Recent Developments in Poverty Measurement in Turkey

Prepared by the Turkish Statistical Institution*

Abstract

In this study, recent developments in poverty measurement in Turkey will be presented. Firstly, poverty statistics released by TURKSTAT will be introduced. Then, cost of basic needs approach used by TURKSTAT will be explained and how assumptions in this approach affect absolute poverty figures in Turkey will be discussed. Lastly, paper will summarize what have been done so far in TURKSTAT to improve poverty measurement in Turkey.

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Mehmet Ali KARADAĞ

1.

Introduction

It has been discussed for the years by academicians and politicians how to define and measure poverty. However, still there is no unique correct definition of poverty and that makes poverty measurement inevitably a political issue. As a consequence, it remains as a controversial subject (Alcock, 1993).

Traditionally, there are mainly two approaches to measure monetary poverty. The first one is absolute poverty and second is relative poverty. Both approaches rely on one variable which is generally income or consumption and that make us assume that money is sufficient proxy for all other aspects of deprivation. While relative poverty is used generally by developed countries, absolute poverty is preferred by developing countries.

Being aware of different poverty measurement approaches’ effects on poverty reduction policies, Turkish Statistical Institute (TURKSTAT) has been started to derive poverty figures regularly since 2002 based on absolute and relative methods.

2.

Poverty statistics released by TURKSTAT

2.1 Poverty statistics based on EU-SILC

EU-SILC is the reference survey for EU to monitor social developments, income distribution and poverty figures. As a candidate country, Turkey has started to conduct EU-SILC survey and published first results of 2006 in 2009. Recently, results of EU-SILC 2012 are released on September of 2013. In addition to many income distribution indicators, statistics on relative poverty rate, poverty gap, persistent at-risk-of-poverty rate, material deprivation and living conditions are published by TURKSTAT using EU-SILC data.

Table 1 provides estimates of relative poverty rates and poverty gaps in Turkey for different thresholds over the 2006-2012 periods. Since the use of multiple lines can help in distinguishing different levels of poverty, poverty lines are defined as 40%, 50%, 60% and 70% percent of equivalent households’ income. The equivalence scale used is Modified-

1Expert at Turkish Statistical Institution. The authors’ views expressed in this publication do not necessarily reflect the views of Turkish Statistical Institute.

2More detailed tables for poverty figures by regional and urban-rural level can be found at http://www.turkstat.gov.tr/PreTablo.do?alt_id=1013
OECD scale, which assigns 1 for first adult, 0.5 for the second and each subsequent person aged 14 and over, 0.3 for each child aged under 14.

As seen in Table 1, relative poverty rate in Turkey based 60% of median threshold decreased to 22.7% in 2012 from 25.4% in 2006. Likewise, poverty gap, which measures depth of poverty, shows decline from 2006 to 2012. However, there are fluctuations in relative poverty rates and poverty gaps over the period of 2006-2012.

Table 1: At risk of Poverty rate and poverty gap in Turkey by different thresholds based on EU-SILC

<table>
<thead>
<tr>
<th>Thresholds</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% of median</td>
<td>12.8</td>
<td>9.9</td>
<td>10.1</td>
<td>10.6</td>
<td>10.3</td>
<td>10.1</td>
<td>10.0</td>
</tr>
<tr>
<td>50% of median</td>
<td>18.6</td>
<td>16.3</td>
<td>16.7</td>
<td>17.1</td>
<td>16.9</td>
<td>16.1</td>
<td>16.3</td>
</tr>
<tr>
<td>60% of median</td>
<td>25.4</td>
<td>23.4</td>
<td>24.1</td>
<td>24.3</td>
<td>23.8</td>
<td>22.9</td>
<td>22.7</td>
</tr>
<tr>
<td>70% of median</td>
<td>32.0</td>
<td>30.1</td>
<td>30.9</td>
<td>31.1</td>
<td>30.6</td>
<td>30.0</td>
<td>30.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poverty gap (%)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% of median</td>
<td>29.1</td>
<td>24.5</td>
<td>23.7</td>
<td>25.6</td>
<td>24.0</td>
<td>25.4</td>
<td>23.7</td>
</tr>
<tr>
<td>50% of median</td>
<td>31.7</td>
<td>26.4</td>
<td>25.6</td>
<td>28.0</td>
<td>26.6</td>
<td>26.3</td>
<td>26.9</td>
</tr>
<tr>
<td>60% of median</td>
<td>33.6</td>
<td>28.4</td>
<td>27.9</td>
<td>29.6</td>
<td>28.7</td>
<td>29.2</td>
<td>29.2</td>
</tr>
<tr>
<td>70% of median</td>
<td>34.8</td>
<td>31.2</td>
<td>31.3</td>
<td>32.4</td>
<td>31.9</td>
<td>31.0</td>
<td>31.2</td>
</tr>
</tbody>
</table>


Table 2: At risk of Poverty rate in Turkey and EU

<table>
<thead>
<tr>
<th>At Risk of Poverty rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>Turkey</td>
</tr>
<tr>
<td>EU (27 countries)</td>
</tr>
<tr>
<td>EU (15 countries)</td>
</tr>
<tr>
<td>EU New Member States (12 countries)</td>
</tr>
</tbody>
</table>

Source: EUROSTAT database for Income and Living Conditions

Table 2 allows us to compare at risk of poverty rate of Turkey with that in EU countries. In 2011, 22.9% per cent of Turkey population is defined as at risk of poverty, which is much higher than the overall EU-27 rate of 16.9%. The at risk of poverty rate in the Turkey shows 2.5 percentage points decrease from 2006 to 2011. By comparison, the EU average remained relatively stable over this period.
Another important indicator derived from EU-SILC is material deprivation rate which is part of poverty and social exclusion goal of the Europe2020 strategy. “Material deprivation is defined as ‘a state of economic strain and durables’ and measured as the percentage of the population that cannot afford at least three of the following nine items:

1. to pay their rent, mortgage or utility bills;
2. to keep their home adequately warm;
3. to face unexpected expenses;
4. to eat meat or proteins regularly;
5. to go on holiday;
6. a television set;
7. a washing machine;
8. a car;
9. a telephone.

Severe material deprivation rate is defined as the enforced inability to pay for at least four of the above-mentioned items”\(^3\)

Table 3 provides estimates of severe material deprivation rate in Turkey and EU-countries over the period of 2006-2012. Although Turkey shows improvement in terms of severe material deprivation decreasing from 65.1% to 59.2%, it is much higher than EU-27 average which is around 8% - 9%.

Table 3: Severe Material Deprivation rates in Turkey and EU

<table>
<thead>
<tr>
<th>Severe Material Deprivation (%)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>65.1</td>
<td>63.8</td>
<td>63.8</td>
<td>63.0</td>
<td>66.6</td>
<td>60.4</td>
<td>59.2</td>
</tr>
<tr>
<td>EU (27 countries)</td>
<td>9.8</td>
<td>9.1</td>
<td>8.4</td>
<td>8.1</td>
<td>8.3</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>EU (15 countries)</td>
<td>5.0</td>
<td>4.9</td>
<td>5.2</td>
<td>5.0</td>
<td>5.2</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>EU New Member States (12 countries)</td>
<td>27.9</td>
<td>25.0</td>
<td>20.6</td>
<td>19.8</td>
<td>20.0</td>
<td>19.2</td>
<td></td>
</tr>
</tbody>
</table>

Source: Income and Living Conditions Survey of Turkey, 2006-2012 for Turkey’s estimates; EUROSTAT database\(^4\) for EU's estimates.

### 2.2 Poverty statistics based on HBS

TURKSTAT has been conducting Household Budget Survey (HBS) annually since 2002. With partnership of World Bank, TURKSTAT estimated absolute poverty figures for Turkey using 2002 HBS data and announced them to the public with press release dated April 14, 2004. Then, absolute poverty figures, which are mainly based on “Cost of Basic Needs (CBN)” approach, have been published every year.

Two poverty lines are used in context of absolute poverty; a “food poverty” line based on a minimum required level of calories and “Complete Poverty Line” that is considered adequate to meet basic needs. In addition to these two lines, the following absolute poverty lines are used for the analysis: $1, $2.15, $4.30 by purchasing power parity (PPP) for international comparisons.

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\(^4\) http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/main_tables
In 2002, “the food poverty line was developed using the actual quantities for the most popular 80 products consumed in the third and forth deciles of the population, priced out by using the country average survey prices for 2002. The calorie intake information from the 2002 HBS survey was calculated using the United States Department of Agriculture (USDA) nutritional database. The composition of the minimum food basket was calculated on this base to reach 2,100 Kilocalories per day\(^5\) per average person. By using the price information from the 2002 HBS survey, the amount necessary for attaining the minimum food consumption was estimated per person per day in an average Turkish family” (JPAR\(^6\), 2005). In order to revise food poverty line in following years, food basket developed in 2002 is priced out by using current year HBS data.

In order to derive complete poverty line in 2002, non-food needs of individuals are added to food poverty line. “To determine the allowance for non-food consumption, using the HBS data itself, first those individuals whose total consumption is just above the value of the food poverty line are selected. This part of the sample constitutes the reference group for the derivation of the general poverty line. The share of total consumption that goes to non-food consumption is calculated for this reference group. This ‘non-food share’ is the ‘allowance’ for non-food consumption that is added to the value of the food poverty line to get the complete poverty line” (JPAR, 2005). For the following years in order to update complete poverty line, non-food share of the same reference group is re-calculated from consequent year’s HBS data instead of using constant non-food share derived in 2002 or using CPI to inflate complete poverty line.

Table 4 presents estimates of absolute poverty rates based on different poverty lines in Turkey at urban and rural levels. Based on HBS 2002, it is estimated that 27.0 percent of Turkey’s population lives below the complete poverty line, with 1.35 percent of the population living below the food poverty line. Compared to the HBS 2009, it can be noted that complete poverty rate fell by about 9 percentage points while food poverty rate fell by about 0.87 percentages from 2002 to 2009.

Table 4: Absolute poverty rates based on different poverty lines

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food poverty</td>
<td>1,35</td>
<td>1,29</td>
<td>1,29</td>
<td>0,87</td>
<td>0,74</td>
<td>0,48</td>
<td>0,54</td>
<td>0,48</td>
</tr>
<tr>
<td>Complete poverty (food+nonfood)</td>
<td>27,0</td>
<td>28,1</td>
<td>25,6</td>
<td>20,5</td>
<td>17,8</td>
<td>17,8</td>
<td>17,1</td>
<td>18,1</td>
</tr>
<tr>
<td>URBAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food poverty</td>
<td>0,92</td>
<td>0,74</td>
<td>0,62</td>
<td>0,64</td>
<td>0,04</td>
<td>0,07</td>
<td>0,25</td>
<td>0,06</td>
</tr>
<tr>
<td>Complete poverty (food+nonfood)</td>
<td>22,0</td>
<td>22,3</td>
<td>16,6</td>
<td>12,8</td>
<td>9,3</td>
<td>10,4</td>
<td>9,4</td>
<td>8,9</td>
</tr>
<tr>
<td>RURAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food poverty</td>
<td>2,01</td>
<td>2,15</td>
<td>2,36</td>
<td>1,24</td>
<td>1,91</td>
<td>1,41</td>
<td>1,18</td>
<td>1,42</td>
</tr>
<tr>
<td>Complete poverty (food+nonfood)</td>
<td>34,5</td>
<td>37,1</td>
<td>40,0</td>
<td>33,0</td>
<td>32,0</td>
<td>34,8</td>
<td>34,6</td>
<td>38,7</td>
</tr>
</tbody>
</table>

Source: Results of 2009 Poverty Study Press Release, TURKSTAT

Concerning urban and rural areas, there is apparent difference in complete poverty rates with 18.1% at urban areas and 38.7% at rural areas in 2009. In addition, Table 4 points out that

\(^5\) 2,100 Kilocalories per day per average person is a nutritional minimum accepted internationally according to FAO and World Health Organization [WHO] recommendations (JPAR, 2005)

poverty rates show permanent decrease in urban areas over the years while it shows fluctuations in rural areas.

Absolute poverty lines based on ‘cost of basic needs’ are generally derived considering countries’ specific needs and characteristics. Therefore, there are not unique, standard definitions and that keep us from comparing Turkey results with other countries.

3. Effects of assumptions on absolute poverty figures of Turkey

As well discussed by Asra and Santos, poverty lines should satisfy the principles of ‘relevance’ and ‘comparability’. Relevance indicates that a poverty line should reflect the specific characters of an area like life pattern, culture, and social conditions. Comparability term could be expressed as poverty lines should allow comparing same level of ‘welfare’ across space and time. According to Wiebe (1994), “A Poverty measure is said to be consistent if it identifies the same poverty status (poor or not poor) for two households with identical welfare levels”. (Asra and Santos-Francisco, 2001)

Throughout the poverty studies in 2002, there have been made many assumptions (or decision) within CBN approach of TURKSTAT to derive food poverty line and complete poverty line. Taking into regard ‘relevance’ and comparability’ principles, some of these assumptions and discussions regarding these assumptions are examined below.

1. Composition of Food Basket: Official TURKSTAT methodology uses same food basket developed in 2002 for period of 2002-2009. The third and forth deciles of the population ordered by total food consumption is selected as a reference group and most popular 80 products consumed by this reference group constitute food basket. Items in food basket and their quantities do not change for the consequent years. Discussions about this issue are:

   a. Should composition of food basket be updated every year regarding items and quantities?
   b. Should composition of food basket vary by regions because of difference in food consumption patterns among regions?
   c. Which reference group should be taken to construct food basket?

2. Pricing out food basket: In official methodology, food basket is priced out by using the country average survey prices instead of reference group average prices. Discussions about pricing out food basket are:

   a. Should ‘country prices’ or ‘reference group prices’ be used?
   b. Should ‘average price’ or ‘median prices’ be used?
   c. For updating cost of food basket values in consequent years, should prices coming from new HBS data be used or should cost of food basket in 2002 be adjusted by inflation?

3. Updating complete poverty line: In official methodology, in order to estimate complete poverty line in 2002, cost of food basket is divided by food share in total expenditure of reference group. In order to update complete poverty line following years, food share is re-calculated using current HBS data instead of using constant food share which is calculated in 2002. So, complete poverty lines consider changes in the

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7 More detailed discussion about consistency and relevance could be found in Ravallion and Bidani (1993), Ravallion (1998), (Wodon (1997) and (Asra and Santos-Francisco, 2001).
life patterns and social conditions in different years. But, this situation cause inconsistency because of using different level of welfare as a poverty line over the years. Figure 1 provides information about share of food expenditures to total expenditures in Turkey. To this figure, food share of households in lowest quintile, which corresponds roughly to the reference group for deriving food share, fell from 40% to 30% during the period of 2003-2011. It is clear that using current food share, which decreases over years, make complete poverty lines increase compared to previous years in terms of welfare level. So, complete poverty lines measures different “welfare levels” over time and using current food share makes TURKSTAT official absolute poverty approach a combination of absolute and relative poverty. Considering these issues, there are debates about:

a. Which reference group should be taken to derive non-food share?  
b. Should ‘constant’ or ‘current (changing)’ non-food share be used to update complete poverty line over time?  
c. Should complete poverty line be updated by inflation rate over time, once it has been derived at beginning?

![Figure 1: Share of food expenditures to total expenditure by income quintiles (%)](image)

4. **Consumption Aggregate**: The consumption aggregate is constructed based on standard practices as well established in the literature (Deaton 1980; Deaton and Zaidi 2002). In particular, while expenditures on consumer durables are excluded\(^8\), imputed value of owner-occupied housing is included to consumption aggregate (JPAR). Regarding consumption aggregate, discussions are:

a. Should durable goods be covered in consumption aggregate?  
b. Which method should be used to estimate rent value of owner-occupied housing: model based or household reports?

5. **How many poverty lines**: In official methodology, there is a single food poverty line and a single complete poverty line, which allow us compare same “standard of living” across the regions/area. That means, a single food basket constructed for overall Turkey and a single food share computed for overall Turkey are used to derive poverty lines. However, as seen in Figure 2, consumption pattern of households shows variations and there are huge differences among regions in terms of food share. For instance, food

\(^8\)The information on the reported current value of each durable item owned by a household was not available, nor was the age or purchase price of the durable item. That is why the imputed or reported value of durable goods is not included in the consumption aggregate’ (JPAR, 2005, p.116).
share of Istanbul with 20.2% in 2003 is much lower than that of South East Anatolia with 39.9%. Although differences in food share among regions are becoming lower over time, there are still high difference in 2011 with 17.6% in Istanbul and 28.1% in South East Anatolia. Considering these differences, there are debates about:

a. Should food basket and food share be developed separately for each region (or urban/rural) in order to reflect regional differences?

![Figure 2: Share of food expenditures to total expenditure by regional (Nuts 1) Level (%)](source)

In order to observe effects of these assumptions on absolute poverty figures, 7 different scenarios, created by changing by some assumptions of official methodology, were applied to HBS data over the period of 2003-2009. Assumptions made for different scenarios are given in Table 5. All other assumptions that are not mentioned in Table 5 are left same as in official one.

Estimates of poverty rates based on different scenarios are given in Figure 3. In all case, poverty rates show significant decrease over time. In S1 where food basket re-constructed each year, poverty rates shows apparent fluctuations over time.

Comparing S2 and S3, where only difference is reference groups for composition of food basket, shows that using second quintile instead of first quintile as a reference group cause 3 points increase in poverty rate in average but trend in poverty rate does not change.

Comparing S2 and S4, where only difference is reference groups for pricing food basket, provides that using whole data instead of first quintile as a reference group cause 1.5 points increase in poverty rate in average. Trend remains same.

Turkey has made considerable progress in economic development and improved social indicators during the last decade. Using current food share reflects effect of these improvements and increase poverty line in terms of “welfare level” over time. Comparing S5
Table 5: Assumptions made for different scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Food Basket</th>
<th>Reference group for composition of food basket (items and quantities)</th>
<th>Reference group for pricing food basket</th>
<th>Non-food Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>re-constructed each year using each year HBS</td>
<td>First Income Quintile</td>
<td>First quintile</td>
<td>current non-food ratio is used to derive non-food allowance</td>
</tr>
<tr>
<td>S2</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>First Income Quintile</td>
<td>First quintile</td>
<td>current non-food ratio is used to derive non-food allowance</td>
</tr>
<tr>
<td>S3</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>Second Income Quintile</td>
<td>First quintile</td>
<td>current non-food ratio is used to derive non-food allowance</td>
</tr>
<tr>
<td>S4</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>First Income Quintile</td>
<td>whole data</td>
<td>current non-food ratio is used to derive non-food allowance</td>
</tr>
<tr>
<td>S5</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>Second Income Quintile</td>
<td>whole data</td>
<td>current non-food ratio is used to derive non-food allowance</td>
</tr>
<tr>
<td>S6</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>Second Income Quintile</td>
<td>whole data</td>
<td>constant non-food ratio (computed in 2003) is used for all years to derive non-food allowance</td>
</tr>
<tr>
<td>S7</td>
<td>food basket constructed for 2003 is used for all years.</td>
<td>First Income Quintile</td>
<td>First quintile</td>
<td>Non-food Allowance in 2003 is calculated by using non-food share. Then this value is inflated by CPI to derive non-food allowance for following years.</td>
</tr>
</tbody>
</table>

Figure 3: Poverty rates of Turkey based on different scenarios (%)

and S6 provide us to see effects of using current food-share instead of constant one. As seen on Figure 3, constant food share gives lower poverty rate estimates after 2005 compared to S5 because of ignoring progress in economic development over times.
Lastly, S7, which define same welfare level as a poverty line over time because of updating poverty line by inflation, indicates significant decrease in poverty rate from 24.1% in 2003 to 7.5% in 2009.

4. Recent studies in TURKSTAT to improve poverty measurement

Regarding discussions mentioned above, it has been announced in 2012 that TURKSTAT started studies in collaboration of local and international experts and institutions in order to update its absolute poverty methodology based on HBS published for the period 2002-2009. It is aimed to launch a better way of measuring poverty that reflect social conditions in Turkey, consider all aspects of poverty and enable to compare poverty lines over time and space.

In the scope of improvement studies, a working group has been constructed by TURKSTAT consisting of academicians, representative from different national institutions and ministries, non-governmental organizations and unions. There are four sub-groups within working group and each one study on different aspects of poverty. First sub-group focuses on recent methodologies and applications related poverty measurement Second sub-group makes research on how to improve monetary poverty measures. Equivalence scales and its effect on poverty figures are under responsibility of third sub-group. Last sub-group works on non-monetary poverty and factors affecting poverty in Turkey. In addition, it has been planned to hold a well-attended meeting that brings all related sides together in order to define Turkey needs regarding poverty measures.

Since the seminal papers of Sen, it has been widely accepted that poverty is a multidimensional phenomenon and related measures should be constructed by taking into account all aspects of poverty. Literature review has showed that although most of countries define and measure poverty in a uni-dimensional way using monetary approaches, recently there is a tendency to use multidimensional methods as an official approaches.

The most remarkable method of measuring multidimensional poverty is belonging to Alkire and Foster (2007) which has been widely applied recently by countries, institutions and researches. This method is “a flexible technique that can incorporate several different ‘dimensions’ of poverty or well-being. Different dimensions and indicators can be selected to create a measure specific to a particular context”. Mexico’s official multidimensional poverty methodology, which is based on Alkire-Foster (2007) method, is one of the best practises of multidimensional methods. CONEVAL defines poor as ”people with an income below the wellbeing threshold and with one or more social deprivations”. The social deprivations considered in poverty measure are: educational gap, access to health services, access to social security, quality and spaces of the dwelling, access to basic services in the dwelling and access to food. Having aimed to reflect all aspect poverty and being attracted by Mexico case, TURKSTAT has concentrated more on adopting a multidimensional poverty measures.

5. Conclusion

Since there is no agreed, standard definition of poverty, it is hard to formulate poverty measurement without being arbitrary. There are a number of ways to estimate poverty and each of them shed light on different sides of poverty. Therefore, it is quite important to define needs and intends for setting a national poverty methodology.

If purpose is only monitoring poverty, then the position of the poverty line becomes fairly arbitrary. However, if main purpose is for targeting of social grant, physical infrastructure then the position of the line and methods becomes far more important (Leibbrandt and Woolard, 2006).

9 http://www.ophi.org.uk/policy/alkire-foster-methodology/
References


