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## **Challenges in harmonizing poverty statistics for monitoring progress of SDGs in CIS countries**

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(CIS-STAT)<sup>1</sup>

### **Abstract**

In preparation for monitoring SDGs in the CIS countries the CIS-STAT faces the issue of comparability of data on poverty and inequality. To review the reasons of data incomparability the CIS-STAT conducted a survey on methods of poverty measurement in the CIS countries: it addressed main data sources, sampling designs, household surveys, concepts and definitions used, as well as methods to produce poverty indicators.

Based on the findings of this work the CIS-STAT presents proposals for harmonizing poverty indicators in the CIS countries which are related to different stages of information preparation: development of a survey program, determination of a reporting period, data collection and processing processes, production of aggregated wellbeing indicators, introduction of international classifications, etc.

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<sup>1</sup> The Commonwealth of Independent States (CIS) was established on 8 December 1991; currently it includes 11 states (Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

## **Introduction**

One of primary areas of CIS-STAT activities is to assist the CIS national statistical offices in their preparations towards monitoring progress in achieving the Sustainable Development Goals (SDGs).

Pursuant to the decision made at the 55<sup>th</sup> meeting of the Council of Heads of CIS NSOs (8 September 2016, Ashkhabad, Turkmenistan), the CIS-STAT is working on the SDG indicators.

At the first stage the CIS-STAT conducted a special survey among the CIS countries to review whether the CIS countries have methodologies and statistics on indicators for monitoring progress in achieving the SDGs. The survey demonstrated that for some indicators there are no available statistics and methodologies to obtain such data. A priority list was identified for the CIS region, which includes 111 out of 230 indicators from the global list of SDG indicators. The regional list is based on the principle of relevance of indicators for the CIS countries. About a third of these indicators require additional clarifications or there are no methodologies in the countries for producing such indicators. These include some poverty indicators for to monitoring **Goal 1. End poverty in all its forms everywhere.**

The CIS-STAT is facing an issue of comparability of poverty related indicators in the CIS region because there are no common approaches on how to define poverty and how to measure it.

Agencies responsible for social policies demonstrate interest in receiving comparable data on poverty and inequality in the CIS countries. Such data should cover various dimensions of standards and quality of life.

To review the reasons of data incomparability the CIS-STAT conducted a study to review poverty measurement in the CIS countries: the study covered main data sources, data collection and processing methods, key definitions and methods for measuring poverty rates.

This report was prepared based on the materials provided by the CIS statistical offices as well as those published at their websites.

An important step towards addressing the issue of data comparability is the development of the Guidelines for Measuring Poverty prepared by UNECE expert group. Practically, it is the first document which summarizes best international practices for measuring different forms of poverty. The CIS-STAT participated in its development and provided information on the CIS countries' practices.

Substantial work is under way under the auspices of the Conference of European Statisticians (CES) in order to build statistical capacity in Eastern Europe, Caucasus and Central Asia for measuring poverty and inequality. A part of such work is the Russia-funded Project 'Harmonized Poverty Indicators for Monitoring Sustainable Development in the CIS Counties'. The project is developing proposals for harmonizing data at survey stage for poverty measurement.

## **Data sources**

The main data sources for measuring poverty and inequality in the CIS counties are sample household income and expenditure (living standards) surveys. Such surveys are conducted regularly and cover over 100,000 households all over the CIS. Surveys are a form of state statistical observation and are supported by legal framework which is a part of the overall statistical legislation regulating collection of statistics.

At present, there are considerable differences in the programmes of household surveys, sampling designs, and classifications; this results in incomparability of data already at the stage when data are collected and coded.

### **Sample**

It is common for most CIS countries to use population census for selecting samples. Not all countries, however, participated in the most recent census round; to update their samples such countries use voter lists, rural household register data, and housing registers.

Almost all countries face an issue of high-income households refusing to participate in surveys. The fact that middle- and low-income households prevail in samples affects income and expenditure indicators.

### **Classifications**

At present, the CIS countries use different classifications of income which affects coverage and results in differences in aggregate indicators (monetary, total, overall, gross indicators).

Some countries still use national classifications for measuring expenditure for consumer goods and services.

CIS-STAT experts believe that an important step towards harmonizing indicators is the transition of the CIS countries to international classifications:

- for income it is the Canberra Group Handbook on Household Income Statistics (UNECE, 2011), which contains key definitions and components of household income;
- for consumer expenditure it is the Classification of Individual Consumption by Purpose (COI-COP-HBS), which is a standard way for representing statistics in accordance with the methodology of the System of National Accounts.

## **Poverty indicators for monitoring progress towards SDGs**

### **Indicator 1.2.1 *Proportion of population living below the national poverty line, by sex and age.***

The CIS countries calculate this indicator by comparing per capita well-being indicators (income, aggregate consumption expenditure) and national absolute poverty lines (subsistence minimum). In most countries the proportion of population living below the poverty line is calculated for urban/rural, males/females, children, as well as for households of different compositions which enables producing indicators for monitoring SDGs.

This indicator cannot be used for comparisons between CIS countries because of the differences in the applied methodologies for calculating well-being indicators (income or expenditure) and national poverty thresholds.

Implementation of the UNECE Project ‘Harmonized Poverty Indicators for Monitoring Sustainable Development in the CIS Countries’ funded by the Russian Federation should improve data comparability. The purpose of the project is to facilitate the introduction of harmonized classifications of income and consumer expenditure based on the international practices; this will allow obtaining

harmonized input data. Later this will enable producing comparable indicators for calculating absolute poverty rates using international thresholds. Furthermore, these data could be used for producing comparable indicators for monitoring progress towards **Goal 10 Reduce inequality within and among countries**:

**10.1.1** *Growth rates of household expenditure or income per capita among the bottom 40 per cent of the population and the total population*

**10.2.1** *Proportion of people living below 50 per cent of median income, by age, sex and persons with disabilities.*

**Indicator 1.2.2** *Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.*

Virtually all CIS countries recognize the importance of this indicator. At the same time, most countries have no formally approved definitions of extreme poverty, neither they have approved criteria for measuring it.

According to the commonly accepted notions extreme poverty can be considered as the lowest level of poverty. It is a relative concept and depends on the overall standards of living in a community.

At present, only five CIS countries use in their statistical practices the concept of extreme poverty based on the concept of absolute poverty. Typically, *extreme poverty line* is the monetary value of a food basket based on daily calorie intake: in Armenia it is 2232 kcal, in Kazakhstan - 2175 kcal, Kyrgyzstan - 2100 kcal, Moldova – 2282 kcal. Extreme poverty line in these countries comprises 55%- 60% of the monetary value of the overall poverty line.

Monitoring of progress in achieving extreme poverty eradication goals requires improving existing measurement methods as well as developing new indicators which are relevant in the national context and comparable at the international level. Extreme poverty should not be limited to financial condition of households but rather be determined by a number of factors (availability of housing, living conditions, accessibility of basic services), and the lack of such factors can be considered as deprivations.

Additional data sources are needed for measuring extreme poverty rates because household survey samples do not include persons who stay long in hospitals, retirement/nursing homes, boarding schools and other institutions, monasteries, religious communities.

There is also an issue with surveying such category as homeless people because they are the ones who are most commonly found to be extremely poor.

A combination of approaches can be used for developing poverty (extreme poverty) measurement criteria: consumption/income poverty, deprivation-based poverty.

The CIS countries are actively introducing international practice of using deprivation approach for measuring poverty. Among the CIS countries deprivation approach is being introduced as one of the areas for improving poverty measurement in Azerbaijan, Armenia, Belarus, Moldova and Ukraine.

For evaluating deprivations Moldova selected the same deprivations as those used in the EU. In other CIS the lists of deprivations were determined based on special surveys when people responded whether proposed items should be considered as deprivations. As a result, Belarus has now a list of 14 deprivations, Ukraine - 18, Russia - 11 main and 16 additional deprivations.

Statistical offices of some CIS countries proposed the CIS-STAT to develop a harmonized list of

deprivations that could be used for comparisons among the CIS countries and ideally to be comparable at the international level.

Building on the practices of some CIS and EU countries a model list of material deprivations is proposed for use in the CIS region.

	<b>Proposed definition of a deprivation</b>	<b>Country-level specifics</b>
1.Finance	Unaffordability to participate in long-term loan programmes that require regular payments (mortgage payments, loan repayments, instalment purchases, etc.)	This item is used in <b>Azerbaijan, Moldova, Ukraine</b>
2.Food	Unaffordability to eat meat, chicken or fish (or vegetarian equivalent) at least every second day.	In <b>Belarus</b> – Unaffordability to buy meat and fish at least once a week; in <b>Armenia</b> – lack of access to minimum food requirements
	No money to buy food when necessary (can be used for measuring extreme poverty)	Used in <b>Armenia, Ukraine</b>
3.Non-foods	Unaffordability to replace worn-out outdoor clothes for adults (at least every 5 years).	Unaffordability: <b>Moldova</b> – to buy new clothes (not second-hand); <b>Armenia</b> - to buy clothes when needed; <b>Russia</b> – to buy new clothes for household members to replace worn-out clothes
	Unaffordability to buy for each household member two pairs of season-appropriate footwear (at least every 3 years)	No money: <b>Belarus</b> – to replace footwear for adult household members at least every three years; <b>Russia</b> – to buy for each household member two pairs of comfortable and season-appropriate footwear
4. Recreation and leisure	No money for family holidays away from home, as well as not with relatives or friends at their home, for at least one week a year	
5. Housing	Absence of dwelling in good condition (available dwelling requires capital repair, is damp, wrecked, old)	<b>Armenia</b> – housing conditions are considered as poor or very poor
	Unaffordability to keep the home adequately warm (buy fuels, heater, etc.)	
	No money to pay in time and in full rentals and utility bills or to pay for gas for cooking	
	Living in overcrowded conditions (less than 5 m <sup>2</sup> per person)	In <b>Belarus, Russia and Ukraine</b> – less than 5 m <sup>2</sup> , in <b>Azerbaijan</b> – less than 7 m <sup>2</sup> , <b>Armenia</b> (per each equivalent adult member) – less than 20 m <sup>2</sup>
6. Property	A household has no and cannot afford buying (if it wishes):	
	A colour TV set	
	Washing machine	
	Refrigerator	
	Telephone, including mobile	
	Computer and Internet for personal use at home	
7. Health	Car	
	No enough money to pay for essential drugs and medical supplies	
	No enough money to pay for necessary health services (excluding dentist services) in healthcare insti-	

A wider list of items was considered for inclusion into the list of deprivations, their use, however, for comparisons is problematic. For instance, some CIS, as well as EU countries, consider ‘inability to cope with unexpected costs’ as a deprivation, but values of such costs differ in the countries: in 2015 in Azerbaijan it was 136 manat (which corresponds to 30% of an average wage); in Belarus – 800,000 pre-revaluated Belorussian roubles (12%), in Moldova – 5,000 leu (108%).

After the proposed list of deprivations is discussed with the national statistical offices recommendations will be elaborated for including a harmonized set of questions on deprivations into survey programmes. The lists of deprivations in the countries can be much larger.

The list of indicators for monitoring progress towards SDGs in the CIS region does not include some indicators for which almost all CIS countries do not collect data because there are no formally adopted methodological approaches. The introduction of these indicators into statistical practice requires developing methodological guidelines or additional clarifications on how to measure them.

National statistical offices of the CIS countries requested the CIS-STAT to review the possibilities for developing methodologies for monitoring of these indicators in the CIS region.

The CIS-STAT reviewed the practices of the CIS countries and international organizations on the following indicators.

**Indicator 1.3.1 *Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work injury victims and the poor and the vulnerable.***

According to the revised Tier Classification for Global SDG Indicators dated 20 April 2017 Indicator **1.3.1** is classified as Tier I. This means that the indicator is conceptually clear, has an internationally established methodology and standards are available.

At the international level the preparation of methodological guidelines for this indicator was entrusted to the International Labour Organization (ILO) in partnership with the World Bank. The basis for the indicator is Recommendation No.202 ‘Social Protection Floors’ adopted at the 101<sup>st</sup> session of the ILO General Conference on 30 May 2012 (Geneva, Switzerland).

The CIS counties collect data on the number of beneficiaries and amounts of welfare benefits. Such data usually fall within the competence of the ministries of social protection. Main data sources are administrative data which do not allow measuring coverage and disaggregation by population categories.

In accordance with national legislations the structure and granting mechanisms of welfare benefits considerably differ in the countries and this prevents developing common recommendations for establishing social protection floors.

Special household surveys can be an important source of data on coverage by welfare benefits and allowances. Interesting practice is found in the Russian Federation which conducts sample surveys on income and participation in social programmes.

**Indicator 1.4.1 *Proportion of population living in households with access to basic services*** is categorized as Tier III indicator in the List of Global SDG Indicators, i.e. its methodology is being developed or tested. The responsibility for developing the indicator is vested on UN-Habitat in

partnership with UNEP (United Nations Environment Programme), UPU (Universal Postal Union) and ITU (International Telecommunications Union).

Almost all CIS countries indicated that they have no formally approved list of basic services to be reported at the government level.

As proposed by the national statistical offices of some CIS countries the CIS-STAT prepared for discussion a draft model set of basic services for the CIS region.

Basic services are considered to be those which are essential for normal life of people in the context of traditional living standards and conditions.

Due to the existing specifics different criteria for measuring accessibility of basic services can be developed for the CIS countries:

- depending on the place of residence (urban, rural, areas with special living conditions);
- for different categories of population (families with children, the disabled, elderly people, etc.).

The sources of data on the accessibility of basic services can be special thematic household surveys, population and housing censuses, and administrative data. Most CIS countries conduct such surveys and have extensive experience in measuring accessibility of specific services which can be considered as basic ones.

#### **Draft model set of basic services in the CIS region**

<b>Basic services</b>	<b>Indicators</b>
<b><i>Health</i></b>	
Health care services	Proportion of population who have access to - outpatient services, - ambulance services
Pharmaceutical services	Proportion of population who have access to necessary medicines and vaccines
Health insurance services	Number of people covered by health insurance or a public health system per 1,000 population
<b><i>Education</i></b>	
Pre-school education	Proportion of young girls and boys covered with quality systems of development, care and preschool education; as a % of total number of children of the relevant age group (urban/rural)
Basic general and secondary education	Proportion of girls and boys covered with equitable and quality basic general and secondary education, as a % of total number of children of the relevant age group (urban/rural)
Vocational education (primary, secondary and tertiary)	Proportion of women and men covered with vocational and tertiary education, as a % of the total number of persons of the relevant age group
<b><i>Housing and living conditions</i></b>	
<b>11.1</b> Access for all to adequate, safe and affordable housing	<b>11.1.1</b> Proportion of urban population living in slums, informal settlements or inadequate housing
<b>7.1</b> Universal access to affordable, reliable and modern energy services	<b>7.1.1</b> Proportion of population with access to electricity <b>7.1.2</b> Proportion of population with primary reliance on clean fuels and technology
<b>6.1</b> Universal and equitable access to safe and affordable drinking water for all	<b>6.1.1</b> Proportion of population using safely managed drinking water services
<b>6.2</b> Universal and equitable access to adequate and equitable sanitation and hygiene	<b>6.2.1</b> Proportion of population using safely managed sanitation services
<b>11.7</b> Universal access to safe, inclusive and accessible, green and	<b>11.7.1</b> Average share of the built-up area of cities that is open space for public use for all, by sex, age and persons with disabilities

public spaces, in particular for women and children, older persons and persons with disabilities	
<b><i>Life security services</i></b>	
Public security services	<b>16.1.1</b> Number of victims of intentional homicide per 100,000 population, by sex and age; <b>16.1.4</b> Proportion of population that feel safe walking alone around the area they live
Accessibility of emergency response services in case of emergencies and disasters	<b>1.5.1</b> Number of deaths, missing persons and persons affected by disaster per 100,000 people
<b><i>Transport and transport infrastructure</i></b>	
<b>9.1</b> Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	<b>9.1.1</b> Proportion of the rural population who live within 2 km of an all-season road
<b>11.2</b> Universal access to safe, affordable, accessible and sustainable transport systems	<b>11.2.1</b> Proportion of population that has convenient access to public transport
<b><i>Communications</i></b>	
<b>9.c</b> Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet	<b>9.c.1</b> Proportion of population covered by a mobile network, by technology; - Proportion of population covered by TV broadcasting; <b>17.8.1</b> Proportion of individuals using the Internet
<b><i>Financial services</i></b>	
	<b>8.10.1</b> a) Number of commercial bank branches per 100,000 adults; <b>8.10.1</b> b) Number of automated teller machines (ATMs) per 100,000 adults
<b><i>Trade and personal services</i></b>	
	Accessibility of points of purchase (stationary and mobile) with everyday goods Accessibility of personal service providers (hairdressing salons, baths and saunas, dry-cleaners' and laundries, tailor shops and shoemakers)
<b><i>Services for the elderly and persons with special needs</i></b>	
	Coverage of specific categories of population with required social protection services

International recommendations on the levels of disaggregation (by sex, age, disability, etc.) are currently being prepared.

The list of basic services can be expanded with quality of life services: culture and leisure, fitness and sports.