

# Capabilities, Multidimensionality, and the Monitoring of Global Poverty

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# Issues to be discussed

- ▶ **Capabilities Approach:** From ideas to policy
- ▶ **The Atkinson Report:** A new focus on complementary measures
- ▶ **MPI Policy Implications:** Incentives, policy coordination and citizenship

# Capabilities: From Ideas to Policy

- ▶ Since Sen (1979, 1985) our concept of how we measure social achievement has changed
  - ▶ Access to goods and services
  - ▶ Ability to transform them into “functionings”: beings and doings
  - ▶ Agency and assessment
- ▶ However, traditional welfare economics still dominates the policy world
  - ▶ Consumption as the argument of the utility function (and as an indicator of permanent income)
- ▶ For policy, then, it has taken a long time to incorporate such an important paradigm shift

# A few important shifters within the WBG

- ▶ The **WDR 2000-2001 on Poverty**, added a full section on agency and empowerment
- ▶ The **WDR 2004 on Service Delivery**, which introduced voice and accountability as dimensions that are relevant for poverty
- ▶ The **WDR 2006 on Equity**, which “legitimized” the discussion on inequality, beyond growth
- ▶ The **WDR 2017 on Governance**, which introduces the importance of the distribution of power as an underlying determinant of poverty
- ▶ The **Atkinson Report**

# Atkinson Report: Monitoring Global Poverty

- ▶ A Commission on Global Poverty was appointed by the former WB chief economist to advise the WB on how to improve its practices and procedures for the measurement and monitoring of global poverty
- ▶ The commission was chaired by Prof. Sir Anthony Atkinson, and included 23 leading economic experts on poverty and income distribution
- ▶ The Commission's advice was sought with regard two areas:

## Monitoring extreme poverty

(currently, an individual is in extreme poverty if she lives below 1.90 \$ 2011PPP)

## The use of complementary poverty measures

# Monitoring Extreme Poverty

Recommendation	WB Reply
1. Refer to the extreme poverty line as the <b>International Poverty Line</b> and express it in each country in <b>local currency</b>	✓
2. Provide a <b>National Poverty Statistics Report</b> for each country	✓
3. Investigate the extent to which people are <b>missing</b> from the global poverty count (correct for survey underrepresentation and non-coverage, and update constantly the baseline population data)	✓
4. Take the lead in a Joint Statistical Working Group to define <b>standards for poverty measurement</b>	✓
5. Include in all estimates an evaluation of all possible <b>types of errors</b> (sampling, non-sampling errors and errors derived by setting the international poverty line)	?
6. Make <b>publicly available the global poverty methodology</b> and assess availability and quality of survey data in each country	✓
7. Explore the construction of a <b>household living standard measure based on national accounts</b>	✓
8. Explore alternative methods of providing <b>up-to-date poverty estimates using scaled-down surveys</b>	?
9. Seek to improve the <b>quality of Consumer Price Indexes</b>	✓
10. Update the <b>international poverty line over time by using the national consumer price index and not the ICP</b>	?

# Complementary poverty measures

Recommendation	WB Reply
11. Publish a portfolio of <b>complementary indicators</b> to the global poverty count, including a <b>multidimensional dashboard of outcome indicators</b> (the list should be small enough to receive prominence in public debate)	✓
12. Among the complementary indicators, there should be the <b>mean normalized poverty gap</b> (the FGT1)	✓
13. Provide a <b>profiling of the poor</b> (how many women, children, young adults live below the international poverty line?)	✓
14. Explore the use of <b>subjective assessments of personal poverty status</b>	?
15. Provide a list of <b>basic needs</b> , helpful to interpret what the international poverty line would buy	?
16. Combine a <b>relative definition of poverty</b> with the absolute one, by means of a societal headcount measure of global consumption which would take into account the standard of living of each country	✓
17. Set the second of the twin goals as <b>raising the living standards of the bottom 40 percent</b> and include as indicator the growth rate of per capita real consumption of the <b>bottom 40 percent in the world distribution</b> of consumption	?
18. Establish own requirements with regard to the measurement of <b>nonmonetary poverty</b> , to be integrated with the <b>SDG</b>	✓
19. Include in the complementary indicators a <b>multi-dimensioned poverty indicator</b> based on the <b>counting approach</b> and covering the <b>overlap of dimensions</b>	✓

# How to measure multidimensional poverty?

► Critical steps

1. Selection of variables (dimensions and indicators)

If more than one:

2. Aggregation or dashboard

If aggregation

3. Choice of weights (and function)



# Multiple dimensions, Multiple Approaches

- ▶ Recommendation 11 supports the use of a **dashboard approach** to monitor a small set of outcome indicators
  - ▶ The WB proposes to monitor, in addition to monetary poverty, deprivation in:
    - ▶ Educational outcomes
    - ▶ Access to health care
    - ▶ Access to basic services (e.g. water, sanitation and electricity)
- ▶ Recommendation 19 support the use of a **multidimensional poverty indicator based on the counting approach** and covering the **overlap of dimensions**
  - ▶ The WB proposes to aggregate the different dimensions using a member of the class of multidimensional poverty indices proposed by Alkire and Foster (2011)

# Is dashboard + overlap the right approach?

## MD Measures

- ✓ Complete ranking
- ✓ Intensity of well-being or deprivations matters
- ✗ All information should come from a single source
- ✗ Need to choose relative weights

## Dashboard Approach

- ✗ No complete conclusion when dimensions disagree
- ✗ # dimensions deprived are not important (joint distribution ignored)
- ✓ Use of best possible data for each dimension
- ✓ No need to choose relative weights

## Dashboard + Overlap Approach

- ✗ No complete conclusion when dimensions disagree
- ✓ Intensity of well-being or deprivations matters
- ✗ One source for all dimensions
- ? No need to agree on weights?

# Multidimensional is in demand

## Monetary



## Non-Monetary



2/3 of countries using or going to

# Importance of MPI Beyond Measurement

- ▶ Incentives
- ▶ Policy Coordination
- ▶ MPI is closer to the notion of how people “experience the state”: Building citizenship