INTERVIEW
with Juan Manuel Santos

Poverty in
GERMANY

SPECIAL
2018 Global MPI
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New Version of the Global MPI

In this new edition we present an interview by Sabina Alkire with former President of Colombia and Nobel Peace Prize winner, Juan Manuel Santos. In the conversation, Santos explains the reasons that led him to create the Colombian Multidimensional Poverty Index (MPI) and how it was used to improve the efficiency of social policies.

The special report in this edition looks at the new version of the global MPI, which was launched by OPHI and the United Nations Development Programme (UNDP) in September 2018 with the participation of Nobel Prize laureate in economics Sir Angus Deaton. In addition to Deaton’s contribution, we also publish an article by Usha Kanagaratnam, who oversaw the team that revised the index, explaining the main changes. Closing this section, Luis F. López-Calva describes what the global MPI’s added value is in the Latin American and Caribbean context.

Usually, when we think of multidimensional or monetary poverty we focus on developing countries and do not consider what is happening in advanced economies. Nicolai Suppa proposes a measurement of multidimensional poverty for Germany and describes the challenges of creating a measurement of this kind for an economic power. Spoiler alert: Multidimensional poverty does exist, and it is probably more common than you think.

One of the people with the most experience in the implementation of national MPIs is John Hammock. In his article he highlights two key aspects of these indices that make them efficient tools in the effort to put an end to poverty in all its forms.

What data sources can be used to identify poverty levels within a country? In the ‘Data of the Month’ section we discuss the advantages and disadvantages of censuses, administrative records and household surveys as sources of data to measure multidimensional poverty.

We invite you to read *Dimensions*, a new perspective for understanding poverty.

Carolina Moreno and Diego Zavaleta
Collaborators

Sir Angus Deaton,
2015 Nobel Laureate in Economics, Senior Scholar and Professor Emeritus at Princeton University.

John Hammock,
co-founder of OPHI.

Luis F. López-Calva,
United Nations Development Programme (UNDP) Assistant Administrator and Regional Director for Latin America and the Caribbean.

Nicolai Suppa,
Juan de la Cierva research fellow at the Centre for Demographic Studies in Barcelona and OPHI research associate.

Sabina Alkire,
director of OPHI.

Usha Kanagaratnam,
OPHI research officer.
Juan Manuel Santos, former president of Colombia and Nobel Peace Prize laureate:

‘I saw that this index [MPI] would give me the tools to have a much more efficient public investment.’

Colombia is at the forefront globally in multidimensional poverty measurement. Not only was the country a pioneer in creating the national Multidimensional Poverty Index for Colombia (CO-MPI), Colombia also uses this indicator to better monitor poverty goals and the Sustainable Development Goals. Sabina Alkire, Director of OPHI, spoke about these issues with former President Juan Manuel Santos, who is currently a visiting professor at the Department of International Development of Oxford University.

Sabina Alkire (SA): It is an honour to be with Juan Manuel Santos of Colombia, who five years ago in Oxford, launched the Multidimensional Poverty Peer Network, which also included a public distinguished lecture by Amartya Sen, and so my first question is about the relationship between Amartya Sen and his work, and the multidimensional poverty index that you have used so much in Colombia.

Juan Manuel Santos (JMS): Thank you very much for having me. The relationship with Amartya Sen was more of a personal and inspirational relationship because he was my professor many years ago in London at the London School of Economics and then at Harvard, and he made a tremendous impression on me – what he taught and his ideas.
So when we started – my government – my first government and we put the fight against poverty as a priority, and we heard about the new approach – the multidimensional index, an idea inspired by Professor Sen – that immediately caught my attention and my enthusiasm. And we put this policy as part of our National Development Plan, which is a law that Congress has to approve, and then we came to Oxford some years later – in 2013 – to launch the network. But by that time we had already started the implementation of our policy and our fight against poverty, which was based on the multidimensional index not on the monetary indicators – even though we maintained those measurements in order to give people the confidence that we were not manipulating the statistics.

**SA: Colombia has been a leader worldwide in the implementation of the MPI. I would like to deepen our understanding of how it became a tool. You first mentioned that Colombia had an income poverty measure, so why did you decide to use an MPI and what were some of the obstacles in communicating it?**

**JMS:** I decided to use the MPI because it was logical and reasonable, and I had my concerns about why the monetary indicator was not the correct indicator. Among other things, I read what Professor Sen had said about this, and it’s simply a logical conclusion that it’s not how much money we receive, but if you have access to health, if you have access to education, the conditions you live in. These are the real dimensions of poverty – what defines if you’re poor or not. So I thought that this is a much better way and we went ahead with constructing the index in Colombia.

We decided at the same time to maintain the other index in order to avoid the accusation that we were simply changing the index to make the government more look efficient in fighting against poverty. To which we said: ‘No, we will maintain the other index, but this index will help me’. I was Minister of Finance before being president. I know how important it is to identify where your investments, especially your social investments, will be more profitable, will have a better impact, and so I saw that this index would give me the tools to have a much more efficient public expenditure or public investment in the social aspect. And it did, because we could decide where the money will have a better impact in our fight against poverty, and the fight against poverty was our priority.

It had a tremendous attraction from the logical point of view. You don’t have to be an economist or have a PhD to conclude that this indicator was more useful and, at the same time, from the public expenditure point of view, it was ideal for making public expenditure or public investment more efficient.

**SA:** Thank you so much. You’ve talked about public investment, but another one of the features of Colombia’s implementation that captures the imagination of other countries is how you used the MPI to coordinate policies. So could you talk a little bit more about that?
JMS: Any public policy – and I even founded a foundation called Good Government Foundation – any public policy needs a correct coordination among the institutions, the political will of the leaders, to really have success. Since this was my priority, then I myself organised a committee. The ministers who were responsible for attacking poverty with all the indicators of the multidimensional index, they were seen around a table. And not only the ministers, but the institutions that had something to do with this public policy – and they reported to the president. They cannot send a vice-minister or any other employee of their institutions; it had to be at the highest level. They had to give me information on how they were advancing in the implementation of the policy.

This was extremely important because the coordination and the pressure from above to have results and monitoring the advance – and why is somebody lagging here or there – is the essence of good government. We applied that to the implementation of the multidimensional index in our fight against poverty with tremendously successful results. The results speak for themselves: more than five and a half million Colombians came out of multidimensional poverty in the last five to six years.

SA: Colombia, in a sense, was the first country to propose the Sustainable Development Goals and to use them in the national development plans, so can you speak a little bit about your role in that process and their importance?

JMS: When I was inaugurated as president back in 2010, a girl gave me a very bad welcome, a girl called ‘La Niña’. It was the worst phenomenon of La Niña that we have ever experienced. Colombia was completely flooded for two years. It rained and rained and rained. That made me much more conscious of climate change.

Colombia is a very rich country in terms of biodiversity. I remember Vice President Gore going to Colombia and telling me ‘You are one of the most

The results speak for themselves: more than five and a half million Colombians came out of multidimensional poverty in the last five to six years.
place in Rio de Janeiro in 2012. I presented the proposal to the plenary of the summit, and it immediately sort of caught the attention of many of the principal delegations.

I remember China was chairing this meeting and he told me ‘You come from a relatively small country’, and I said ‘We’re not that small but compared to China we are’. And he said ‘But you have big ideas, this is a great idea’. And then a process of diplomacy followed, diplomacy with many countries wanting to participate in discussions – how many goals, what goals.

It was a fascinating experience of choosing the 17 goals and finally in the year 2015, I had a tremendous pleasure and privilege of being president when the UN General Assembly adopted the SDGs as the world agenda for the future.

vulnerable countries, because you are so rich in biodiversity, and if the temperatures continue to increase, your biodiversity will be destroyed’.

So I was very conscious of this issue, and also I transmitted this worry to the people of my government. And two very intelligent fine ladies that work for my government came to me with an idea and said ‘President Santos, you’re worried about the environment. We have to change the Millennium Goals to some new goals. We have this idea: Why don’t we call them the Sustainable Development Goals? Because the environment must be an element in the new goals and, also, this is not a problem of poor countries or developing countries, it’s a problem of the whole world, so the developed countries must be present in these new goals’. I told them to give me some ideas; I took them to the summit, the Rio summit, that took place in Rio de Janeiro in 2012. I presented the proposal to the plenary of the summit, and it immediately sort of caught the attention of many of the principal delegations.

I remember China was chairing this meeting and he told me ‘You come from a relatively small country’, and I said ‘We’re not that small but compared to China we are’. And he said ‘But you have big ideas, this is a great idea’. And then a process of diplomacy followed, diplomacy with many countries wanting to participate in discussions – how many goals, what goals.

It was a fascinating experience of choosing the 17 goals and finally in the year 2015, I had a tremendous pleasure and privilege of being president when the UN General Assembly adopted the SDGs as the world agenda for the future.
SPECIAL
2018 Global MPI
Launch of the Revised Global MPI

The launch of the revised OPHI and UNDP global Multidimensional Poverty Index (MPI) took place on 20 September 2018 in New York. In this section, we publish an edited version of Nobel laureate in economics Angus Deaton’s presentation at the event and an article by Usha Kanagaratnam explaining the adjustments that were made to the global MPI to better align it with the Sustainable Development Goals (SDGs). Finally, Luis F. López-Calva explains the global MPI’s added value in the Latin American and Caribbean context.

The updated data is the result of an on-going partnership between OPHI and UNDP’s Human Development Report Office.
It’s a great honour and a pleasure to be here today and to help to welcome the new and improved 2018 version of the Multidimensional Poverty Index.

I’d especially like to acknowledge the extraordinary work of my friend Sabina Alkire, who has worked on these indicators from the very beginning and who has had to face not only the intellectual and measurement challenges, which are very considerable, but also over the years has ridden out a good deal of discouragement. She and her collaborators, as well as UNDP, are to be congratulated for this major contribution to global statistics and to global poverty measurement.

We also owe a debt to Amartya Sen, who has insisted for many years that economists were wrong when they measured well-being and poverty with an exclusive focus on income. That seems commonplace now, but it was not commonplace 20 or 30 years ago. Finally, it is also a bittersweet pleasure to echo what Sabina has just said and to see that the report is dedicated to Sir Tony Atkinson who devoted so much of his life to thinking about poverty and so strongly supported these efforts.

I have four brief points that I should like to make today. The first is about what I think of as the correlation issue. This is where multidimensional measures show a key advantage over the alternative—what we might think of as a dashboard of measures: one for living standards, one for education, one for health, and so on. A dashboard looks at each topic one at a time, presenting a summary measure of each: the headcount ratio of income poverty, the infant mortality rate, the fraction of kids who can’t read, and so on. The problem with this approach is that, in the real world, deprivations in different areas are positively correlated with one another. It’s usually the
same people who lack resources who also lack education or the sanitation and clean water that protect them against infectious disease. The dashboard of measures entirely misses this sort of clustering. A world in which the people who are sick were neither rich nor poor, or the people who lack education have the same ability to participate in civil affairs, would be, in many respects, a much better world than the one in which we live – and a dashboard cannot tell us which world we are in.

Sir Angus Deaton was awarded the Nobel Prize in Economic Sciences in 2015. He is a Senior Scholar and Dwight D. Eisenhower Professor of Economics and International Affairs Emeritus at the Woodrow Wilson School of Public and International Affairs, and the Economics Department at Princeton University.

She [Sabina Alkire] and her collaborators, as well as UNDP, are to be congratulated for this major contribution to global statistics and to global poverty measurement.

Of course constructing real multidimensional measures poses an immense challenge of measurement and dashboards are much easier. We cannot get our income data from one place and our health data from another, we have to have data that allow us to look at all the dimensions for each and every person at the same time. Such data are much sparser than the data needed to support a dashboard, and the data are not always ideal in each of the dimensions, but, to me at least, the benefits of being able to handle correlated deprivations are important enough to make the sacrifices worthwhile, and of course we always have the dashboard as a complementary resource.

My second point today is about India and about the extraordinary progress that it has made over the last decade. In 2009, my friend Jean Drèze and I wrote about nutrition and nutritional status in India, and while we were pretty sure that things were getting better for India’s poor, progress was far too slow, and wasting – a measure of the skinniness of children – had actually worsened between the late 1990s and 2005 and 2006.

As late as January 2012, then Prime Minister Manmohan Singh stated the problem of child malnutrition was ‘a national shame’. The amazing progress in the last decade, especially for children, is one of the greatest triumphs of human and economic development. As the report makes clear, there is still a long way to go before multidimensional poverty is eliminated in India, especially for men, women and children in the countryside. But, at least for today, it is worth celebrating the 271 million people who escaped multidimensional poverty in the decade after 2005/06.
For my third point, let me return briefly to methodology. As its critics have pointed out, there is some arbitrariness in the weighting and in the adding together of the fractions who are deprived across different dimensions. Different decisions about these matters will give different answers. They will rank countries differently relative to one another, and they will change the results about who is making more or less progress over time.

The deep problem here of course is that there is no universal way of doing the aggregation. Some people put health before income while others, called economists, often seem to want to put income before everything else. This arbitrariness is sometimes contrasted with the elegant and complete theory that supports the use of poverty measures that use money as their sole metric, but that is a serious mistake.

There are more globally poor people in the U.S. than in Senegal or in Nepal, and the poverty rate in the U.S. is almost identical to the poverty rate in China.

The standard money metric global poverty counts, useful though they are, are also arbitrary albeit in a different way. I’m particularly thinking of the Achilles’s heel of all money metric poverty measures: which is that they need price indices to convert money amounts, which are relatively easy to measure, into the real purchasing power that we need. This is a problem even within countries, where disputes over price indices have long cast a shadow over poverty measurement, even for the domestic estimates in the United States for example. But it is when we need to convert rupees and yuan and shillings or pesos into common purchasing power measures that we really run into difficulties.

The appropriate price indices here are purchasing power parity exchange rates, or PPPs, and measuring them accurately has been bedeviled not only by technical issues of measuring prices but also by conceptual issues about what it is we are trying to measure in the first place. I am chair of the technical advisory group of the International Comparison Programme (ICP), which produces these price indices, and I am extremely proud of our work and will defend it against anyone. But, and it is a very big but, there is really no way of comparing the real living standards of very poor people in different countries around the world when they buy radically different goods. There really is no way of comparing a poor Bolivian eating quinoa with an Ethiopian eating teff. The ICP ‘solves’ such problems but only by making arbitrary assumptions that are no better or worse than those that are involved in the multidimensional indices. There’s no free lunch.

Finally, let me be a little bit controversial and come to my fourth and final point. On occasions such as this, no matter how much we welcome the new baby and congratulate its parents, it is customary to ask for a little more, and let me do that. To me, one of the greatest advantages of the SDGs over their predecessors, the MDGs, is that the former, unlike the latter, encompass the whole world, not just the poor countries of the world.

Even the World Bank now calculates its $1.90 a day poverty measure for rich countries, including the U.S. And the results have been both controversial and eye opening. In particular, when I used my own poverty line of 4 dollars per person in rich countries, which I believe is pretty much equivalent to 2 dollars a day in poor countries, the World Bank tables show that there are 5.3 million people who were globally poor in the World Bank sense in the United States – 5.3 million people. There are more globally poor people in the U.S. than in Senegal or in Nepal, and the poverty rate in the U.S. is almost identical to the poverty rate in China, in spite of the fact that the U.S. has a GDP per capita that is three and a half times larger. None of this is true for other rich countries in the OECD. America has a serious deep poverty problem.

At the end of last year, at the invitation of the U.S. government, the U.N special rapporteur, Philip Alston, examined the extreme poverty in the U.S. He reported on his findings to the U.N Human Rights Council in June 2018. The report makes for truly dreadful reading, documenting the extraordinary depths of poverty in parts of the U.S.: people sleeping in tent camps on the streets of Los Angeles, people whose yards are washed in untreated sewage because local authorities refuse to supply services, and the widespread use in many towns in America of fines and confiscations, levied on poor people, that many towns and cities are using to finance themselves. The war on poverty has become a war on the poor, which is all a roundabout way of saying that I think it’s a matter of urgency to extend the multilateral poverty work to the United States and to help Americans understand just how badly they are doing by their poorest citizens.
Rebooting the Global MPI

by Usha Kanagaratnam

The year 2018 turned out to be one of the most demanding yet stimulating years for the OPHI team. One key achievement for the team was the collective effort in revising the global Multidimensional Poverty Index or MPI – an internationally comparable measure of acute poverty for developing countries. The motivation for the revision was the progress made in terms of data availability for measuring human development in the last decade. For this, we must acknowledge the outstanding work carried out by global micro-data providers such as the Demographic Health Survey (DHS) team and the Multiple Indicators Cluster Survey (MICS) team.

A key highlight of the global MPI is its ability to measure and capture the simultaneous deprivations experienced by each person across ten indicators that relate to the three major dimensions of human development: health, education, and living standards. The number of people who experience multidimensional poverty is obtained by identifying those who are deprived in at least one-third of the ten weighted indicators. In general, the Alkire-Foster methodology of the index has remained the same – three dimensions, ten indicators and one-third as the poverty cut-off. The 2018 revision specifically focused on the indicators, five of them were updated (summarized in the table below).

The child nutrition indicator was the most challenging in terms of reaching a consensus. The revision of this indicator meant re-opening the debate on what indicator best captures the nutritional status of a child: stunting (height-for-age), underweight (weight-for-age), and/or wasting (weight-for-height). The original global MPI only took into account the children’s underweight indicator. Consultations with data providers and nutrition experts resulted in the decision to identify any child under five as deprived if the he or she was underweight and/or stunted.

The 2018 revision specifically focused on the indicators, five of them were updated.

In half of the countries covered by the global MPI, anthropometric data was also collected from teenagers and adults aged 15 to 49 years – and even older than 49 years in a handful of them. In these countries, the nutrition indicator was based on the underweight measure for children under five and the body mass index (BMI) measure for all individuals aged 15 years and older. However, the BMI measure is
considered less accurate for teenagers, given their sporadic growth. A lanky 16-year-old may be skinny, hence identified as deprived by the BMI measure, but this is a natural physiological phenomenon experienced by those in the age group and hence is less likely to be identified as deprived by a BMI measure that is adjusted by age. As a result, the revised nutrition indicator applies the BMI-for-age measure for teenagers (15–19 years) and the BMI measure for adults 20 years and older. The decision on teenager and adult nutrition was straightforward as the literature on the BMI measure and expert opinions were less divergent.

Another demanding and thought-provoking debate was centred on the revision of the child mortality indicator, with one particular question hitting us hard: whether a family who experienced child mortality ten years back is less affected emotionally and financially than a family who lost a child more recently. Previously, the index took into account any reported child death, that is, without any time condition. The revised indicator takes into account the deaths reported in the five years preceding the survey. The decision to set a time condition was reached based on policy relevance. There is a stronger policy incentive to focus on more recent deaths among children than on deaths that occurred further in the past. The policy relevance argument was further strengthened in 2019, when an age cut-off was also introduced. Individuals will now be identified as deprived in the child mortality indicator if they live in a household where there is any incident of death among children under 18 in the five years preceding the survey.

Our easiest revision was related to the years of schooling indicator. Previously, a household was identified as deprived if no member had completed at least five years of formal education. This was revised to six years of education, which, in the majority of the countries analysed with the global MPI conforms to the completion of primary level schooling.

One of the revisions that we looked forward to implementing was the housing indicator. Since 2016, we had recognized a significant improvement in the availability of data related to this indicator. This includes the availability of information on materials used to construct the walls, roof and floor of a household. The combination of this information meant that we can now assess the habitable condition of the houses inhabited by people around the world.

In our earlier work, we identified individuals as deprived if they were living in households that had no floor or if the floor was constructed from dung or dirt. In the revised index, in addition to considering flooring materials, individuals are also identified as deprived if their dwelling has no roof or walls, or if the roof or walls were constructed using natural or rudimentary materials such as carton and plastic.

The revised global MPI launched by UNDP and OPHI on 20 September 2018 is a shared achievement.

The fifth indicator that was revised, and unquestionably went through the longest process of revision, was the assets indicator. Previously, the aggregated assets indicator identified ownership of a car and six small items, namely, a television, radio, telephone, refrigerator, bicycle and motorbike. Households that owned a car were automatically identified as non-deprived. Individuals were identified as deprived if they lived in households that had only one or none of the small assets.

Usha Kanagaratnam is the team leader of the global Multidimensional Poverty Index (MPI) project at OPHI. She completed both her DPhil and MSc in Sociology from the Department of Sociology, University of Oxford.
After a substantial number of analyses and engagement with the literature, the revised version of the aggregated assets indicator included two additional small items: a computer and animal cart. The former reflects global technological growth, while the latter reflects the ease of the mobility of people and goods in rural communities. The identification of who is deprived in assets remained the same despite the increase in small assets from six in the previous round to eight items in the current round.

Change is never easy. Opening the debate on crucial questions related to nutrition, child mortality and assets meant that it was possible that this debate could go on and not reach a conclusive consensus. An in-depth exploration of the indicators that best capture acute poverty is a valid exercise. However, the exercise must not come to a point where the global identification and estimation of multidimensional poverty is paused while we focus on achieving a consensus.

Some tough decisions were taken, but, more importantly, we were transparent about the changes and decisions made in the revised global MPI. We walked quite a distance in 2018 in terms of workload. This was only possible because of the enormous strength and support from team members and associates across the globe. The revised global MPI launched by UNDP and OPHI on 20 September 2018 is a shared achievement.

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<th>Original global MPI Deprived if...</th>
<th>Revised global MPI Deprived if...</th>
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<tr>
<td><strong>Nutrition</strong></td>
<td></td>
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<tr>
<td>Any teenagers or adults have low BMI or any child under 5 is underweight.</td>
<td>Any adults have low BMI or any teenagers have low BMI-for-age or any child under 5 is underweight or stunted.</td>
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<tr>
<td><strong>Child mortality</strong></td>
<td></td>
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<tr>
<td>Any child has died in the family.</td>
<td>Any child under 18 has died in the family in the five-year period preceding the survey.</td>
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<tr>
<td><strong>Years of schooling</strong></td>
<td></td>
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<tr>
<td>No household member aged 10 years or older has completed five years of schooling.</td>
<td>No household member aged 10 years or older has completed six years of schooling.</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
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<tr>
<td>The household has a dirt, sand, dung or other unspecified type of floor.</td>
<td>The household has inadequate housing: the floor is of natural materials or the roof or walls are of rudimentary materials.</td>
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<td><strong>Assets</strong></td>
<td></td>
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<tr>
<td>The household does not own more than one radio, TV, telephone, bicycle, motorbike or refrigerator and does not own a car or truck.</td>
<td>The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator, and does not own a car or truck.</td>
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The Multidimensional Poverty Index: Rethinking Measurement, Improving Governance

By Luis F. López-Calva

The Multidimensional Poverty Index (MPI) is an attempt to reconceptualise the measurement of poverty to acknowledge that, while income is a necessary element, it is by no means a sufficient gauge of social well-being. It also recognizes that a simple poverty headcount is not enough; the depth, persistence, and complexities of poverty must also be understood.

The first publication of the MPI at a global level was in 2010 in the Human Development Report by UNDP and OPHI. Since then, much has been published about the MPI, with Latin America and the Caribbean at the leading edge of innovation with respect to its definition, how it is calculated at a subnational level, and how it is used to inform policy. For example, in 2018 Panama presented the first official Child MPI in the region, as a tool to complement the country’s official poverty measurements. The Child MPI included dimensions that were adapted for the measurement of the different vulnerabilities that boys, girls, and adolescents experience – such as protection and recreation.

While Latin America and the Caribbean is indeed a middle-income region, it is still far from being a middle-class society.

What is the added value of the global MPI in Latin America and the Caribbean?

The results of the 2018 global MPI reveal the challenging landscape of poverty worldwide. For Latin
America and the Caribbean in particular, the global MPI demonstrates the great heterogeneity that exists among the countries of the region, where less than 5% of the population lives in multidimensional poverty in the majority of the Caribbean countries, but that number is 12% in Peru, 20% in Honduras, and up to 48% in Haiti. This means that close to 40 million people (8% of the region’s population) live in multidimensional poverty and 11 million (2%) live in severe multidimensional poverty. At the same time, 39 million people are identified as vulnerable to multidimensional poverty, demonstrating that a significant number of people in the region have a high probability of falling into multidimensional poverty if some kind of adverse shock affects their country or household. These kinds of vulnerabilities reinforce the idea that, while Latin America and the Caribbean is indeed a middle-income region, it is still far from being a middle-class society.

The MPI is also a tool for improving governance in a variety of ways

The MPI is more than just an official statistic that is closely aligned with Sustainable Development Goal 1: it increases our understanding of the many forms of poverty experienced by those who are left behind. In Latin America and the Caribbean, for example, infant mortality, nutrition, and years of education are the indicators with the greatest incidence of multidimensional poverty. This highlights the need for comprehensive solutions in order to attain social well-being.

The MPI is also a tool for improving governance in a variety of ways. On the one hand, it improves the coordination of public policies, aligning the interests of diverse actors behind a common goal. The exercise of designing the MPI is, indeed, an exercise of defining priorities that includes different sectors and brings together relevant actors. It also strengthens national information systems through the use of surveys to keep the index updated and to monitor national priorities. Finally, it encourages government accountability and responsibility. An updated and transparent MPI allows a broad overview of progress, identifies lagging priorities, and celebrates accomplishments.

Luis Felipe López-Calva is the United Nations Development Programme Assistant Administrator and Regional Director for Latin America and the Caribbean. He has nearly 30 years of experience working in academia, advising governments in the region and holding key leadership positions in multilateral organizations, including UNDP and the World Bank.
Is There Poverty in Germany?

Nicolai Suppa proposes a multidimensional poverty index to better identify people’s deprivations in an advanced economy.

Can we talk meaningfully about poverty in an advanced economy like Germany? And if so, what does poverty look like? Or is poverty really something that societies leave behind once they are ‘developed’? Critics argue that the official German poverty measure, which follows a relative income approach, does not reflect real poverty.

Poverty is said to have many faces – a reality that becomes especially obvious when it is understood as consisting of multiple deprivations. One person may suffer from malnutrition, be unable to read and live in a subtropical rural area that lacks access to safe water. Another person, despite not being malnourished, might still have bad health and live a socially isolated existence in an urban area with insufficient shelter against cold and rain. Measures of multidimensional poverty that can detect multiple deprivations help to uncover, understand and ultimately fight some of the many manifestations of poverty.

In a paper published in *Empirica*, I propose a multidimensional poverty measure for an advanced economy like Germany. I pay special attention to both the conceptual integration into the capability approach and the German context. The proposed measure is based on the Alkire-Foster method and is calculated using the German Socio-Economic Panel data set (SOEP) for three points in time between 2001 and 2012. To reveal my findings straightaway: there is multidimensional poverty in Germany. Figure 1 shows the number of people living in poverty (headcount ratio) for different poverty cut-offs, which are expressed as the percentage of deprivations a person needs to be deprived in to be identified as multidimensionally poor (in this case, the
In 2001/02, for instance, if we consider being deprived in at least one-third of all the indicators as our poverty cut-off (k=33% in Figure 1), 10.7% of the population would be identified as poor, whereas stricter poverty cut-offs of k=38% or k=41% still imply poverty rates of 6.6% and 5%, respectively.

The present article seeks to highlight specific aspects related to this proposal. Naturally, more details can be found in the paper itself.

**Figure 1. Percentage of the population identified as poor according to poverty cut-off (k)**

Data tends to be imperfect

The SOEP is a high-quality household panel-data set that has been successfully used for numerous research projects. However, these data, too, are still far from being perfect: many dimensions of human well-being are observed either incompletely, irregularly or not at all. An important implication is that resource information, i.e. information on means to achieve well-being rather than direct information about dimensions of well-being, has to be used as well. Therefore, a careful discussion of what indicators are ultimately meant to capture is also vital for this measurement exercise. For instance, it is important to include indicators for material and wealth deprivation, as these are related to otherwise ignored dimensions such as reasonable decision-making and economic security.

In 2001/02, for instance, if we consider being deprived in at least one-third of all the indicators as our poverty cut-off (k=33% in Figure 1), 10.7% of the population would be identified as poor.

The context is essential

Poverty measures cannot be compiled *in vacuo*. Quite the contrary, they always refer to a particular society at a given point of time, seeking to reflect the complex realities of poor people in that society while simultaneously respecting their values. Part of this context is that Germany is a rich country, having a more or less generous welfare state. Then again, it is not too difficult to observe people whose lives are ‘battered and diminished in all kinds ways’ (Amartya Sen).

The so-called reports on poverty and wealth represent another important element in that context. These reports have been published once a legislative period since the late 1990s and, among other things, monitor and analyse 17 core indicators of poverty. Drawing on these reports and related debates, the measure I propose comprises 15 indicators organised into six dimensions (education, health, housing, social participation, employment and material deprivation). Interestingly, the selected dimensions resemble what has also been chosen elsewhere in the world.

The public debate

The public debate plays a prominent role in the normative decisions needed for a fully-fledged poverty measure, including the selection of dimensions and indicators or the setting of poverty and deprivation thresholds. This is more than a formal requirement. In fact, the controversial, but rather inconclusive, debate on poverty in Germany largely revolves around finding the ‘correct’ poverty cut-off, while taking the relative income approach (and other parameters like equivalence scales) as given.

In contrast, the strategy to embed an Alkire-Foster-based poverty measure into the capability approach virtually invites, in fact, requires a public discussion about what actually constitutes poverty in the first place. While such a measure can frame the public discussion with a clear means-versus-ends distinction or offer candidate dimensions of human well-being, thus exposing the underlying normative decisions, it deliberately leaves these decisions open. It is up to a more reflexive and yet focussed public debate to ad-
dress these questions and make a truly constructive contribution.

In fact, Spiegel-online, a major German news portal, published award-winning reportage asking precisely this question: What does it mean to be poor? The accompanying web resources allowed users to assess their own poverty status according to different poverty and deprivation measures.

The poverty cut-off

Besides indicator selection and the weighting scheme, the cross-dimensional poverty cut-off is another crucial parameter. Indeed, critics of poverty and deprivation measures for advanced economies often raise the concern that there will always be a bottom 10% in the population that has, say, relatively low education. This is, of course, true. Measures of multidimensional poverty, however, allow us to identify persons who are simultaneously deprived in multiple dimensions. If this is indeed our goal, then we are actually not worried about low education per se, but only to the extent that low education is coupled with, for instance, bad health, social isolation and unemployment. Only then is a person’s life evidently battered and diminished in numerous ways, which can be conceived as one manifestation of poverty. Therefore, requiring a person to be deprived in more than one indicator in order to be considered poor is vital for the present proposal and, moreover, allows us to go beyond a simple dashboard of indicators.

Mismatch with income poverty

An important finding of the study is the disagreement between income and multidimensional poverty measures about who is actually identified as poor. Given their respective parametric specifications (cut-offs, weights, etc.) each measure reports 10% to 13% of the German population to be poor. Although 23% are either MPI or income poor or both, only 5% of the population is both MPI and income poor. Robustness checks show that this small overlap not only emerges for one specific parameter set but is rather a finding robust to other relevant choices of the poverty cut-off. To put this result into perspective, one first has to recognise that Germany is an economy where many markets can be assumed to work, as market imperfections are often considered to account for such mismatches. More importantly, the multidimensional poverty measure already contains (i) material deprivation and wealth indicators as well as (ii) unemployment and precarious employment indicators. And yet, there is little agreement on who is poor.
Although 23% are either MPI or income poor or both, only 5% of the population is both MPI and income poor.

A concluding remark

In sum, a multidimensional poverty measure for Germany certainly invites a fresh perspective on poverty in advanced economies that neither a single indicator nor a dashboard can provide. Moreover, the substantial disagreement about who is poor according to monetary and multidimensional poverty measures gives reason to expect quite disparate policy implications. Most importantly, only a well-designed measure, which reflects the realities of the lives people actually lead, can ultimately help to improve precisely these realities.
### Table 1. Multidimensional Poverty Index for Germany: Dimensions and deprivation cut-offs.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Deprivation cut-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Elementary schooling not completed or elementary schooling completed but no vocational qualification(^a)</td>
</tr>
<tr>
<td></td>
<td>Fewer than 10 books in household</td>
</tr>
<tr>
<td>Housing</td>
<td>House requires major renovation or is ready for demolition</td>
</tr>
<tr>
<td></td>
<td>No bath or shower, kitchen, warm water, toilet</td>
</tr>
<tr>
<td></td>
<td>Overcrowded (less than one room per person)</td>
</tr>
<tr>
<td>Health</td>
<td>Partially or severely disabled</td>
</tr>
<tr>
<td></td>
<td>Reporting 2 out of 4 health issues(^b)</td>
</tr>
<tr>
<td></td>
<td>Body Mass Index greater than 30 kg/m(^2)</td>
</tr>
<tr>
<td>Material Deprivation</td>
<td>Reporting 2 out of 4 goods missing for financial reasons(^c)</td>
</tr>
<tr>
<td></td>
<td>No life insurance, pension, house or apartment ownership, financial assets, commercial enterprise, tangible assets</td>
</tr>
<tr>
<td>Social Participation</td>
<td>5 out of 7 activities(^d) are <em>never</em> performed; the remaining two are performed at most <em>less than monthly</em></td>
</tr>
<tr>
<td></td>
<td>Never meeting friends</td>
</tr>
<tr>
<td>Employment</td>
<td>Unemployed</td>
</tr>
<tr>
<td></td>
<td>Underemployed(^e)</td>
</tr>
<tr>
<td></td>
<td>Precariously employed (incl. temporary work)</td>
</tr>
</tbody>
</table>

\(^a\) Graduation in Germany is usually achieved after 10 years of schooling.

\(^b\) The four health issues are (1) a strong limitation when climbing stairs, (2) a strong limitation for tiring activities, (3) physical pain occurred always or often during the last four weeks and (4) the health condition always or often limited social activities.

\(^c\) The four goods asked for are (1) a warm meal, (2) whether friends are invited for dinner, (3) whether money is put aside for emergencies and (4) whether worn-out furniture is replaced.

\(^d\) Activities included are (1) going to the movies, pop music concerts, dancing, disco, etc., (2) going to cultural events (such as concerts, theatre, lectures), (3) doing sport yourself, (4) volunteer work, (5) attending religious events, (6) helping out friends, relatives or neighbours and (7) involvement in a citizens’ group, political party, local government.

\(^e\) Working less than 30 hours a week, but desiring to work more.
We now know that national multidimensional poverty indices (MPIs) not only measure poverty but are also effective tools for poverty reduction. There are two requirements for this lesson learned to be put into action. The first is that MPIs must generate good information and, for this to happen, their technical implementation must be rigorous, nonpartisan, frequently updated and based on indicators that can be impacted through direct action. The second is that they must be approved by and implemented with the full support of the president or top leadership of the country.

The first requirement is easier to fulfill than the second. Statisticians and researchers in governments mostly want to implement robust, verifiable data with their work. The technology of the MPI – the Alkire-Foster method – is quite straightforward and simple to apply. It can be taught fairly quickly and, once one goes through the process of building a viable national MPI, the technical capacity is there and can be shared with others.

It may take time to agree on dimensions and indicators to put into the measure – itself a combination of technical and political factors – but once those are determined, the actual technical work required to develop the national MPI is relatively straightforward. Rigour is therefore possible so that good information is generated for effective policies.

The more the dimensions and indicators reflect nationally recognized, and nonpartisan, key aspects of poverty, the more the measure will not only impact poverty but also survive changes in governments.

Experience shows that the second requirement – the approval, support and ownership of the president and or top leadership of the government – is crucial. It is also more difficult to attain. But if it is, the MPI can revolutionize national programs and therefore impact poverty dramatically. I will use two countries – Colombia and Costa Rica – to show how.

In Colombia, former President Santos himself drove the implementation of the MPI and championed it within his cabinet. In Costa Rica, former President Solís approved the MPI and gave his Vice President Ana Helena Chacón the green light and his total support for her to put the power of the presidency behind the national MPI. And in both countries, we can isolate a few key ingredients that were crucial for the successful adoption of the MPI as a tool to reduce poverty and are, thus, highly recommended for replication in other countries.

- The president of Colombia and the vice president of Costa Rica understood the MPI and put all the power of the presidency behind it. They became avid promoters of the MPI at the regional and international level within the MPPN and other...
The Colombian and Costa Rican experiences show that ownership of the MPI at the highest levels combined with a robust reliable method of measurement that provides solid data has a direct impact on the reduction of poverty in its many dimensions. This success drives understanding as well as the wisdom to promote the expansion of the MPI where these conditions exist.

- In both countries, the MPI was put into the national plan as a priority measure of achievement.

- Both leaders set up a mechanism for coordination and implementation of government programs. In both countries the implementation of the MPI was not left to one ministry or one government agency.

  - In Colombia the president set up a Poverty Coordination Committee composed of all the social ministers linked with the MPI – and he met with this body regularly to see what progress had been made on decreasing the MPI. The president used these meetings to highlight new programs to attack areas that were lagging.

  - In Costa Rica the MPI was implemented and managed through the Social Cabinet that was chaired by the vice president. This body brought together all the ministries linked with the MPI. It was the natural place in which to coordinate programs and monitor progress.

- In both countries ministers were held accountable to clear and specific targets over time.

  - In Colombia they set up a traffic light system of control. Clear targets were established (for example, the percentage that an MPI indicator would go down over several years) and then monitored and reported at the Poverty Coordinating Committee.

  - In Costa Rica the government introduced a Management Scorecard (developed with the private sector) to set targets and monitor progress.

- Both countries used the MPI to guide the national budget. The MPI was used as the lens to develop the national budget on poverty, helping to eliminate waste, focus programmes on the poorest regions and target limited resources more effectively.

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The Colombian and Costa Rican experiences show that ownership of the MPI at the highest levels combined with a robust reliable method of measurement that provides solid data has a direct impact on the reduction of poverty in its many dimensions. This success drives understanding as well as the wisdom to promote the expansion of the MPI where these conditions exist.
Data Sources for National Multidimensional Poverty Measures

Countries are using different data sources to identify poverty levels and/or deprivations of specific groups. The different data sources have different characteristics, and present advantages and disadvantages that must be weighted by technical teams and policymakers before taking the decision of which data source to use. If there is not but one option, knowing the exact nature of the data source allows designing the best measure given its constraints. The following table, borrowed from the forthcoming handbook from OPHI and UNDP, *How to Build a National Multidimensional Poverty Index (MPI): Using the MPI to inform the SDGs*, illustrates these differences.

Main characteristics of census, administrative and survey data:

<table>
<thead>
<tr>
<th></th>
<th>Census data</th>
<th>Administrative data</th>
<th>Household survey data</th>
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<tbody>
<tr>
<td><strong>Sample</strong></td>
<td>All households and individuals in a country.</td>
<td>Specific groups of the population.</td>
<td>Representative sample of households.</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Gather information about the general population. Present a full and reliable picture of the population in the country.</td>
<td>Registration, transaction and record keeping. Associated with the delivery of a service.</td>
<td>Collect detailed quantitative and qualitative information on a representative subset of the population to measure the level and trend of indicators.</td>
</tr>
<tr>
<td><strong>Data collection time</strong></td>
<td>Short period (less than five months).</td>
<td>From daily to annual.</td>
<td>Three to five months, or longer if stratified by season.</td>
</tr>
<tr>
<td><strong>Disaggregation</strong></td>
<td>Lowest level: administrative and geographic.</td>
<td>Lowest level: administrative and geographic.</td>
<td>Lower disaggregation depends on the size and design of the survey.</td>
</tr>
<tr>
<td><strong>Frequency of data collection</strong></td>
<td>10-year intervals.</td>
<td>Variable.</td>
<td>One to five-year intervals (depending on the survey).</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>• Scope: entire household population.</td>
<td>• Applicability: often larger sample than survey data.</td>
<td>• Cost-effectiveness: possible to collect in situations where complete enumeration is not practical or adequate administrative data are not available.</td>
</tr>
<tr>
<td></td>
<td>• Main national source: reliable benchmark data on key characteristics.</td>
<td>• Scope: usually tracks narrowly defined indicators.</td>
<td>• Scope: multidimensionality; tracks a large range of deprivations for the same person or household. Shows their joint distribution.</td>
</tr>
<tr>
<td></td>
<td>• Usage: very comprehensive.</td>
<td>• Specificity: small subgroups.</td>
<td>• Reliability: better non-sampling error control if well-trained interviewers and supervisors ensure high-quality data collection.</td>
</tr>
<tr>
<td></td>
<td>• Disaggregation: smallest administrative areas of the country.</td>
<td>• Frequency: can be updated often</td>
<td>• Most common source of information to monitor poverty and deprivation in all countries.</td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td>• Simplicity and periodicity are not satisfied: complex to administer and cost of data collection and cleaning is very high.</td>
<td>• Usage: complex, difficult to clean and organize.</td>
<td>• Periodicity may be infrequent and period between data collection and release may be long.</td>
</tr>
<tr>
<td></td>
<td>• Data quality may be low.</td>
<td>• Availability: not publicly available in many countries.</td>
<td>• Scope: gives a ‘snapshot’ of the population but not local details.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Legal and ethical issues.</td>
<td>• Subject to sampling measurement errors as well as non-sampling.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Data quality varies greatly and comparability over time is not guaranteed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Coverage bias: may not be representative for the whole population of interest.</td>
<td></td>
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</tbody>
</table>

News

Juan Manuel Santos Begins Visiting Professorship

Last November, former President of Colombia, Nobel Peace laureate and co-founder of the MPPN, Juan Manuel Santos began a three-year visiting professorship at the University of Oxford’s Department of International Development with a Distinguished Public Lecture, where he shared his experiences negotiating peace and pursuing poverty reduction in Colombia.

Launch of the International Society for Bhutan Studies

The International Society for Bhutan Studies (ISBS), in collaboration with the Oxford Poverty and Human Development Initiative (OPHI), held its launch conference at the University of Oxford in January 2019. As part of the conference, His Excellency Dasho Tshering Tobgay, former prime minister of Bhutan, delivered a keynote speech, and Dasho Karma Ura, president of the Centre for Bhutan Studies & Gross National Happiness, delivered a lecture, ‘Development with Integrity: Bhutan’s Development and its Gross National Happiness Index’.

Guatemala Inaugurates Official Multidimensional Poverty Measure

In February 2019, the Ministry of Social Development presented its Multidimensional Poverty Index of Guatemala (MPI-GT) composed of five dimensions and 17 indicators.

Regional Workshop on Multidimensional Poverty Measurement

A regional workshop on multidimensional poverty measurement, co-organised by OPHI and the Ministry of Social Development of Panama, took place in Panama City from March 25 to 29, 2019. It was held in Spanish.

Oxford University Launches Social Enterprise to Help Businesses Fight Poverty

Researchers from OPHI have launched sOPHIa Oxford, the University of Oxford’s first social enterprise spin-off. sOPHIa Oxford will provide businesses with a multidimensional poverty measurement method, created by OPHI, to assist in their efforts in tackling poverty.

MPPN Side Event at the United Nations

On March 5, the Multidimensional Poverty Peer Network (MPPN) hosted a side event at the UN Statistical Commission in New York. Several heads of statistics bureaus and departments participated in this gathering, which was entitled ‘Multidimensional Poverty: Measurement for Action’.

New Afghan Multidimensional Poverty Report

On 31 March, the Islamic Republic of Afghanistan launched its first Afghanistan Multidimensional Poverty Index (A-MPI). It shows that just over half (51.7%) of people in Afghanistan are multidimensionally poor.

www.mppn.org/news-and-events
MPPN Side Event at 2018 United Nations General Assembly

This side event entitled ‘Using the MPI to guide innovative policies to eradicate poverty in all its dimensions’ featured how countries are using multidimensional poverty metrics to fight the interlinked aspects of poverty in the Sustainable Development Goals, including SDG1: End poverty in all its forms everywhere. The event was hosted by the Government of Panama.

High-level participants from 19 countries and international institutions shared their experiences developing and using multidimensional poverty metrics to measure poverty, design policies to eradicate poverty and make progress towards achieving the SDGs.

1.- Participants of the MPPN Side Event at the UNGA 2018
2.- Juan Carlos Varela, President of Panama
3.- Juan Orlando Hernández, President of Honduras
4.- Rosemarie G. Edillon, Philippines
5.- Luis F. López-Calva, UNDP
6.- Carlos Velásquez Monge, Guatemala and Nabeela Tunis, Sierra Leone
7.- Ghada Waly, Egypt, and Sabina Alkire, OPHI
8.- Overview of the room

www.mppn.org/unga2018
Sixth MPPN Annual Meeting, Johannesburg, South Africa 2018

The 6th Annual Meeting of the Multidimensional Poverty Peer Network (MPPN) was held in Johannesburg, South Africa, from 30 October – 1 November 2018. The meeting was hosted by the Minister in the Presidency for Planning, Monitoring and Evaluation responsible for Statistics South Africa, with the support of the Department of Social Development of South Africa and OPHI.

1. Risenga Maluleke, Statistician General, Statistics South Africa
2. Nkosazana Dlamini-Zuma, Minister in the Presidency for Planning, Monitoring and Evaluation of South Africa
3. Excursion organized by the Department of Social Development, South Africa
4. 2018 MPPN annual meeting participants
5. Official opening of MPPN meeting
6. One of the 2018 MPPN meeting sessions

www.mppn.org/mppn2018
2019 MPPN Events Calendar

MPPN Annual Meeting, Seychelles
The meeting will be hosted by the Government of Seychelles. Information on the venue, agenda and keynote speakers will be announced soon. Please note that this is an invitation-only event for MPPN members.

OPHI Summer School 2019, Mexico
Organised by the Oxford Poverty and Human Development Initiative at the University of Oxford, this year’s summer school will be held with the support of CONEVAL at their headquarters in Mexico City, Mexico, 12–24 August 2019.

United Nations General Assembly Side Event, New York
MPPN will organise a side event at the United Nations General Assembly in September of this year. More details will be published soon.

Jean Drèze’s book is available for free download [here](#).

Jean Drèze studied Mathematical Economics at the University of Essex and received his PhD in Economics at the Indian Statistical Institute. This book, a collection of essays and articles from research and activism during the last decades, provides a perceptive and rigorous look into India’s economic and social development.
Dimensions

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