke notes, “After my husband started earning money abroad, I used the income to buy land, take care of the household, food, children’s clothing and educational expenses.” This helped her pull her family out of poverty in a sustainable way.

Alongside these benefits are also risks of migration, especially for poor households. **Regression results** indicate that both migration and transfers are associated with an increased risk of impoverishment relative to a sustained escape. The finding around remittances may indicate the use of transfers in helping prevent a particularly severe descent into poverty, or remittances to rural households being “siphoned off to urban pockets areas” (Thapa et al., 2013). Life histories add to this narrative, revealing episodes where migration and remittances, even where it may have originally helped a household escape poverty, remains insufficient in sustaining that escape over time, particularly where the activities learned through migration is not applied upon return (Box 5) or the inability to pay off high migration loans exert significant pressures on household wellbeing. In addition, focus group participants spoke of migrants getting cheated by intermediaries. Finally, in some instances respondents noted the pressures to migrate. As Akhil asserted, “people could stay in the village but they feel ashamed to work here… if you work as a mason here, people look down upon you but if you work as a mason there, they see you with respect.”

**Box 5: Migration, a temporary pathway out of poverty for returnee migrants**

When I was 15-16 years… there were lots of hardships in my life. I never had any money with me and so couldn’t eat food when I was hungry. My father also had no money because he was farmer and didn’t have a job that would provide consistent salary… After I went abroad to earn money [the hardships] ended.

I knew a relative and he used to encourage people to go abroad to work. I got interested and took loans of 20,000 rupees (190 USD) at an interest rate of 3% per month. I went to Kathmandu to a manpower company. That office took our medical and everything. I spent around 100,000 rupees (968 USD), I paid 80,000 rupees (768 USD) to the manpower company as fees for sending me abroad to Malaysia and the rest got spent on making the passports, in travelling and food and lodging cost while I stayed in Kathmandu.

All of that money was loans at 36% yearly interest rate and I paid it back later on. I don’t know with whom because my father took out the loan and gave me the money but it was from an individual. Back then and even now there are no cooperative or saving groups here that can provide such large loans to one individual. I paid back all loans within six months because I was determined not to be burdened, so I cut down my expenses to a bare minimum. I never drink and smoke and that helped me reduce my expenses…

I stayed in Malaysia for 48 months and never returned home even on holiday. I think I should have returned home few times. If I had done that then maybe I would still be working abroad and my life would have so much better. My work contract was three years and I extended it for one more year. After that I started

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9 The quantitative analysis provides limited insights on the impact of migration and remittances. For example, the NLSS in 1995 only asked migration questions to household heads who had migrated in the past. With regards to currently-migrating individuals, a proxy may be obtained through examining remittances. Here, the NLSS groups together various transfers including remittances.
thinking that I should go back and do something in my own country... My father told me that since I have already been there once and earned some money, I should do something here rather than go abroad...

So I returned home. I couldn’t use the skill of microwave-making here because there were no such factories here. The only option in front of me was to open a shop... My business is not doing so well. There has been 30-40% decline in my business since the last one and a half years. If it declines even a bit further, then I don’t think I can continue running it as I also have to pay rent of this shop. [The decline is because] until few years ago many surrounding villages were not connected by road. Since this village was connected with road people came here and bought goods... but now many of the surrounding village are connected with roads and thus there is no need to come to this village to buy goods.

Source: Life history interview with Ketan Kovid, rural Dailekh

Key Message: Risks of loan traps and non-repayment mean that loans have often been associated with impoverishment.

Analysis of the panel survey reveals that two-thirds of households had taken out a loan in the last survey year for a variety of reasons including migration, over half of which came from relatives or friends, and money lenders (15%), with other financial institutions (13%) forming the majority of the remainder. Out of the 30% of loan recipients who had given collateral, a third had given agricultural land. Contrasting loan purpose by area of residence and poverty trajectory, urban households tended to take out loans for business purposes, particularly if they were sustained escapers. In contrast, the primary use of a loan amongst transitory escapers in both urban and rural areas was for household consumption (Figure 11).

Figure 11: Purpose of loan by area of residence

Regression results indicate that an increase in the receipt of loans is associated with a higher risk of impoverishment. This could be a result of individuals seeking loans in an unsuccessful attempt to ward off descents into poverty. Failed businesses contingent on loans may also impoverish households. Sita remembers how her “elder brother came from the army and decided to open a furniture shop. But that went into loss. We had taken loan from the bank to open the shop. We couldn’t pay back the loan, so we had to sell our house. Now, my family is living in a squatter (ailani) land.” In other instances, loan traps manifest. As Krijal notes, people “are always in a debt cycle where they payoff one loan and then take another. With interest added on top of it, they never have a chance to rise ups.” This is also true for migrants. When asked about how Deepika would repay her family’s loan, she responded, “By going abroad, what else? There was loan from migration expenses; we paid it little by little. Now, we have so much debt.
We have to pay it somehow. My husband is about to go back to Malaysia again.”

In spite of these risks, many have no recourse but to take out a loan in times of distress, and accordingly face high interest rates. “I didn’t take it from the farmer’s group; I took it from the village money lender. People usually take loans from the money lenders in this village at the interest rate of 5% per month... I didn’t take a loan from the group as I needed the money urgently,” recalled Gopal Hanesh in urban Banke. In the fieldwork, the proliferation of a loan culture was evident. “Some have taken loans to educate their children, some have taken loans to do some works and so everyone here is in debt for one reason or the other and so when you are in debt, one cannot progress upwards,” noted Akanksha.

Even where households have escaped poverty through building their resource base and engaging in profitable activities, household shocks could push them back into poverty over time. The next section examines the effect of shocks on transitory and sustained escapes from poverty.

**HOUSEHOLD SHOCKS AND STRESSORS**

**Key Message:** Health shocks increase the risk of a poverty escape being transitory rather than sustained. This operates through increased health expenditures, and the reduced ability of ill or disabled household members to contribute to income generation.

Regression results indicate that a 10% increase in health spending, a likely proxy for health shocks, renders households six times more at risk of a poverty escape that is transitory rather than sustained. Amongst poor Nepali households, fieldwork reveals that health spending is typically in response to health shocks rather than on preventative healthcare. Life histories point to the impact of health-related shocks on welfare. “I am kind of disabled too; my wife’s eye sight is also weak... We lack the capacity to buy cattle. The debt of villager money lender is still there. We can’t ask for anymore loans, as we can’t pay back the previous debts,” notes Chetan. In other instances, even where existing debt is not an issue, persons with disabilities face constraints in loan acquisition (Box 6).

**Box 6: Disability preventing an escape from poverty from being sustained**

After I passed my class 10 exams I went to India to work, and so things improved a little and we were able to afford decent clothes and proper food. But then I fell down and broke my hip. I have completely bed ridden for 5-6 months when I was in a paralyze state. I had no money so couldn’t get any medical support. It was just a dislocated hip and if had received treatment back then I would have been perfectly fine by now. We didn’t have any money so they couldn’t take me to a hospital for check-up. My brothers too weren’t of any help. Now, I could do better if I am able to grow my business but for that I need some money, which I currently don’t have. I can’t get loans from anyone because they believe that because I am disabled I will not be able to pay back the loans.

**Source:** Interview with Gaurav Hem, transitory escaper in rural Dailekh

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The NLSS does not have a shock module, and so understates the impact of a lack of resources, attributes, or activities in preventing sustained escapes from poverty. Nevertheless, some proxies exist by which to explore the impacts of shocks, which are analyzed in the next section.
Key Message: Alcohol consumption and associated behaviors like gambling can reverse household welfare gains, contribute considerably to a heightened risk of a poverty escape being transitory rather than sustained, and also prevent asset accumulation. Controlling for other variables, regression results reveal that alcohol consumption has the largest risk of an escape from poverty being transitory rather than sustained.

Figure 12: Spending on alcohol, by poverty trajectory

Certain activities also exert a similar downward push, or stress, on households like shocks. NLSS data reveals that alcohol consumption, a social activity for many households, is highest amongst the impoverished, who spend almost twice as much on alcohol as sustained escapers (Figure 12). In addition, consumption rates are higher in urban (45%) compared to rural (37%) areas.

Regression results indicate that households with any alcohol expenditures are over ten times more likely to experience a transitory escape. Controlling for other variables, alcohol consumption is associated with the largest risk of an escape from poverty being transitory rather than sustained in the regression analysis. It is likely that this result captures other household shocks or behaviors like gambling which may result from or be associated with high alcohol consumption. Life histories point to shocks which are often amplified as a result of such behaviors. For example, Sita’s husband used to borrow money for alcohol from his friends, and also squandered profits for his motorcycle repair work on alcohol consumption. He eventually became ill and passed away. Sita recalls, “The doctor had told him not to drink alcohol as it was bad for his kidney, but he didn’t quit drinking… If only he had accumulated a little wealth for us back then, we wouldn’t have to suffer so much.”

Key Message: According to qualitative findings, rapid-onset disasters like flooding can prevent an escape from poverty from being sustained; while flood relief helps offset some of these immediate losses, they may not necessarily help households recover from floods in the long term.

Rapid-onset disasters like frequent flooding, in addition to fires for many households, are other shocks which prevent escapes from being sustained. Aabesh Babik in rural Banke recalls that “This year the flood destroyed cultivation in four bigha land… If there is no rain, then we cannot cultivate the fields; there are such problems.” Flood relief in the country is helping alleviate some of the stresses. Hira states: “They gave instant noodles, beaten rice, biscuits and so on. It only lasted for two days. Then, we also got about five kilograms of rice, lentils, oil and salt. They also gave us clothes and tarpaulin… Multiple organizations collaborate to provide relief materials to very severely affected areas.” However, the approach of these institutes are often staggered. “They gave materials in this area already, so they will distribute in another area next time,” affecting the village’s future ability to withstand floods to the same extent.

Key Message: Qualitative results suggest that the Maoist insurgency may have prevented poverty escapes and contributed to the intergenerational transmission of poverty.

Another shock over the survey period was the Maoist insurgency, a subnational conflict affecting households to varying degrees depending on poverty status and trajectory. “At the time of insurgency, the Maoists cadres used to threaten the police officers to kill their families and burn their houses,” remembers Aashima. Several examples of extortions being paid to Maoists who had captured households for their offices emerged from the fieldwork. As a particularly extreme example, Aadi recalls “My brother was about to give his class 10 final exams… the Maoist exploded bomb in their school, he was nearby and
fainted after hearing the sound of the explosion and his education was affected.” By limiting education accumulation and quality of learning, conflict would have left a lasting legacy on his resilience capacities.

This section explored the drivers of transitory and sustained escapes from poverty. We next take this analysis further by examining drivers of mobility amongst sustained escapers and the near poor.

**ONWARDS AND UPWARDS: DRIVERS OF CONTINUED IMPROVEMENTS IN WELFARE FOR ESCAPERS**

This section examines drivers of mobility amongst households that have escaped poverty sustainably or are near poor but have improved their welfare over time. This—and the subsequent section on the poorest of the poor—emerges out of a recognition that in order to reach zero poverty, efforts need to be made to: 1) tackle chronic poverty, 2) prevent impoverishment (and the phenomenon of transitory escapes highlighted above), and 3) sustain escapes from poverty (Shepherd et al., 2014).

**Key message: Tangible and intangible asset development is crucial for improved welfare amongst sustained escapers and the near-poor.**

We investigate what factors may be associated with changes in welfare over time for sustained escapers and those starting from a near-poor base, only amongst households that have seen their per capita expenditures increase over time. **Results reveal that an increase in asset value is associated with improvements in welfare.**

There are also factors which offset these gains amongst escapers who have seen improvements in their welfare across years. For example, **an increase in household size over time is associated with reductions in welfare.** In addition, households that newly accumulate land for the first time experience reductions in welfare. This could reflect: 1) unproductive lands and dependence on rainfall as noted earlier, but also 2) a lack of knowledge around best practices that come from generations of land ownership and management.

**In this set of regressions, households wherein the head has successfully completed secondary education in later survey years also see improvements in welfare by 43%.** As noted in the transitory escapes analysis, life histories revealed the importance many households accorded to education. Ketan stated: “I have a son and I plan to educate him as much as he wants and can study and who knows what will happen then. If he is able to study well and be highly educated then we can quickly move up on the economic ladder.”

**Key message: According to qualitative findings, non-farm diversification, agriculture with collaboration, and financial management are three activities that have helped households build resilience and continue to improve their welfare over time.**

Life histories found that education paired with training was critical, for those who could afford it. Akhil, a sustained escaper, remembers “There was a PanchakoshiFM where NavarajNamsal came to give radio trainings. I registered for it with Nrs. 1000. I did labor work to earn that money. I had been doing that since 10th grade. My father was reluctant to spend Nrs. 1000 for the training. He said the money can buy clothes for the siblings and provide support. But I convinced him that it will be an investment for the future. My mother supported me and told me to go for it. After taking the training, my capabilities increased a lot.” Over time, these capabilities were used to sustainably escape from poverty. Akhil’s example also reflects the importance of non-farm economic activities in improving welfare, a finding which was supported by the regressions of sustained escapers and near poor households both which had seen
improvements in welfare over time as a result of non-farm economic activities.

For households engaged in agriculture, escapes from poverty and sustained improvements in welfare over time was also apparent from the fieldwork in cases where collaborative behaviors at different levels stemmed from choice rather than need or desperation (Figure 13).

Figure 13: Collaboration within agricultural activities

For Kripa, joint work was key, as her neighbor noted: “She started working and her husband had also bought land. She started farming in that land and production was good and now she does not have to worry about having three meals a day.”

Akhil notes: “There’s a saying that ‘In a good household, family members discuss with one another in the evening but in a bad household, people fight in the morning.’ So, we discuss in the evening about household matters.”

Saroj Nimran, a sustained escaper in rural Banke, states: “In recent years, I started to be involved in organizations and got suggestions about farming and the seeds.”

Regardless of type of economic activity, a key pathway out of poverty noted by many households was the importance of financial management. Linked to this, regression results reveal that receipt of transfers including remittances is associated with a 20% increase in welfare, suggesting an improved ability to make use of these transfers in a productive manner. For example, Ishwar, a sustained escaper, recalls how she coped with high marriage costs for her daughter: “I spent around 4 lakhs but I had planned everything from the beginning and had started adding things such as rearing goats for marriage, buying some jewelry occasionally and things like that so it didn’t affect me so much because I spread the expenses across different time. So right at the time of marriage the only thing I bought was rice and some cooking oil and some clothes.”

Others echo the importance of financial planning. Sabir Fayzal in urban Dailekh, also a sustained escaper, notes that in order to improve economic conditions, “The first thing [needed] is financial discipline. One has to spend and invest the income in a right place and should save the remaining amount. And another thing is they should work hard with continuous effort. Also, they should use their resources such as land wisely and invest their money where they will get benefits. With the money saved, they should invest in buying land or educating their children.” Sabir’s comment reflects the importance of investing in tangible (land) and intangible (education) productive assets.

This section examined sustained pathways out of poverty in more detail. We next investigate drivers of mobility amongst chronically poor and near-poor households, to identify what factors may help propel these households on upward pathways.

STATES OF MOBILITY ACROSS THE WEALTH SPECTRUM: THE WELFARE OF THE CHRONIC AND NEAR POOR

Examining poverty trajectories and comparing sustained to transitory escapes reveals many households can fall deep into poverty after having escaped it. This may be due to many factors, as life histories illustrate, including: 1) a series of shocks and in particular health shocks and harmful social activities amongst the poor such as high spending on alcohol, and 2) considerable risks associated with economic activities
coupled with 3) inadequate financial management. If these shocks drive people back into poverty, and the ability of households in turn to withstand them is limited, it could be the case that they may live in chronic poverty going forward. This section explores constraints and enablers to improving the welfare of households that have been persistently below 1.25 times the poverty line across survey years, thus constituting the chronic and near poor.

**Key Message:** Chronically poor households face additional constraints, particularly around unfavorable demographics, which prevent improvements in their welfare.

Unlike transitory escapers, an increase in household size is associated with reductions in welfare for chronically and near poor households, which already face intense resource constraints. Specifically, an increase in household size by one member is associated with a 5% reduction in per capita income. Kiran notes that with children, “our family started getting bigger, meanwhile my mother was getting older and could no longer work as farm labor and so I had to take care of my entire family.” The problems may be amplified in urban areas, where community support may be lacking. As Arka Fakar in urban Banke recalls, “[children] need constant care and attention and there was no one to help me. We were living in rent at that time and so to raise three kids on a rented room was in itself a difficult task.”

Education is an important factor in sustainable escapes from poverty; however, for those living in chronic poverty, education may be a luxury they cannot afford. Chronically poor heads of households have education completion rates (14%) less than half of sustained escapers (36%), and resource constraints prevent them from educating their offspring. As chronically poor Devi asks, “How can you educate the children in poverty? After doing manual work, you either can feed them or educated them. So, I didn’t educate any of [of my children].”

In addition, disadvantaged groups experience a reduction in welfare over time, worsening their already vulnerable condition. This is in spite of government provisions. For example, Sita notes “we don’t have any additional support or provisions by the government such as the Dalits do.” Akhil added that an “advertisement for [the LCCD program] on the radio stated that Dalits and women were prioritized for the job.” In spite of such support, poor economic status amongst Dalits and ethnic groups persists.

**Figure 14: Chronic poverty by ethnicity and region**

![Figure 14: Chronic poverty by ethnicity and region](image)

Analysis of the panel reveals chronic poverty is higher amongst disadvantaged groups (18%) compared to others (14%), with the differences largest in the Far West (50% amongst disadvantaged groups, compared to 26% otherwise. Figure 14). Moreover, disadvantaged ethnic and caste groups’ were prevalent in around 40% of chronically poor households (Figure 14, left), compared to 30% amongst the sustained escapers. As Ketan notes, “people start treating you with respect once your economic status improves… but if your economic status is poor then people start ignoring you… I have seen other people discrimination and being discriminated just because of their poor economic
status.” Amidst historically high rates of chronic poverty, practices like Kamlari were born, which had ambiguous effects on poverty escapes though with clearly negative human rights consequences (Box 7).

Box 7: Bonded labor amongst the chronic poor

Kamlari, or bonded labor, originated in Western Nepal, by landlords who indentured girls belonging to the ethnic Tharu group, to work in other parts of the country. Poor girls were usually sent to work as Kamlaris, with families receiving a small sum for the labor (Nepal Youth Foundation, 2014). Working conditions for Kamlaris varied. In many instances young girls were exploited and often unable to prevent mistreatment and abuse (Pokharel, 2018).

Though the government banned the tradition in 2010, cultural resistance was strong at times (May, 2009). Some chronically poor households saw Kamlari as a form of paying off debt and improving economic prospects for their daughters. Life histories revealed instances where women who had once engaged in Kamlari were able to study from the practice, receiving stationaries, books, and school uniforms. Accordingly, some poor households viewed Kamlari as a way for them to improve their monetary welfare, or felt that their monetary situation improved due to the land compensation received after the practice was outlawed though. Aashima remembers, “As we grew up, we were put as Kamlari, then we got battaiya land for agriculture. So, things gradually improved.”

Regardless of its varied perceptions in terms of impact on monetary welfare of chronically poor households, Kamlari has unequivocally been criticized for its human rights issues, both as a form of human trafficking and domestic slavery, which has led to its abolishment (Pokharel, 2018; NYF, 2014).

Key Message: The chronic poor also experience enablers of upward mobility. These include building an asset base and receipt of remittances.

Though constraints abound for the chronically poor, regression analysis reveals certain enablers. An increase in asset value over time is associated with improvements in per capita expenditures for the chronically poor and for those near the poverty line. Unlike transitory escapers and those who become impoverished over time, building an asset base is an important driver of upward mobility for the poorest. However, an increase in asset value has a smaller associated effect on welfare for the chronic poor compared to sustained escapers. In addition, receipt of remittances by near and chronically poor households is associated with an increase in welfare by 16%, reflecting the important role played by local migration both within the country and to neighboring India, often more accessible and less risky for many of the poorest households.

In addition, there is a statistically significant difference in chronic poverty rates between conflict-affected areas and others. The rate is twice as high (24%) in conflict-affected areas compared to elsewhere. Interestingly, conflict may have helped reduce income inequality insofar as it endowed chronically poor households with a source of income and livelihood. Amongst chronically poor and near-poor households, conflict is associated with an increase in per capita incomes in the regression results. As Dakshi Shohag in rural Dailekh recalls of her time working for Maoists, “They used to give us NRS 200 rupees (1.91 USD)

11 Conflict affected areas are defined in this study as districts designated by the Nepalese Home Ministry as ‘sensitive class A, B or C’ (SATP, 2017).
per month for our expenses and all the other expenses were done by the party itself. They used to provide us all the necessities such as clothes, toothpaste, toothbrush, etc. After the certification, they started giving the members NRS 6000 (57.40 USD) per month.” Of course, this does not take into account the monumental monetary and non-monetary costs of armed conflict in the country.

CONCLUDING REMARKS

As noted at the start of the report, Nepal has experienced a strong rate of poverty reduction in spite of micro to macro level challenges. To ensure that this progress continues in the years to come, poverty reduction efforts need to take into account the dynamic experiences of households brought to light through examining long-term poverty trajectories and their drivers.

This paper examined these drivers of both sustained and transitory escapes in urban and rural Nepal through a mixed-methods approach. The variety of enablers and constraints investigated reflect the need for a portfolio response to ensure that households build resilience and escapes from poverty are sustained over time. Of course, such a basket should be context-specific, not only to Nepal but to its different areas of residence (Box 8) and varied regional characteristics. This paper offers hints as to what measures may be successful to this end, while the associated policy and programming brief (Diwakar and Ghimire, 2018) fleshes these out in more detail.

Box 8: Final reflections on urban poverty- what matters?

Constraints: Urban areas experience major impoverishment in the NLSS. Dimensions of urban poverty evidenced in this study include high land prices and prevalence of squatter households, overcrowding and the spread of disease. Focus group discussions revealed instances where peri-urban sites, once VDCs, were adopted within a municipality and had to pay increased taxes without associated service delivery benefits, and a loss of decision making.

Enablers: Benefits to urban residence include higher education rates, with positive spillovers in promoting nonfarm enterprises as pathways out of poverty; even so, capital constraints remained. Another benefit was in sometimes easing restrictions on women’s mobility. However, without reducing the double burden of income and care work, this may not be a sustainable pathway out of poverty. Particularly where household chores are taken up by girls, the transmission of traditional gender roles and gendered time poverty may offset benefits of improved mobility.
Figure 15: Life histories, Nepal

LIFE HISTORIES
NEPAL

SITA
Born 1968
Banke

While migration provided a way out of poverty for Sita due to improved livelihood opportunities, her husband’s illness, associated loans, and ultimately death pulled her family back into poverty.

SANJAY
Born 1959
Daleikh

Sanjay has been able to sustain an escape from poverty through non-farmer economic activities alongside self-employment in agriculture, sales of migration, and remittances from his son.
REFERENCES


### A. SUMMARY TABLE

Average values per year (N=434)

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B. REGRESSION RESULTS

Table 1: Multinomial logistic regressions

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<td>Took out a loan</td>
<td>1.358</td>
<td>7.548***</td>
<td>1.195</td>
<td>6.438***</td>
</tr>
<tr>
<td></td>
<td>(0.805)</td>
<td>(5.634)</td>
<td>(0.668)</td>
<td>(4.501)</td>
</tr>
<tr>
<td>Alcohol consumption</td>
<td>10.90***</td>
<td>13.16***</td>
<td>11.57***</td>
<td>12.13***</td>
</tr>
<tr>
<td></td>
<td>(8.065)</td>
<td>(10.15)</td>
<td>(8.402)</td>
<td>(9.274)</td>
</tr>
<tr>
<td>Log (health expenditures)</td>
<td>1.672***</td>
<td>2.354***</td>
<td>1.494***</td>
<td>2.023***</td>
</tr>
<tr>
<td></td>
<td>(0.224)</td>
<td>(0.361)</td>
<td>(0.178)</td>
<td>(0.277)</td>
</tr>
<tr>
<td>Residence in conflict-affected area</td>
<td>1.02e-06</td>
<td>2.509</td>
<td>1.14e-06</td>
<td>2.047</td>
</tr>
<tr>
<td></td>
<td>(0.000559)</td>
<td>(2.332)</td>
<td>(0.000545)</td>
<td>(1.860)</td>
</tr>
</tbody>
</table>
### Table 2: Fixed and random effects regressions on sustained escapers and chronic poor

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Sustained escapers and near poor with improvements over time</th>
<th>Chronic poor and households near the poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log (asset value)</td>
<td>0.137**</td>
<td>0.116**</td>
</tr>
<tr>
<td></td>
<td>(0.0614)</td>
<td>(0.0476)</td>
</tr>
<tr>
<td>Livestock &gt; median</td>
<td>-0.117</td>
<td>0.000111</td>
</tr>
<tr>
<td></td>
<td>(0.122)</td>
<td>(0.0876)</td>
</tr>
<tr>
<td>Land ownership</td>
<td>-0.311***</td>
<td>-0.330***</td>
</tr>
<tr>
<td></td>
<td>(0.144)</td>
<td>(0.110)</td>
</tr>
<tr>
<td>Electricity</td>
<td>-0.0666</td>
<td>0.116</td>
</tr>
<tr>
<td></td>
<td>(0.132)</td>
<td>(0.102)</td>
</tr>
<tr>
<td>Piped water</td>
<td>0.120</td>
<td>-0.0282</td>
</tr>
<tr>
<td></td>
<td>(0.179)</td>
<td>(0.123)</td>
</tr>
<tr>
<td>Flush toilet</td>
<td>0.114</td>
<td>0.102</td>
</tr>
<tr>
<td></td>
<td>(0.111)</td>
<td>(0.106)</td>
</tr>
<tr>
<td>Household size</td>
<td>-0.0518**</td>
<td>-0.0371*</td>
</tr>
<tr>
<td></td>
<td>(0.0228)</td>
<td>(0.0192)</td>
</tr>
<tr>
<td>Dependency share</td>
<td>-0.432**</td>
<td>-0.275**</td>
</tr>
<tr>
<td></td>
<td>(0.206)</td>
<td>(0.135)</td>
</tr>
<tr>
<td>Age</td>
<td>0.0243</td>
<td>0.0272</td>
</tr>
<tr>
<td></td>
<td>(0.0237)</td>
<td>(0.0213)</td>
</tr>
<tr>
<td>Age-squared</td>
<td>-0.0000198</td>
<td>-0.000284</td>
</tr>
<tr>
<td></td>
<td>(0.000240)</td>
<td>(0.000219)</td>
</tr>
<tr>
<td>Female head</td>
<td>0.142</td>
<td>0.162</td>
</tr>
<tr>
<td></td>
<td>(0.166)</td>
<td>(0.119)</td>
</tr>
<tr>
<td>Disadvantaged ethnic or caste group</td>
<td>-0.105</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.0983)</td>
</tr>
<tr>
<td>Head completed primary education</td>
<td>-0.0567</td>
<td>0.0190</td>
</tr>
<tr>
<td></td>
<td>(0.154)</td>
<td>(0.103)</td>
</tr>
<tr>
<td>Head completed secondary education</td>
<td>0.433**</td>
<td>0.123</td>
</tr>
<tr>
<td></td>
<td>(0.166)</td>
<td>(0.123)</td>
</tr>
<tr>
<td>Head engaged in agriculture</td>
<td>-0.178</td>
<td>-0.212*</td>
</tr>
<tr>
<td></td>
<td>(0.137)</td>
<td>(0.121)</td>
</tr>
<tr>
<td>Household operates non-farm</td>
<td>0.0224</td>
<td>0.0626</td>
</tr>
<tr>
<td>enterprise</td>
<td></td>
<td>(0.107)</td>
</tr>
<tr>
<td>Received remittances</td>
<td>0.186**</td>
<td>0.164**</td>
</tr>
<tr>
<td></td>
<td>(0.0921)</td>
<td>(0.0763)</td>
</tr>
<tr>
<td>Took out a loan</td>
<td>0.0316</td>
<td>0.0557</td>
</tr>
<tr>
<td>Residence in conflict-affected area</td>
<td>0.232</td>
<td>0.237</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>(0.253)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban residence</td>
<td>-0.318</td>
<td></td>
</tr>
<tr>
<td>(0.244)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year=2003</td>
<td>1.095***</td>
<td>1.124***</td>
</tr>
<tr>
<td></td>
<td>(0.120)</td>
<td>(0.0886)</td>
</tr>
<tr>
<td>Year=2010</td>
<td>1.869***</td>
<td>1.897***</td>
</tr>
<tr>
<td></td>
<td>(0.197)</td>
<td>(0.126)</td>
</tr>
<tr>
<td>Other urban</td>
<td>0.223</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.166)</td>
<td></td>
</tr>
<tr>
<td>R-E Hill</td>
<td>-0.00650</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.153)</td>
<td></td>
</tr>
<tr>
<td>R-E Terai</td>
<td>-0.183</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.135)</td>
<td></td>
</tr>
<tr>
<td>R-W Hill</td>
<td>-0.219</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.166)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>7.141***</td>
<td>7.352***</td>
</tr>
<tr>
<td></td>
<td>(0.804)</td>
<td>(0.678)</td>
</tr>
<tr>
<td>Observations</td>
<td>289</td>
<td>289</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.852</td>
<td></td>
</tr>
<tr>
<td>Number of WWWWHH</td>
<td>97</td>
<td>97</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
C. APPROACH TO PARTICIPATORY WEALTH RANKING

In Nepal, it is not possible to access the household identifiers from the Nepal Living Standards Survey. However, we have the district identifiers, and given that USAID also works in some of those areas, we are able to return to them for this research.

This means that the research needs to recreate household wealth trajectories over the previous 10 years using participatory wealth ranking. Specifically, it will conduct historical participatory wealth ranking for three points in time using pre-determined wealth classifications.

Approach to historical wealth ranking (estimated time 2.5 hours):

1. Assemble a focus group of 15–25 participants. Explain the purpose of exercise – stress that this is research and there will be no direct benefits coming from this exercise.

2. Introduce the focus groups to different wealth categories, which have already been determined by previous research (see table below). Ask FGD participants their opinion on those different wealth categories (these categories were slightly adapted during each FGD). Display the wealth categories and talk through them.

Wealth categories for participatory wealth ranking (households do not have to have all characteristics).

<table>
<thead>
<tr>
<th>Indicators of very rich households</th>
<th>Assets</th>
<th>Education</th>
<th>Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wealth or Income- 10 acre or 100 ropani land, fertile land, buy land in Terai,</td>
<td>• All the children study in expensive schools outside the district</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Own big business, have agriculture machines/equipment, rent out tractors.</td>
<td>• They study up to secondary level or higher</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Likely to have a house in the city area</td>
<td>• Balanced diet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• May be employed in INGOs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have a lot of savings and private cars.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators of rich households</th>
<th>Assets</th>
<th>Education</th>
<th>Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have 2 to 10 acre (70 bigha) agriculture land or equivalent income</td>
<td>• Most of the children study in expensive schools.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Own medium scale business or are employed in government job or in NGOs/INGOs.</td>
<td>• They study up to secondary level at least.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have motorcycle and rent out cars and vehicles.</td>
<td>• Easily afford 3 meals a day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have remittance income from foreign employment.</td>
<td>• Varied diet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have large scale livestock farming.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators of medium households</th>
<th>Assets</th>
<th>Education</th>
<th>Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Own 1 to 2 acre or about 60 ropani land</td>
<td>• Most children study in private English boarding schools.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Own a small concrete house</td>
<td>• Most of them do not complete secondary education.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have regular employment</td>
<td>• Not a very varied diet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Own some livestock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Can hire manual labor or rent machines for agriculture purpose.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Own motorcycle.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lot of remittances from foreign employment, go to Gulf countries for labor migration.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators of poor households</th>
<th>Assets</th>
<th>Education</th>
<th>Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have less than 1 acre or 10-15 ropani land.</td>
<td>• Not all the children are able to go to schools.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Have a mud house in 1-3 kattha land, lack of sufficient rooms for the family members.</td>
<td>• Most children don’t complete primary level education.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Do livestock farming at a small scale only.</td>
<td>• Illiterate or uneducated parents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Economic situation is vulnerable to even minor shocks that can make them poorer.</td>
<td>• 2–3 meals a day but poor quality.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• They go to work in India in manual labor.</td>
<td>• Have non-veg food like fish and meat less frequently.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators of very poor households</th>
<th>Assets</th>
<th>Education</th>
<th>Nutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Landless</td>
<td>• Children not in school.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Unable to invest in agriculture</td>
<td>• Not enough food.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Work as daily wage laborers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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RESILIENCE AND SUSTAINABLE POVERTY ESCAPES IN NEPAL | 34
For the purposes of identifying households which are transitory escapers, the poverty line is set between the level of medium and poor households in the above table. A separate table with characteristics of urban areas is also created for FGDs in urban areas.

3. Ask those households present to assign their current situation (2017) to a particular wealth category by attaching post-it notes to the large piece of paper.

4. Then ask them about their situation five years ago and ask them to assign themselves to a category for that time period.

5. Explain to the focus group how households are on different wealth trajectories and start a discussion about the reasons behind impoverishment and upward mobility between 2012 and 2017. Start to fill in a table, like the table below.

6. Do the same exercise for 10 years prior.

7. Explain to the focus group how households are on different wealth trajectories and start a discussion about the reasons behind impoverishment and upward mobility between 2012 and 2007. Continue to fill in a table, like the table below.

8. Ask if they know of any households in the community on PNN or PNP trajectories? Write those names on post-its and stick on the large paper.

Main Reasons for Impoverishment and Upward Mobility

<table>
<thead>
<tr>
<th>Between 2007 and 2012 (10 Years Ago and Five Years Ago)</th>
<th>Between 2012 and 2017 (Today and Five Years Ago)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bullet point drivers of upward mobility</td>
<td>Bullet point drivers of upward mobility</td>
</tr>
<tr>
<td>Bullet point drivers of downward mobility</td>
<td>Bullet point drivers of downward mobility</td>
</tr>
</tbody>
</table>

9. Investigate if there are any differences in reasons for impoverishment across the two time periods (e.g., opening of a health center may have resulted in a fall in health shocks, climatic conditions, etc.).

10. Have a discussion about the different types of support/program involvement for households on the different trajectories. Ideally, we can then conduct life histories with households receiving different types of support (e.g. stipends, being in farmer organizations).
**D. LIFE HISTORY INTERVIEW TEMPLATE**

**Life histories with one household head.** Either male or female. Ideally the person who took part in the FGD. If that is not possible, then whichever of the male or female household head who is available.

Important points:
- The outputs of the life history interview will be: 1) a narrative of the respondent's life and 2) a life history map (see end of document for an example)
- Map the life of the respondent against the pre-determined well-being classifications.
- Life periods are (though not all may be relevant to every respondent):
  - Childhood: 0 – 12 years
  - Youth: 13 years to marriage/start of own household OR 20 years (whichever is relevant)
  - Young adulthood: Marriage/start of own household or 20 years– 40 years
  - Late adulthood: 40 years – 60 years
  - Old age: 60 years +
- Ensure you identify well-being levels at these points:
  - Childhood
  - Just before start of own household/marriage
  - Just after start of own household/marriage
  - Now
- Focus on upward and downward mobility and reasons for these changes (why the upward or downward mobility in well-being).

**Introduction, focus and consent**
- When you arrive at the household, introduce yourself, the research and purpose of research:
  - Explain our focus: in as much depth as you need to – that you want to understand changes in assets and well-being during their life and to learn more about why such changes happened. Positive and negative events. Explain to them that at five different points in their lives you will be asking questions about; what has enabled them to improve their lives? If they have fallen back then why have they done this? If they were able to manage in the face of shocks then how were they able to do this?
  - Obtain informed consent- i.e. ensure respondent agrees to take part in the interview.
  - The interview will be anonymous – it won’t have their name on it.
  - You are going to take notes and record the interview - these notes will only be seen by other members of the research team. The recording will only be made available anonymously to the people who will be transcribing the interview.
  - You will write short stories from the interview – some of these (without their name) will be seen by other people.
  - Ask permission to take a photograph (if you will do so)
  - Other people will see their photograph (without their name)

**Getting started**
- Write down interviewee’s name, age, gender, (interviewer’s name).
- Note down individual’s appearance and demeanour (happy, sad, anxious, etc).
- Describe house and compound.

**Genealogy/demographic**
- Draw genealogy tree or table and note sex/ages (date birth) of the household members (nuclear household or, if there are other family members living on the same homestead, include those members); who’s married to whom; include multiple spouses and circle the respondents.
household; level of education of each household member (especially the person being interviewed, and the spouse).

- If female-headed household, ask how it got there (ie. death of husband or migration or…?)
- Focus on people within the household.

**Livelihoods and assets now**

[Note for researchers: You can choose whether to do this now or do this chronologically].

[Note to researchers: Interested in physical assets which may include land, livestock, Implements – hoes, trailers, cart, plough, tractors, number of houses, ‘state’ of houses (i.e. tin roof?), clothes/household items, mode of transport, consumer durables (e.g. mobile phone). Get as accurate estimate as possible, but rough magnitude is better than no magnitude at all e.g. more than 5 cows but less than 20].

- Livelihoods now: Can you rank your livelihoods now? (i.e. primary, secondary, tertiary livelihood). Probe for all other livelihoods activities/sources.
- Assets now: What assets do you have in the household? Can you rank them in terms of value? Does your house have electricity? Do you have a mobile phone?
- Land now: Do you own the land you work on? If you had to sell it, whose decision would it be? (Sharecropping, leasing, mortgaging- which type? Or are you working off someone else’s land?)
- For household: Where do children study? Did they always do that or how it has changed?

[Note to researcher: This is a good point to locate the respondent on Y-axis of life history diagram].

**Childhood – approximately 0 to 12 years old**

[Note to researcher: at this point we are getting at parent’s livelihood and assets].

- When and where were you born?
  - Parents: Where are your parents from? (Origins of the family - in the case of migration from another place, when did they move and why?).
  - Siblings – how many? Which birth order? Are they sisters or brothers?
- Education: What level of education did your parents have? What level of education do you and your siblings have? How was your education, and your siblings’ education, funded?
- Affirmative action and discrimination: Did you or your family receive any benefits (scholarships, stipends, social assistance…) based on your ethnicity or caste during your school years? Did you experience jealousy from friends or family as a result?
  - Did you experience any stigma or discrimination in gaining access to schooling or during your time at school by anyone, including teachers, other students, or administration? What type of discrimination did you face?
- Livelihood of parents: Can you rank your parents’ livelihoods i.e. occupation during your childhood? What was the main occupation of your parents? What was their second occupation/source of income? What was their third occupation/source of income?
  - If involved in crop agriculture, which crops and why?
  - Who were the crops sold to? Who did you get agricultural inputs from?
  - What was the nature of those relationships (i.e. selling cops/getting inputs/etc)?
  - Assets of parents: what assets did your parents have? Can you rank them in terms of value or importance for income generation?

Ask about the house and compound:

- Describe your house and compound you were a small child (e.g. at age 8 years old)
  - electricity, building materials, etc
- How did it compare with other compounds in your village?
- How did it compare with the house that you live in now (much better, better, the same, worse, much worse)?

[Note to researcher: This is a good point to locate the respondent during childhood on Y-axis].
Ask about home Life:
- relationship with parents and siblings;
- responsibilities – what were your chores?
- how was work divided among different members of the family (young, old, men, women)?
- food – and type of food and number of meals/day?
- leisure activities? Paid and unpaid labour outside house?
- health of interviewee and family during childhood?

Ask about important relationships for building livelihoods and coping with shocks:
- Key relationships: landlords, friends, employers, richer households, social networks, neighbours, kinship networks, employment relations, cooperatives, banks
- Looking back over this early part of your life do any difficult events or periods stand out?
- Probe shocks, coping strategies taken, channels of support (relatives, friends, NGOs, church, moneylender etc)
- Note carefully all changes in asset levels, ask if there are any assets that have been particularly important for escaping poverty? Any death of livestock that has been influential?
- Note changes in livelihoods. Any non-farm income/activity/ enterprise? How did they get this?
- Looking back over this early part of your life are there any positive events or periods that stand out?

Youth – approximately 13 years to marriage (or 20 years old, whichever is more appropriate)
- School: When did you leave school?
  o Probe around if, when and why respondent left school?
- Livelihoods: What livelihood activities did you engage in and can you rank them from the most important to the less important in terms of income?
  o If involved in crop agriculture, which crops and why?
  o Who were the crops sold to? Who did you get agricultural inputs from? What was the nature of that relationship?
- First job/ enterprise/ livelihood activity: What was it? Rank livelihood activities at this period of your life in terms of their importance to household income and food security (e.g. farming, livestock rearing, job, small enterprise…)?
  o How did you get this job/ start this enterprise/ move into this livelihood activity? Did you get help from anyone?
- Job, discrimination: Did you experience any stigma or discrimination in securing a job or while working by anyone, including line managers, other colleagues, or administration (or clients/ service users? if in public-facing job)? Was this in any way related to your caste or ethnicity?
  o Did you receive any different (positive) treatment when trying to get a job because of your ethnicity? Did you experience jealousy from friends or family as a result?
  o Has the government helped or hurt your ability to get a job? Have they taken any action to reduce discrimination that has benefited you specifically? Did you experience jealousy from friends or family as a result?
- Job, migration: If you migrated away from the village, did you have a job before you went? How did you find this job? How did you send money back to your family?
- Job, NFE: If you started a non-farm enterprise why did you decide to start this?
  o If so, who and how did this work?
- Describe working conditions/ constraints/ profitability/ shocks/ risks/ coping strategies associated with the different livelihoods activities
- Any credit/ loan taken out? For what? Largest amount? Ever taken loans to repay loan?
• Assets during youth and before marriage/starting own household: What assets did you have before starting own household? How does this compare with assets during childhood? Account for changes in asset holdings – probe reasons for sales and main source of finance for purchases or main reasons for acquisitions and from whom.

Important relationships for sustaining livelihoods and coping with shocks:
• Key relationships: landlords, friends, employers, richer households, social networks, kinship networks, employment relations, cooperatives, banks
• Any participation or engagement in social safety nets? How important is this for your household? When/ in what event has it been especially important?
• Looking back over your youth are there any difficult events or periods that stand out? (use this question to probe shocks, coping strategies, changes in asset levels, changes in livelihood strategies)
• Looking back over your youth are there any positive events or periods that stand out? (Use this question to probe opportunities, investments, resilience)

Young adulthood
Ask about their marriage:
• Are you married?
• How did you meet your husband/ wife?
• Parent’s/ family’s views of the match? Their view of the match?
• How much was the dowry? Was all of it able to be paid? What was the source of the dowry and where did it go?
• Move to your spouse’s village – feelings about that/ problems; setting up home; relationship with in-laws/ extended family/ community; relationship with spouse/took jobs or not? What jobs? Family pressure/consent on jobs?.

Ask about their livelihoods:
• Assets at marriage – in particular productive assets – livestock, agricultural implements, land, rickshaw…
• What livelihood activities did you engage in and can you rank them from the most important to the less important in terms of income and food security? Which were the most important assets for following each particular activity?
• Describe the working conditions/ constraints/ profitability/ shocks/ risks and coping strategies associated with each of these livelihoods activities.
• If involved in crop agriculture, why are you farming? Which crops are you farming? Who owns the land which you farm on? If sharecropping/ leasing what are the arrangements of this? Is it easy to find land to sharecrop/ lease here?
• Have price changes of agriculture goods (either inputs such as seeds or the sales price for crops) affected you? How?
• How did you get any better livelihoods during these years?
• Did you ever migrate? How did you get the good/better jobs if you did?
• Social networks that helped you get the jobs/work?
• Any credit/ loan taken out? For what? largest amount? Ever taken loans to repay loan?,

Ask about their children:
• Make sure dates of births have been identified
• Any difficulty with births?
• How have you financed the education of your children?
• Remittances from older children/ kin
Ask about the health of family members:

- Health of interviewee and family?
- Impact on household well-being?
- Were there any periods of sickness? If so, of who and where did you go for treatment? How much did it cost and how did you find that money?

Ask about relationships which were important for building livelihoods and for coping with shocks:

- Key relationships: landlords, friends, employers, richer households, social networks, kinship networks, employment relations, cooperatives, banks
- Any participation or engagement in social safety nets? How important is this for your household? When/ in what event has it been especially important?
- Looking back over your early adulthood are there any difficult events or periods that stand out? (Use question to probe shocks, coping strategies, channels of support [relatives, friends, NGOs, church, moneylender etc], changes in asset levels, in livelihood strategies).
- Looking back over your early adulthood are there any positive events or periods that stand out? (use this question to probe opportunities, investments, aspiration, resilience)

**Late adulthood**

- Which assets does the household now have?
- Livelihoods during late adulthood – which assets were particularly important for the different livelihoods activities
- Compare assets at marriage and now and account for changes. Account for changes in asset holdings – probe reasons for sales and main source of finance for purchases or main reasons for acquisitions and from whom
- Were any assets particularly important for escaping poverty? Has the loss of any particular asset been important in the household experiencing any downwards mobility? How did the household cope with the loss of this asset?
- Compare livelihoods at marriage and now and account for changes. For instance, is there now any non-farm income/ activity/ enterprise? What was the source of finance for this? Why did they decide to start this?
- If involved in crop agriculture, why are you farming? Which crops are you farming? Who owns the land which you farm on? If sharecropping/ leasing what are the arrangements of this? Is it easy to find land to sharecrop/ lease here?
- Have price changes of agriculture goods (either inputs such as seeds or the sales price for crops) affected you? How?
- Has there been any change in the profitability of these livelihoods between early adulthood and late adulthood? Has the nature of shocks facing these livelihoods changed over time?

Ask about the health of family members:

- Health of interviewee and family?
- Impact on household well-being?
- Were there any periods of sickness? If so, of who and where did you go for treatment? How much did it cost and how did you find that money?

Important relationships for sustaining livelihoods and coping with shocks:

- Key relationships: landlords, friends, employers, neighbours, richer households, social networks, kinship networks, employment relations, cooperatives, banks. If any of these relationships have been important, how have they been important?
• Any participation or engagement in social safety nets? How important is this for your household? When/ in what event has it been especially important?
• Looking back over your late adulthood are there any difficult events or periods that stand out? (Use this question to probe shocks, coping strategies, channels of support
• [relatives, friends, NGOs, church, moneylender etc], changes in asset levels, changes in livelihood strategies).
• Looking back over your late adulthood are there any positive events or periods that stand out? (use this question to probe opportunities, investment, acquisition, aspiration, resilience)

Older age
• How is life during older age?
• Working or not work? Are you able to support yourself? If not, who is supporting you?
• Health? Were there any periods of sickness? If so, of who and where did you go for treatment? How much did it cost and how did you find that money? If you are taking regular medication, where do you get this from?
• Widowhood: age when spouse died; implications; feelings; change in status
• Relationships with others: responsibilities; support from children; role in community; status?
• Any participation or engagement in social safety nets? How important is this for your household? When/ in what event has it been especially important?
• Any changes in recent years?
• Looking back over your older age are there any difficult events or periods that stand out? (use this question to probe shocks, coping strategies, channels of support [relatives, friends, NGOs, church, moneylender etc], changes in asset levels, changes in livelihood strategies)
• Looking back over your older age are there any positive events or periods that stand out? (use this question to probe opportunities, investment, acquisition, aspiration, resilience)