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## Short-term Poverty Dynamics of Rural Households in Central Sulawesi, Indonesia — Evidence from Panel Data of 2005 and 2007

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### Abstract

The temporal component of poverty is an important part in poverty analysis. For the goal of poverty reduction – which is a main target of development policies, programs and projects – it is important to know whether poverty is chronic or transitory, because appropriate poverty reduction strategies differ. Insurances or income stabilisation programs are particularly suited for protecting transient poor from idiosyncratic shocks. The direct transfer of income or assets could instead help the chronic poor. Also for potential poverty reduction projects in Central Sulawesi – a rather poor area – it is important to know whether they are dealing with chronic or transitory poor. Therefore, we want to find out about poverty dynamics in the region and about the characteristics of chronic and transitorily poor households.

The data for the study was collected in 13 villages in the vicinity of the Lore Lindu National Park in rural Central Sulawesi, Indonesia. In 2005 and 2007 the same 264 randomly selected households participated in the survey. To analyse poverty dynamics, we calculated the Foster-Greer-Thorbecke poverty measures as well as the Sen and Sen-Shorrocks-Thon Index to draw a general picture of the poverty situation in both survey years. Regarding the 1 US\$ poverty line, the situation in the study area slightly improved: The headcount index declined insignificantly from 19.3% in 2005 to 18.2% in 2007. In contrast, we observed an increasing number of people living on less than 2 US\$ PPP. In 2005, 47% of the population felt short of this threshold. In 2007, this were 59.1%. Furthermore, we created a transition matrix including both international poverty lines (1 and 2 US\$) to show the movement into and out of poverty and to identify how many percent of the households are chronically or transitorily poor. Moreover, we conducted several regression analyses to trace factors that influenced the movement into and out of poverty. The results are used to draw policy conclusions with respect to the alleviation of transitory and chronic poverty.

**Keywords:** Indonesia, poverty dynamics