

UNDP AND THE CONCEPT AND MEASUREMENT OF POVERTY

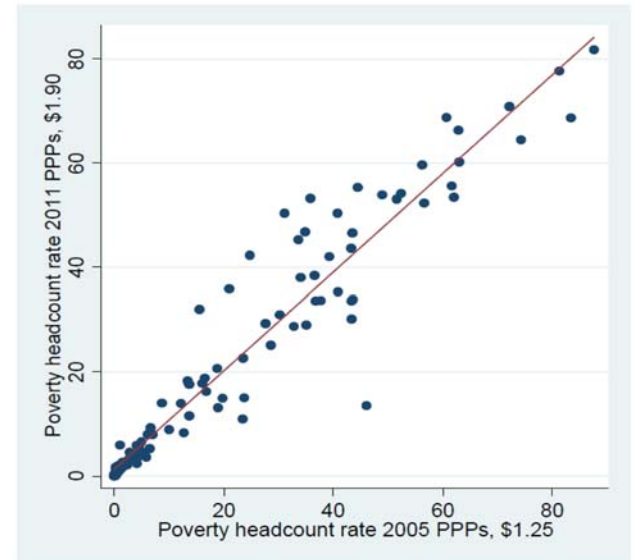
Traditionally, and still in many circles, wellbeing is understood as material progress measured by income. According to this view, countries worthy of receiving external financial assistance are those below a certain – arbitrary – level of income. And poverty is measured by counting the number of people living under – an arbitrary – poverty line.

An international poverty line is typically used in cross-country comparisons of poverty levels and in international agreements. The first target under Sustainable Development Goal (SDG) 1 of the 2030 Agenda for Sustainable Development reads: “By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.” This target refers to the international extreme poverty line – which was set in the late 1990s at one dollar a day in purchasing power parities based on an average of national poverty lines in low income countries – and which has been revised over time. This is done because estimates of purchasing power parities, which give the conversion rate from dollars into the local currency of each country, are occasionally updated.

The latest revision which took place in September 2015, increased the international poverty line to \$1.90. This increase was done to ensure that the ‘goal posts’ used to measure extreme poverty were not changed. That is, the increase of the extreme poverty line reflects, essentially, the fact that at the time the purchasing power estimates were revised we faced a weaker dollar relative to the currencies of most developing countries than when the preceding line was defined. In practice, the increase in the poverty line made little difference for regional estimates of extreme poverty. **Figure 1** above compares poverty incidence (also called poverty headcount rate) using both the 2005 (the earlier) and 2011 (latest) extreme poverty lines. Each dot represents a country, and the closer the point is to the 45 degree line, the closer the two poverty rates are similar to each other, and the less difference the revision makes. Most countries lie close to the line.

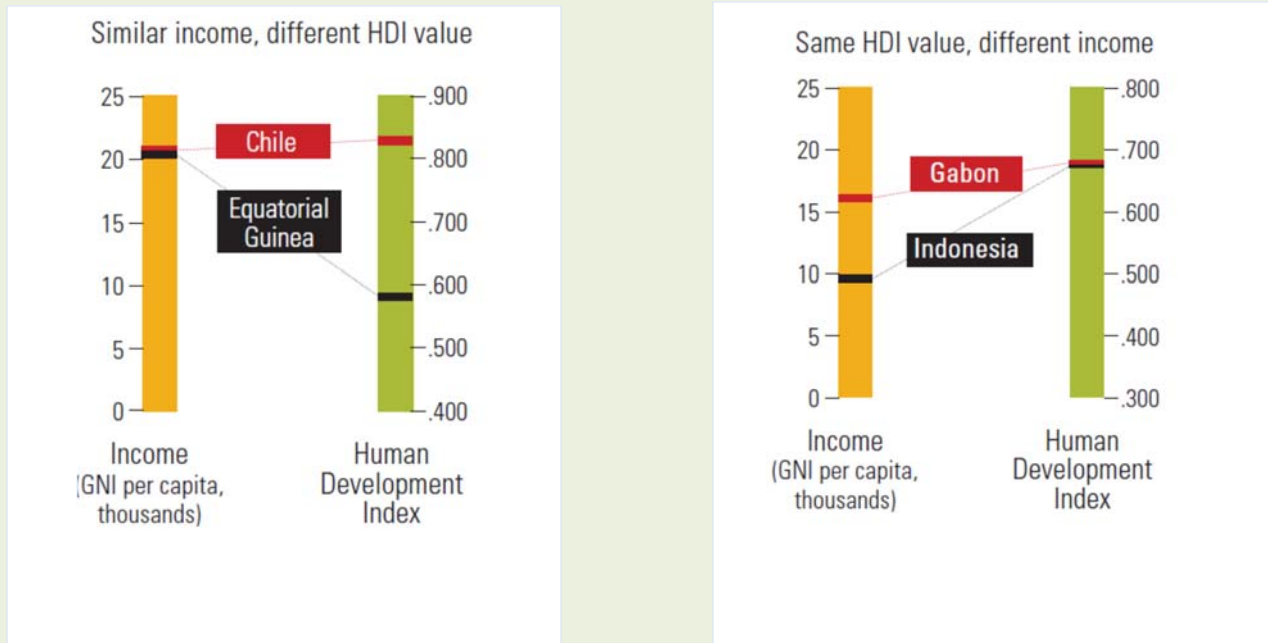
UNDP has used and supported countries with monitoring and reporting on poverty measures, but was also a pioneer in broadening perspectives on the concept and measurement of poverty. With the first Human Development Report (HDR) in 1990, UNDP proposed to measure development progress by countries with the Human Development Index (HDI). The HDI was premised on the fundamental tenets of human development, the idea that wellbeing is multidimensional and encompasses multiple aspects of human life, including how people interact with each other and with our physical environment. The HDI as such incorporates information on the level of income per person of a country, as well as indicators measuring achievements in health and education. As **Figure 2** below illustrates, there is no automatic link between income and the HDI. This clearly shows that advancing development includes, but goes beyond, increasing levels of income in countries.

FIGURE 1



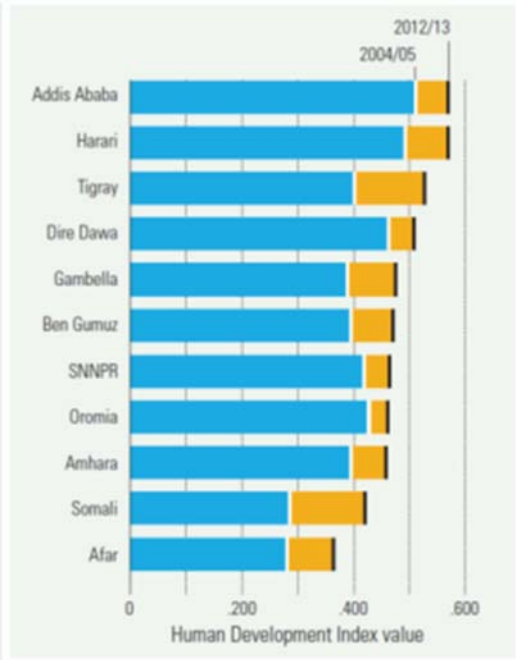
Source: [World Bank](http://bit.ly/1NIRgfl) <http://bit.ly/1NIRgfl>

FIGURE 2



Source: UNDP (2015). Human Development Report. Figure 2.8: 57.

FIGURE 3



Source: UNDP (2015). Human Development Report.

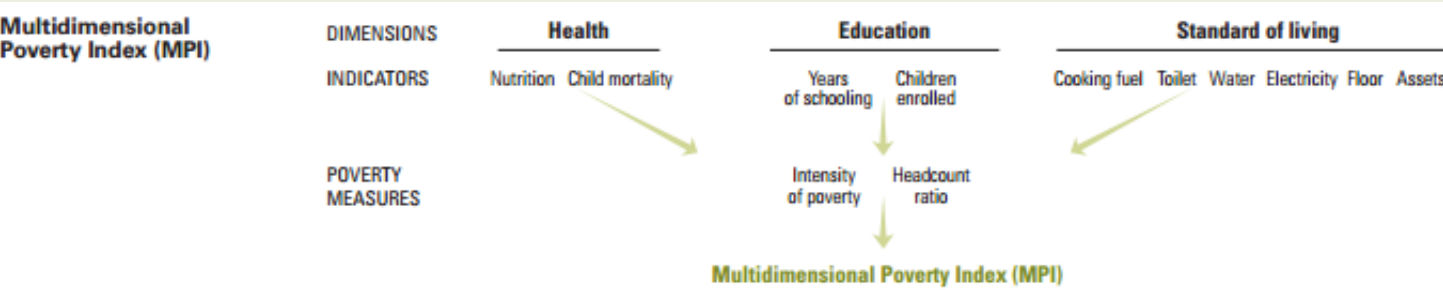
UNDP has also considered how to expand the concept and measurement of poverty within countries. In fact, the HDI can be applied within countries, and reveal sharp differences in HDI achievement across regions – see **Figure 3** for an example for the case of Ethiopia. In the 1997 HDR, UNDP presented the first multidimensional poverty measure: the Human Poverty Index (HPI), distinguishing it from ‘income poverty’.

Over the years, UNDP has worked with academics to develop and refine these measures, incorporating different aspects, such as inequality in income and other human development outcomes (with the report ‘Humanity Divided’ published in 2013), vulnerability to shocks, the impact of human activity on the environment and sustainability, happiness, and other aspects.

UNDP has constructed indices to adjust the HDI to account for inequality, including gender inequality. For instance, the Gender Development Index compares female and male HDI values. According to the 2015 HDR, in all regions of the world the HDI value is lower for women than for men— with women faring better in only 14 countries. Another measurement published in the HDR is the Gender Inequality Index, which is a composite measure of gender inequality using three dimensions: reproductive health, empowerment and the labour market.

One of the most comprehensive measures of poverty is the Multidimensional Poverty Index, developed in collaboration with the Oxford Poverty and Human Development Initiative (OPHI), and published for the first time in the twentieth anniversary edition of the HDR in 2010. The MPI – with slightly different indices now published separately by UNDP and OPHI – goes beyond monetary measures of poverty by considering overlapping deprivations suffered simultaneously. The MPI emerged from the MDG indicators but instead of combining country’s aggregates across indicators it used information at the level of household to enable counting of overlapping deprivations and number of people that contend with them. The index identifies deprivations across the same three dimensions as the HDI (see **Figure 4** below) and shows the number of people who are multi-dimensionally poor (suffering deprivations in 33% or more of weighted indicators) and the number of deprivations with which poor households typically contend with. It can be deconstructed by region, ethnicity and other groupings as well as by dimension, making it an apt tool for policymakers.

FIGURE 4

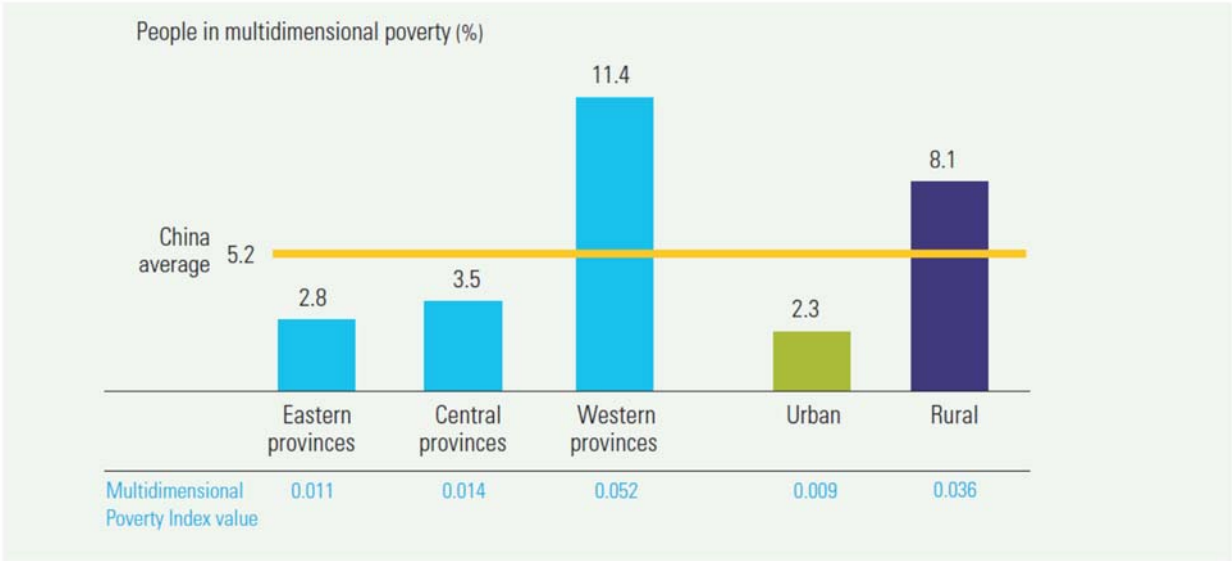


Source: UNDP <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>

The MPI can be applied to countries (those with the highest proportion of people living in multidimensional poverty are Niger, South Sudan, Chad, Ethiopia, Burkina Faso and Somalia), as well within countries across regions. For instance, in China, 72 million people live in multidimensional poverty, but its prevalence is much higher in rural than urban areas (**Figure 5** below).

FIGURE 5

Rural areas of China have a higher prevalence of multidimensional poverty than urban areas, 2012



Source: UNDP (2015). Human Development Report. Figure 2.9: 62.



Two weeks after Cyclone Pam, women in Port Narvin Erramango Island, Vanuatu, show their interest in participating in an emergency employment scheme. Photo: Silke von Brockhausen/UNDP.

UNDP's work and perspective is relevant at different levels. For instance, our understanding that vulnerability to shocks is not well proxied by the level of income, has led to influential analytical and advocacy work calling attention to the challenges of Small Island Developing States (SIDS), many of which have relatively high levels of incomes, but can have their economies wiped out with a single stroke as a result of a disaster linked to a natural hazard. In fact, some of these countries accumulate inherent physical with financial vulnerabilities, without much recourse to external assistance due to their high level of income. The same can be said of countries that are either affected by or suffer the spillovers from conflict and political instability, some of which also have relatively high levels of income that make them "ineligible" from receiving deeply needed external financial assistance.

UNDP has also been exploring the dynamic aspects of income poverty. While often it is assumed that people are poor generation after generation, captured in poverty traps – and this is the case in some instances – it is also the case that people are thrown into poverty as a result of economic volatility or other shocks that hurt their livelihood. A recent regional HDR explored the determinants of people falling into, and out, of poverty for Latin America and Caribbean countries, and the analysis is being expanded to other regions. The 2015 HDR also explored the dynamic aspect of multidimensional poverty.

A multidimensional understanding of poverty has always been relevant – but it is now essential for the 2030 Agenda for Sustainable Development. Only by understanding that resilience and wellbeing go beyond increasing the level of income will it be possible to meet the interlinked and indivisible Sustainable Development Goals. UNDP's stands ready to support governments and other stakeholders with analysis, advocacy, and programmes to ensure that the concept and measurement of poverty are fit-for-purpose in the context of the 2030 Agenda.

For more information: www.undp.org/
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