

POVERTY MEASUREMENT FROM NOISE TO SIGNAL... AND HOW THE MEDIA CAN HELP



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WHY HAVE THIS TRAINING?

- TajStat has spent a **long time without** reporting poverty
- Poverty reduction is a very **important policy objective** for the Government of Tajikistan
- Most people have a **perception** of what it means to be poor
- Most countries **define** monetary poverty in a very different way from the general public perception
- The media is a critical stakeholder to both help improve the measurement of poverty, and to promote poverty **reduction** as a priority
- The media is a critical actor to help **move the debate** from measurement to action

WHAT IS POVERTY?

- Poverty is “pronounced deprivation in well-being”. The poor are those who do not have enough income or consumption to put them above some adequate minimum threshold.
- Poverty may also be tied to a specific type of consumption; for example, people could be house-poor or food-poor or health-poor. These dimensions of poverty often can be measured directly, for instance, by measuring malnutrition or literacy.
- The broadest approach to well-being (and poverty) focuses on the capability of the individual to function in society. Poor people often lack key capabilities; they may have inadequate income or education, or be in poor health, or feel powerless, or lack political freedoms.

WHY IS IT IMPORTANT TO MEASURE POVERTY?

- To compare the poverty of different households and regions in the country
- To compare poverty over time
- To compare poverty between countries
- To monitor poverty
- To define a poverty reduction strategy
- To evaluate the impact of a poverty reduction strategy

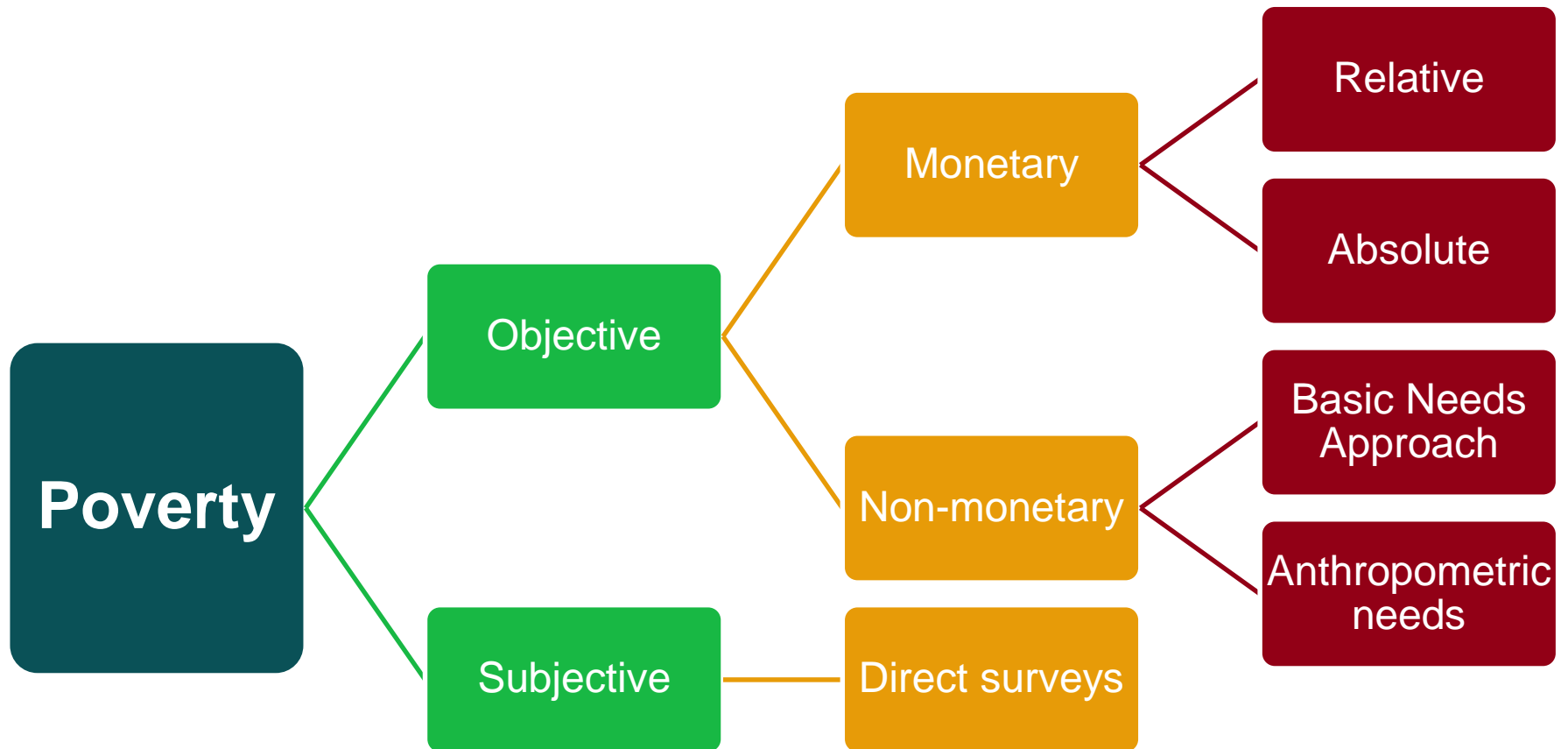
The answer to some of these questions will condition the properties and choices of a poverty indicator.

DESIRABLE CHARACTERISTICS OF AN OFFICIAL POVERTY MEASURE

- It must be **understandable** and easy to describe
- It must conform to a **common sense** notion of poverty
- It must fit the **purpose** for which it is being developed
- It must be **technically** solid
- It must be **operationally** viable
- It must be easily **replicable**

How is poverty measured?

POVERTY MEASURES



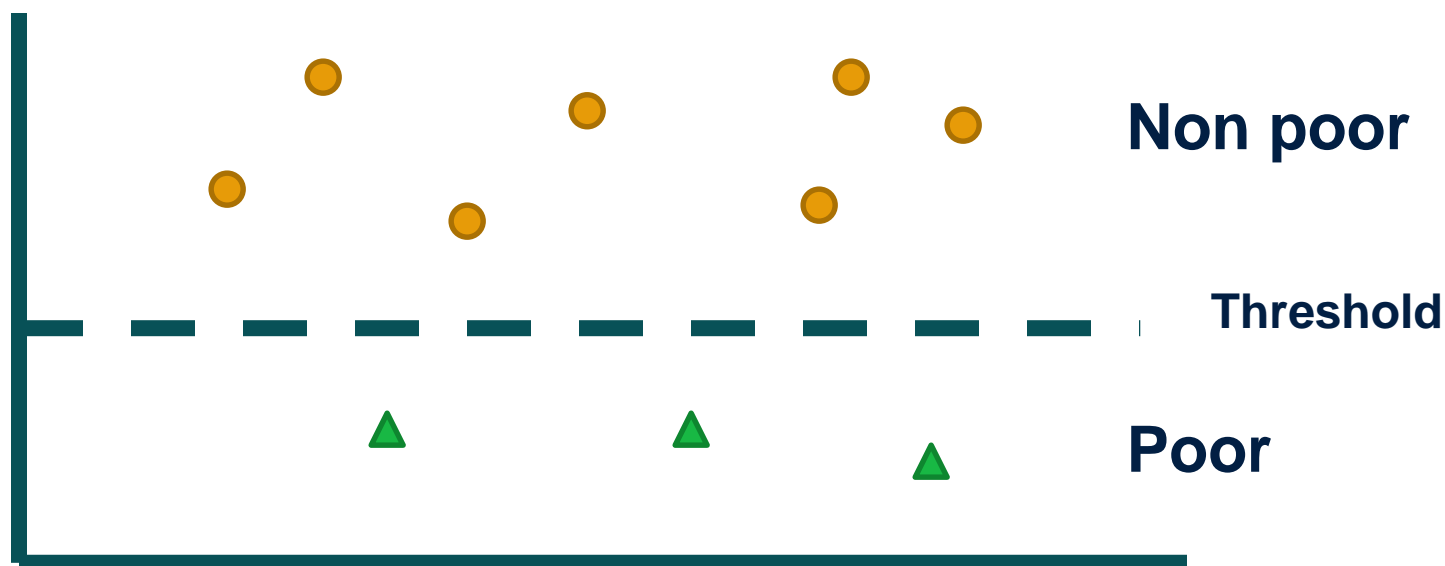
MEASURING MONETARY POVERTY

Three steps:

1. Estimate a poverty line: Absolute or relative
2. Chose a welfare aggregate: Income or Expenditure
3. Calculate aggregate the share of the population below this threshold (poverty line)

ABSOLUTE POVERTY

- Insufficient monetary resources to purchase the minimum consumption basket socially accepted.
- The “poor” are those individuals whose expenditure (or income) are below what is socially acceptable as a minimum living standard.

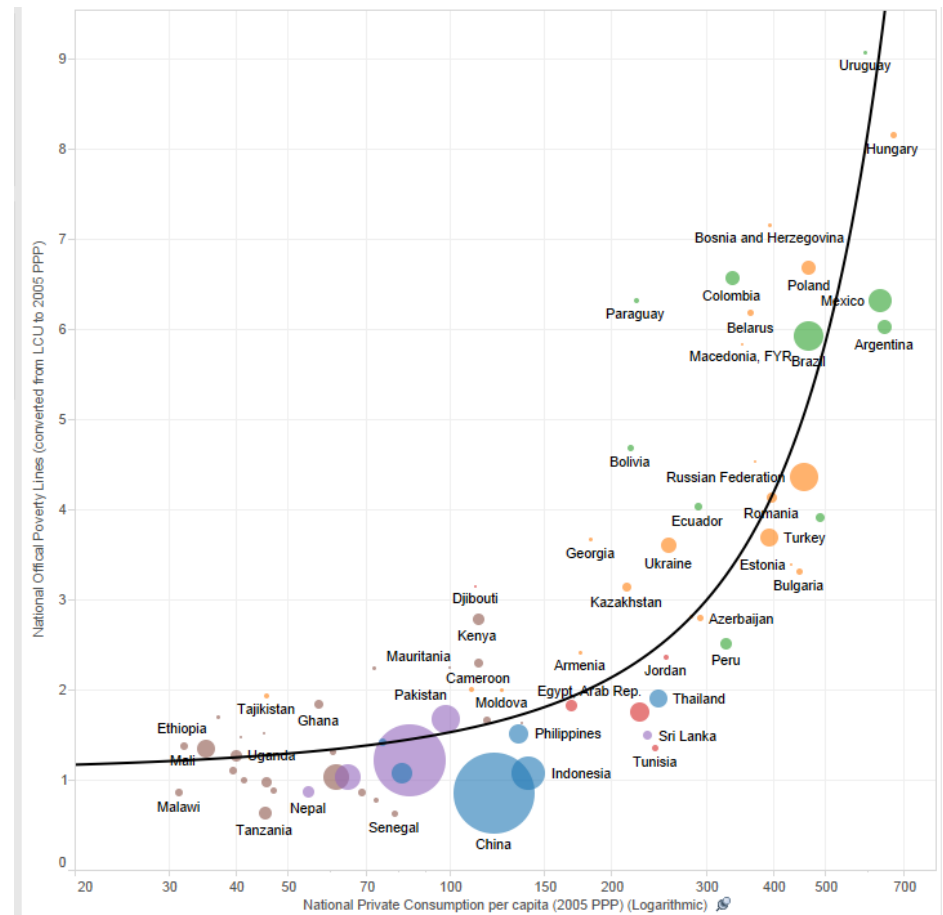


INTERNATIONAL BENCHMARK OF NATIONAL OFFICIAL POVERTY LINES

- There is a clear positive relationship between level of economic development and cost of living, and the values of national official poverty lines in PPP terms.
- A few countries are clearly outliers. Countries such as Paraguay or Colombia before their monetary poverty revision had a national official poverty line much higher than we could expect given its value of economic development
- It is important to keep in mind that these differences do not reflect only norms, preferences and level of development. Characteristics such as climate (heating and clothing costs), geography (trade and logistics), and demographics also play an important role explaining some of these differences.

Data from: Ravallion, Chen and Sangrula (2008) Dollar a Day Revisited. *Policy Research Working Paper 4620*.

NATIONAL OFFICIAL POVERTY LINES AND PRIVATE CONSUMPTION PER CAPITA



LIMITS OF MONETARY POVERTY MEASURES

- Implicit assumption: the distribution of resources within the household is equitable
- Monetary poverty measures if the household has the possibility to purchase the minimum consumption basket. It tells us nothing about what the household is actually purchasing.
- Often non-poor household have caloric deficits
- The poverty line is **socially determined**, and it is country and time specific.
- Different societies can have different norms, and those norms can evolve over time as income level, relative prices, technology, and preferences change.
- As consumption patterns change over time it is important to update the poverty line (every 10 years).

NORMATIVE OR EMPIRICAL BASKETS?

- Nothing ensures that the items of a normative baskets will be available for consumption
- There is no guarantee that these items have prices that can be estimated robustly
- Nothing ensures that the products from a normative food basket can be consumed by a significant fraction of the population (products that are not part of the population food habits).
- The normative baskets, use multiple criteria (caloric, protein intake, micro nutrients, % protein of animal origin, etc.) end up being ad hoc baskets that depend largely on the expert who built them. The criteria of transparency, acceptance by consensus and reproducibility are hardly met in this case.
- **An empirical basket is preferable**

ESTIMATION OF THE FOOD POVERTY LINE

- Definition of an empirical basket and not a normative
- Select the list of most frequent products (criteria: frequency; shared of expenditure; caloric contribution).
- Estimate the quantities purchased by the population of reference
- Convert such quantities in calories
- Sum calories and re-estimate the quantities
- Estimate unit values of the items using the survey (median values of the reference population).
- Sum values (adjusted amounts * unit values) for food poverty line

THE NON-FOOD COMPONENT OF THE POVERTY LINE

Two methods:

- Estimated average Engel (or OLS) coefficient of the reference population (most used method)
- The non-food component is that of households whose total costs is just enough to buy the minimum food basket (Ravallion "austere" line)

FINAL CONSIDERATIONS

Clarity on the objective of the measure, transparency and simplicity are the most critical aspects of this work

- Methodological guidelines
- Access to the survey data
- Clear calendar for the release of the numbers