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#### Measuring poverty

## Measuring poverty in the countries of the Commonwealth of Independent States

### Interstate Statistical Committee of the Commonwealth of Independent States

#### *Summary*

This paper offers a review of the methodological approaches to measuring poverty and population distribution by income in the countries of the Commonwealth of Independent States (CIS). It addresses issues related to the international comparability of indicators of absolute and relative poverty and material deprivation. It also describes the experience of the CIS countries in measuring multidimensional poverty and subjective poverty and identifies areas for future work.

The paper is presented for discussion at the Conference of European Statisticians seminar on “Measuring poverty”.



## I. Introduction

1. Combating poverty is a particular focus of attention in the countries of the Commonwealth of Independent States. National programmes to overcome poverty have been developed in most of them, with the aim of achieving one of the most important Sustainable Development Goals (SDGs), which is to reduce the number of people living in poverty.
2. The Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT)<sup>1</sup> collects and regularly publishes the main socioeconomic indicators of poverty in the CIS countries. This information is presented to the authorities of the countries concerned, the media and representatives of international organizations, the scientific community, businesses and other users.
3. In preparing publications on poverty and inequality, CIS-STAT has come up against the problem of the lack of comparability of data across countries. To examine the reasons behind this issue, studies have been made of the methods used to assess poverty in the CIS countries, looking at the key data sources, the collection and processing of information, the basic concepts and definitions and the methods used for calculating the level of poverty.
4. The present report is based on materials provided by the statistics offices of the CIS countries and information posted on their websites.

## II. Data sources

5. The primary source of information used in assessing poverty and inequality in the CIS member States is surveys of household income and expenditure (living conditions). They are conducted at regular intervals and cover a total of more than 100,000 households in the CIS. As one form of State statistical monitoring, surveys are governed in law by general legislation on data collection.
6. There are significant differences between the survey sampling methods, tools and classifications used currently, and this results in a lack of data comparability from the data collection stage onwards.
7. One feature common to most CIS countries is the use of population census materials in constructing sample groups. However, not all countries took part in the most recent census exercises and so they use electoral lists, property register data (for rural areas) and the housing register to update their samples.
8. All countries use the internationally accepted territorial principle for constructing their samples, but the total proportion of households surveyed varies between countries: from 0.1% in the Russian Federation and Ukraine to 1% in Armenia.
9. Household survey programmes in most of the countries include information on income, expenditure, food consumption, consumer durables and housing conditions.

## III. Methods for measuring poverty

### A. Absolute monetary poverty

10. For most CIS countries, the concept of absolute monetary poverty is *fundamental* in assessing poverty. It is used to calculate the SDG indicator — the proportion of the population living in poverty, according to national definitions.
11. The choice of this approach makes it possible to determine the number of persons in need of social support.

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<sup>1</sup> The Commonwealth of Independent States (CIS) was formed on 8 December 1991 and currently includes 11 States (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, the Republic of Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

12. National assessments of poverty in CIS countries are not comparable owing to differences in the choice of welfare indicator and poverty lines.
13. Most CIS countries use consumer spending as the *welfare indicator*, while some use income.
14. Most countries include both monetary income and income in kind in the welfare indicator.
15. The components of income in kind vary considerably across countries:
- The value of agricultural products for personal consumption is assessed differently (average purchase price or market price), which has an impact on the indicators
  - The imputed value of allowances and benefits for the purchase of goods or services in the form of full or partial payment for their actual cost (for example, the assessment of free transportation for pensioners, schoolchildren, etc.) is only taken into account in some countries
  - The imputed value of services from the use of durable goods available in the household is reported only in Armenia and Kyrgyzstan
16. The value of the minimum subsistence level/poverty line is used as the *national poverty threshold* in the CIS countries.
17. The *minimum subsistence* level is set as a per capita average for the whole population, as well as for certain sociodemographic groups: the population of working age, pensioners and children of different ages.
18. The consumer basket used for the calculation of the minimum subsistence level is developed and approved by the relevant authorities and legislative bodies of the CIS States. The consumer basket differs among countries according to national, climatic and other characteristics.
19. The minimum subsistence level is used to calculate the number of persons in the population living in poverty in Belarus, Kazakhstan, the Russian Federation and Ukraine.
20. In Armenia, Azerbaijan, Kyrgyzstan, the Republic of Moldova and Tajikistan, the poverty line, which is generally not set in legislation and is the same for all categories of the population, is used for these purposes.
21. One of the problems when publishing data is the fact that most countries do not have long time series of indicators of poverty. These assessments began to be made on a regular basis in the Russian Federation in 1992, in Belarus in 1995, in Kazakhstan and Kyrgyzstan in 1996, in the Republic of Moldova and Ukraine in 2000, in Azerbaijan in 2001, in Armenia in 2004 and in Tajikistan in 2012.
22. The poverty assessment methods used in a number of countries have been changed in recent years, which has led to the *non-comparability of time series*.
23. In most countries, the poverty level is calculated for urban and rural areas, men and women, children and households of different compositions, thus providing indicators for monitoring the SDGs.
24. Over the past 15 years, the CIS countries have made considerable progress in reducing the level of poverty with the use of national thresholds. The reduction in the level of absolute poverty in most CIS countries has far exceeded the targets set in the Millennium Development Goals.

Table 1

**Proportion of the population with income (expenditure) below the national poverty line (minimum subsistence level)**

(percentage of the whole population)

	2001	2005	2010	2015
Azerbaijan	49.0	29.3	9.1	4.9
Armenia	...	40.1	35.8	29.8
Belarus	28.9	12.7	5.2	5.1

	2001	2005	2010	2015
Kazakhstan	46.7	31.6	6.5	2.7
Kyrgyzstan	56.4	43.1	33.7	32.1
Republic of Moldova	...	30.2 <sup>1</sup>	21.9	9.6
Russian Federation	27.5	17.8	12.5	13.3
Tajikistan	81.0 <sup>2</sup>	...	...	31.3
Ukraine	83.7	28.4	8.8	6.4
Uzbekistan	27.5 <sup>3</sup>	25.8	17.7	14.1 <sup>4</sup>

<sup>1</sup> 2006.

<sup>2</sup> 1999.

<sup>3</sup> 2000.

<sup>4</sup> 2013.

25. The indicators for monitoring the SDGs include “extreme poverty according to national definitions”.

26. A number of CIS countries consider this indicator irrelevant or the methodology for calculating it has not yet been developed.

27. The concept of extreme poverty is used only in some countries. Typically, the *extreme poverty line* corresponds to the cost of a food basket that provides the required daily per capita calorie intake, which is: 2,232 kcal in Armenia, 2,175 kcal in Kazakhstan, 2,100 kcal in Kyrgyzstan and 2,282 kcal in the Republic of Moldova.

28. In value terms, the extreme poverty line in these countries is 55% to 60% of the general poverty line.

29. National poverty assessments cannot be used for comparisons between countries because of the different methodological approaches used in calculating the level of poverty: the use of different poverty lines and welfare indicators.

30. International comparisons use the absolute poverty line, the methodology for which was developed by the World Bank. Currently, it is a daily income of US\$ 1.9 in purchasing power parity (PPP) rates. This figure has outlived its relevance for most of the CIS countries, which therefore use the figures of US\$ 4.3, US\$ 5 or US\$ 10. National data based on these indicators may differ from the World Bank assessments owing to differences in welfare indicators.

## B. Relative monetary poverty

31. Some CIS countries (Armenia, Belarus, Republic of Moldova, Russian Federation and Ukraine) calculate indicators of relative poverty. These assessments are considered official only in Ukraine, where the poverty line is 75% of the median monthly per capita equivalent expenditure, and the extreme poverty line is 60% of that median.

32. The calculation of relative poverty varies between countries:

(a) Different poverty lines are used: 50%, 60%, 70% or 75% of median equivalent income;

(b) Expenditure is used as the welfare indicator in Belarus, the Republic of Moldova and Ukraine, while income is used in Armenia and the Russian Federation;

(c) National scales are used to calculate equivalent welfare indicators. For example, in the Republic of Moldova, the first adult household member is assigned a coefficient of 1.0, second and subsequent adults are assigned 0.7 and children are assigned 0.5; in Ukraine, a uniform coefficient of 0.7 is used for the second and subsequent household members.

33. In the near future, almost all the CIS countries plan to calculate relative poverty indicators in line with the list of SDG indicators (proportion of persons with incomes below 50% of median income, disaggregated by age, sex and disability).

### **C. Relative non-monetary poverty (deprivations/material deprivation); Multidimensional poverty**

34. In the CIS countries, particular attention is paid to international experience in introducing new methods for studying the living conditions of the population, including the use of population assessment of deprivations/material deprivations.

35. The approaches used to study deprivations in European surveys of living conditions cannot be fully used because of national specificities and differences between the living standards of the populations of the CIS countries. Equally, the use of national criteria leads to problems of data comparability, both between countries and at the international level.

36. In the CIS countries, the deprivations approach model is being introduced in Azerbaijan, Belarus, the Republic of Moldova, the Russian Federation and Ukraine as one way of improving the assessment of poverty.

37. In the Republic of Moldova, the same characteristics have been chosen in assessing material deprivation as are used in the European Union countries (impossibility of paying rent or utility bills, heating homes, paying unexpected expenses, consuming meat or fish every two days and spending one week of vacation away from home; and inability to acquire a car, washing machine, colour television or telephone, if desired). Poor households are defined as those having four or more of nine deprivations.

38. In some other CIS countries, the list of deprivations is developed on the basis of international experience and taking account of specific national circumstances.

39. In the other CIS countries, the list of elements of material deprivation has been determined from special surveys in which the population decided whether to include proposed elements of deprivation. As a result, Belarus has adopted a list of 14 deprivations, Ukraine has 18 and the Russian Federation has 11 basic and 16 additional deprivations. In Azerbaijan, work is under way to implement this method in statistical practice.

40. Multidimensional poverty assessments using the Alkire Foster method (Oxford Poverty and Human Development Initiative (OPHI)) are not yet conducted widely in CIS countries.

41. This method can be used in the CIS countries in addition to poverty derived from income (or expenditure).

42. In relation to national practice, the Alkire Foster method does not propose specific decisions on the selection of indicators, cut-off values or weightings for constructing a multidimensional poverty measure. Each country is advised to have its own indicators and approaches to poverty, based on the Government's development priorities.

43. In the CIS countries, the first multidimensional poverty assessments were published by the National Statistics Service of Armenia (*Social Snapshot and Poverty in Armenia*, 2016).

44. The choice of measures and indicators used for multidimensional poverty assessments was determined by national development objectives. The list of indicators was drawn up after consultation with the ministries and departments concerned.

45. Five dimensions were selected for the calculation of multidimensional poverty: basic needs, housing, education, employment and health. Within each dimension, several indicators are selected, the majority being internationally comparable. At the same time, individual indicators are specific to the country concerned and are determined on the basis of national circumstances.

46. In certain CIS countries (Republic of Moldova), multidimensional poverty indicators are calculated using an experimental method.

47. Most CIS countries are exploring the possibility of introducing multidimensional poverty assessments based on this method into national statistical practice.

48. The appropriateness of calculating multidimensional poverty indicators at national level is determined by the financial capacity to carry out the relevant observations. There also needs to be a demand for the information from the relevant ministries and departments.

#### **D. Subjective poverty**

49. Surveys are conducted in most of the CIS countries to assess the material situation of the population. The choice of poverty threshold then becomes subjective.

50. The level, profile and structure of subjective poverty are important indicators for understanding sources of social tension and the regulation of public programmes for the poor.

51. For example, in Belarus, households assess their level of wealth on the following scale: (1) low; (2) slightly below average; (3) average; (4) above average; and (5) high.

52. In Kazakhstan, households are asked to place themselves in one of the following social groups: (1) poor; (2) neither poor nor middle class; (3) middle class; (4) upper middle class; and (5) better off (rich).

53. In the Russian Federation, households assess their financial situation according to the following parameters:

- (a) Not enough money even for food;
- (b) Difficult to buy clothes and pay for housing services;
- (c) Cannot afford to buy durable goods;
- (d) Not enough money to buy a car or an apartment;
- (e) Sufficient funds to buy whatever is considered necessary.

54. The choice of different criteria in assessing subjective poverty produces data that are not comparable among CIS countries.

55. Poverty assessments obtained using subjective approaches may differ significantly from the absolute figures based on population income or expenditure. In Armenia, for example, in 2015, 16% of the population considered themselves poor based on subjective perceptions, while the proportion of the population with consumer expenditure below the absolute poverty line was 30%.

#### **E. Combined poverty assessments on all elements**

56. For more in-depth examination of poverty issues in a number of CIS countries (Armenia, Belarus, Republic of Moldova, Russian Federation and Ukraine), poverty monitoring is conducted on several criteria at the same time. Absolute, relative and subjective poverty are calculated in the context of one population of households.

57. A great deal of work has been done in this area by the national statistics service of Ukraine, which has developed a methodology for an integrated poverty assessment.

58. The following criteria have been set:

- The poverty line, at 75% of median per capita equivalent general expenditure
- The extreme poverty line, at 60% of median per capita equivalent general expenditure
- The absolute poverty line, at the minimum subsistence level, as set in legislation
- The absolute poverty line for international comparison, set at the value of US\$ 5 PPP per person per day.

59. The National Statistical Committee of Belarus conducts integrated poverty assessments. Calculations of absolute, relative monetary and subjective poverty and poverty according to deprivations complement each other and, taken together, make it possible to identify the poorest families that are simultaneously “poor” according to four criteria of poverty.

#### **IV. Future work**

60. One of the most important activities of CIS-STAT is helping the statistical services of the CIS countries to implement poverty and inequality indicators in statistical practice in order to monitor progress achieved towards SDGs.

61. That work should be assisted by the implementation of a project funded by the Russian Federation on “harmonized poverty indicators for monitoring sustainable development in the CIS countries” in which CIS-STAT and UNECE are playing a coordinating role. The main expected outcome of the work is harmonization of household survey programmes in the CIS countries, which would enhance the comparability of absolute and relative poverty assessments.

62. As national poverty assessments cannot be used in international comparisons, the majority of CIS countries have expressed willingness to conduct their own poverty assessments using World Bank methodology.

63. The development of the Guide on Poverty Measurement, prepared by a task force led by UNECE, is an important step towards addressing the problems of data comparability. It is, in fact, the first document that brings together all international best practice on assessing the various forms of poverty. CIS-STAT participated in its preparation and provided information on the CIS countries.

64. We believe that the work to establish a system of indicators for monitoring the SDGs should be continued.

65. CIS-STAT prepares an annual analytical review on poverty indicators in the CIS countries. All the information is posted on the CIS-STAT website in a section on quality of life ([www.cisstat.com/life quality/](http://www.cisstat.com/life%20quality/)).

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