# United Nations Economic Commission for Europe

## Conference of European Statisticians
**Workshop on harmonization of poverty statistics**
Geneva, 11 July 2016

# Report of the Workshop on poverty measurement

Note by the Secretariat

## I.  Attendance

1.      The UNECE Workshop on Harmonization of Poverty Statistics was held on 11 July 2016 at the Palais des Nations in Geneva, Switzerland. It was attended by participants from Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Republic of Moldova, Russian Federation, Tajikistan, Ukraine, United States of America and Uzbekistan. The World Bank, the Eurasian Economic Commission, and the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-Stat) were also presented at the meeting. Experts from Oxford University (United Kingdom) participated at the invitation of the UNECE secretariat.

2.      The meeting was conducted with financial support from and the project "Harmonized poverty indicators for monitoring sustainable development in the CIS countries" funded by Russian Federation, and the United Nations Development Account project "Promoting equality".

## II.  Organization of the meeting

3.      The following topics were discussed at the meeting:

   a)  Harmonisation of statistical concepts, definitions and methods on poverty

   b)   Developing multidimensional poverty measures

4.   The discussion at the meeting was based on presentations and papers that are available on the UNECE website:
   http://www.unece.org/index.php?id=41285#/

5. The meeting was held back-to-back with the Seminar on poverty measurement, 12-13 July 2016.

## III. Summary of the main issues covered at the substantive sessions

### A. Sustainable Development Goals and poverty measurement

6. The workshop started with a UNECE presentation on Sustainable Development Goals (SDGs) and poverty measurement. The SDGs were adopted in September 2015 by world leaders as part of the 2030 Agenda for Sustainable Development. Two of the SDGs are directly linked to poverty: Goal 1 "End poverty in all its forms everywhere" and Goal 10 "Reduce inequality within and among countries" while poverty related issues are present in several other goals.

7. With the political endorsement of the SDGs, the statistical world also undertook a follow up action. In March 2016, the United Nations Statistical Commission adopted the global indicator framework including plans for further developments of some of the indicators. It also adopted a proposed work plan for the implementation of this global indicator framework. Some of the SDG indicators are currently set up in a very general form and countries require further methodological guidance.

8. Among the large array of indicators (about 240 at present) required to monitor the SDGs, a subgroup of indicators for monitoring poverty, inequality and employment come from the same kind of data source, household surveys. The surveys should be set as to ensure that the collected data are in line with international standards, therefore making international and regional comparability possible. The surveys should be also implemented regularly enough to provide timely data for SDG monitoring and informing public policy.

9. The speaker also informed about the work on developing official statistics for monitoring SDGs undertaken under the auspices of the Conference of European Statisticians (CES). In February 2016, the CES Bureau set up a Steering Group on statistics for SDGs. The objective of the Group is to provide guidance and ensure that official statisticians are actively contributing to these processes. The Group is also developing a roadmap with a structured set of information about the ongoing developments. The roadmap will be completed by early next year and is scheduled for adoption at the June 2017 session of CES.

### B. Harmonisation of statistical concepts, definitions and methods on poverty

#### 1. Conceptual basis

10. The presenter from World Bank introduced the ECAPOV database for Eastern Europe and Central Asia. The database aims to provide comparable data on poverty within and across countries based on data available from household budget surveys (HBS) and living standards measurement surveys (LSMS). The modules

with poverty related data currently included in the ECAPOV database are the following**:**

    a) Individual characteristics (module 2)

    b) Consumption/welfare module (module 3)

    c) Utilities module (module 4)

    d) Social Protection and social assistance modules (module 6)

    e) Income module (module 7)

    f) Assets and services (module 9)

    g) National welfare aggregate (new module 10).

11.    Today the database includes over 236 surveys in around 29 countries, and covers a period of 18 years. The speaker noted the main difficulties in comparability across countries, and in particular the different survey methodologies, surveys are being modified, surveys cover different modules in different countries, sample size and coverage change, questions are not asked in the same way and do not list the same categories. In looking for solution, the following compromises were made:

    a) Country–time comparison is prioritised with respect to cross-country comparison.

    b) Harmonized variables might be different from the NSO definitions.

    c) Harmonization is done only with the available surveys.

## 2.    Country practices

12.    The session continued with specific examples from countries on their experience with measuring poverty and inequality.

13.    The representative from **Kyrgyzstan** spoke about the recently introduced electronic methods and new tools for data collection in the household survey. Kyrgyzstan conducts an integrated survey on household budgets and labour force every quarter of a year. The survey includes all regions, 5016 households, 83 interviewers and 76 staff members. The presenter described their experience in testing the CAPI (Computer Assisted Personal Interviewing) technology. The main benefits were simplicity in conducting the survey, improved data quality and speed of data delivery, possibility for operative start of different modules, daily control of fieldwork in online regime, and direct use of the information produced after the last interviewer. The challenges in using CAPI relate to the compliance of the new electronic reporting with the existing IT systems, building additional skills for the staff and high cost of the tablets.

14.    The delegate from **Russian Federation** addressed comparability challenges of inequality and poverty at regional level. The Federal State Statistics Service produced indicators on income and distribution since 1970, and on poverty rate since 1992. Previously, a special income survey was conducted every 5 years and on 170,000 households. Since 1992, poverty data has been collected through a HBS covering 48,000 households. The results from the survey are compared with the macroeconomic indicators (collected through the System of National Accounts) in order to evaluate the discrepancies between these two sources of information.

The main reasons for the discrepancies are the refusal of groups with high income to participate in the survey and survey respondents misreporting on savings and high cost items. The speaker also presented the results produced through the analytical model of using lognormal income distribution. She explained the differences in estimates from the HBS, which relate to the selection criteria for a subsistence minimum line and subsistence minimum income, and the type of key indicators produced.

15.     The representative from **Tajikistan** described in detail the methodologies used in measuring poverty in their country. Traditionally, the poverty rate of Tajikistan has been estimated using a living standard measurement survey. Some of the questions, however, were outdated and did not reflect the latest policy needs. A new "Household budget survey improvement project" was launched this year with support from the World Bank. The aim was to complement the development of an integrated living standard measurement survey. The new survey is adapted for the country needs and provided greater ability to estimate changes in poverty. The sample is larger - 3000 as opposed to 1500 households previously. The changes included amendments to the questionnaires, updates of the sampling methodology, and improvements in the organization of the fieldwork. The new survey is run on a continuous basis, resulting in fewer biases and the ability to take seasons into account.

16.     The presenter from **UNECE** introduced the Project "Harmonized poverty indicators for monitoring sustainable development in the CIS countries. The project aims to increase the statistical capacity for producing comparable and reliable poverty indicators for monitoring sustainable development in the CIS region. The beneficiary countries are Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The expected accomplishments are strengthening the statistical capacity of the CIS countries on poverty statistics and increased harmonisation of poverty statistics in CIS countries. The project will be implemented during two years (2016-2017) with collaboration of CIS-Stat and Rosstat, and with funding from Russian Federation. Main activities planned include workshops, harmonized survey for comparable poverty measures, and technical guidelines on common approach to poverty measurement in CIS countries.

### 3.     Summary of main issues discussed

17.     The following issues were raised in the discussion:

   i. Countries discussed challenges related to comparability of indicators in the context of SDG monitoring, and expressed the need for capacity-building in constructing comparable poverty indicators.

   ii. Counties requested information on the next steps for monitoring SDGs. The road map for developing official statistics for monitoring SDGs under the CES is expected to give directions, including on indicator selection.

   iii. Efforts to harmonise poverty data are still at stage where poverty data is not readily available to share across countries. The level of sharing is different for different countries. Participants were encouraged to share data and to provide the related metadata.

iv. Currently the World Bank's poverty line is set at 1.90 U.S. dollars per day while the SDGs indicator mentions the threshold of 1.25 dollars. It was clarified that the threshold in the SDG indicator will be corrected to 1.90.

v. Both the analytical model and the estimates based on HBS are used for poverty estimates in the Russian Federation, but it depends on the analytical need when each one is used as the two methods produce different information and different poverty indicators.

vi. The coverage of ECAPOV database could be extended to other modules, e.g. health indicators. However, assigning a monetary value to health is an issue and currently health is not covered in the database.

vii. There is an increasing need for use of household data for the compilation of national strategies in Central Asia.

## C. Developing multidimensional poverty measures

### 1. Conceptual basis

18. The session started with a conceptual presentation on the process of developing multidimensional poverty measures. People in poverty tend to be less healthy, live in less secure areas, find it hard to get a job, and their children are likely to do worse at school. These are all different dimensions of poverty, not always measurable in monetary terms.

19. The presentation covered the basics of the multidimensional poverty concept, explained the benefits in developing the measures, and their usefulness for policy. The speaker discussed the methodology in establishing multidimensional poverty indices (MPIs), including the choice of dimensions, indicators, weights and cut-offs. She explained in detail the Global Multidimensional Poverty Index developed by OPHI based on three dimensions: health, education and living standards and provided further examples on national and regional MPIs.

20. National MPIs reflect national contexts and priorities. They are useful to guide policies like targeting or allocation, and monitor progress. Two are the main determinants of an MPI: the incidence or the headcount ratio (H ), that is the percentage of people who are poor and the intensity of people's deprivation (A), that is the average share of dimensions (proportion of weighted deprivations that people suffer at the same time). It also shows the joint distribution of people's deprivations.

### 2. Country practices

21. The session continued with specific country examples on measuring multidimensional poverty. Currently the Republic of Moldova and Armenia from the countries in Eastern Europe, Caucuses and Central Asia calculate multidimensional measures.

22. The presenter from **Republic of Moldova** described their experience in producing multidimensional measures conducted on experimental basis. Among the

reasons for going beyond monetary measures, she listed the time and the cost of the data collection, comparability and most importantly, the inability of monetary measures to show how the people are poor. The experimental results show that out of the total population, 10.6 per cent are both MPI and monetary poor, 16.9 per cent of the multidimensionally poor are also monetary poor, and 92.6 per cent of monetary poor are multidimensionally poor. Among the main challenges, the speaker listed the need to adjust the HBS to include more questions on the affordability of some of the items included in the multidimensional poverty measures and the number of months worked during the last 12 months. It was also noted that international comparisons are difficult due to the use of different operational definitions and methodological solutions.

23.     The delegate from **Armenia** spoke about the lessons learned in applying multidimensional poverty measures in their country. The development of multidimensional poverty measures was motivated by the need to further describe the complexity, depth and the persistence of poverty in the country. The consumption poverty has not recovered to the levels before the global crisis, therefore the policy makers decided to do an MPI, which offers additional tools for analysis of the sources of poverty. In addition, the multidimensional measures allow assessing aspects of quality of life besides monetary terms such as having access to quality education and health services. The speaker made a useful summary of the steps that their country undertook in order to introduce the multidimensional approach. These steps were the following:

1) Step 1: Define basic principles and methodology
   Objective: Understand the methodology and requirements for the measure of multidimensional poverty.
   Approach: Develop a pilot measure of multidimensional poverty.
2) Step 2: Organize consultations with stakeholders
   Objective: Tailor the measure of multidimensional poverty to the country context.
   Approach: Multiple rounds of consultations with ministries, international organizations, academia and civil society.
3) Step 3: Prepare launch and dissemination
   Objective: Establish the measure of multidimensional poverty as an analytical tool and a policy instrument in the country.
   Approach: Joint workshops with policy makers, academia and civil society to discuss use and interpretation of results.

### 3.     Group exercise

24.     The group exercise set the task to the participants to propose dimensions that are relevant to policy design and analysis in the countries of Eastern Europe, Caucuses and Central Asia. To do that the participants needed to establish the criteria, identify the data requirements and take into consideration the regional specificities. The draft Guide on Poverty Measurement was used as background material for the exercise.

25.     The experts were placed in four groups, and each group worked to provide their response to the following three questions:

- What dimensions and indicators would be relevant to your country?
- What survey would you use?

- What indicators do you have already?

26.	During the group discussions the following points were made:

- Priorities were given to dimensions such as work conditions (including formal and informal market), health, living conditions, education and financial stability.

- Some dimensions were identified by all the four groups. These included education, health care, living conditions, social exclusion, employment (unemployment/work intensity), access to public services, personal safety, childcare, ecological conditions, and hunger.

- Indicators like "living in old houses", "not able to afford heating" and "presence of a toilet with water flush in the household" were identified as ones of high relevance for the countries of Eastern Europe, Caucuses and Central Asia.

- The participants noted the interconnectedness between the various dimensions and discussed possible ways to address this issue.

## 4.	Summary of main issues discussed

27.	The main debates included the following issues:

i. There is a need to raise the awareness of policymakers and other data users on multidimensional deprivations.

ii. The multidimensional poverty measures offer additional tools to monitor progress, including on SDGs. It complements the existing analysis on poverty and captures aspects, which are not described by monetary measures.

iii. A measure of multidimensional poverty is technically easy to build, but requires a large set of decisions.

iv. Although the methodology is well-established in the academic literature, it is not always clear about how in practice to make the specific choices in constructing the multidimensional measures, such as the choices of indicators, poverty cut-offs and weights.

v. The number of deprivations used in multidimensional poverty measures as well as the degree of overlap with the other poverty approaches are equally important to describe the face of poverty in the country.

vi. Multidimensional poverty allows for analysis based on government's development priorities.

vii. The Global MPI reflects extreme poverty. It is therefore not suitable for UNECE countries and a moderate MPI would be more appropriate for the region. The information collected during the workshop would be useful to establish proposals for appropriate indicators for the UNECE countries.

viii. There was a discussion on whether countries, which have low MPI but strong social policies, can succeed in economic growth. This largely depends on the profile of the poor and MPI is a useful tool to provide for analysis of the profile.

ix. The MPI offers some measurement advantages, for example while income goes up with the increase in the size of the household, the MPI does not change with the change in the number of persons living in a household.

---