GLOBAL POVERTY ESTIMATES: WHICH WAY NOW?
BEYOND THE REPAIR SHOP
MEANINGFUL AND RELIABLE?
• Identifying and characterizing the manner in which objects of comparison are unlike requires the possibility of characterizing what would be required for them to be deemed alike.

• This in turn requires specifying an evaluative standard to be used to determine likeness and unlikeness. It must not change with the objects being compared.

• The appropriate choice of evaluative standard depends on what you are measuring and why.
MYTH 1: THE IPL HAS A MEANING
POVERTY LINE IN 2011 PPPS
‘In the Appendix, we describe the results of our own effort to catalogue which of the national poverty lines used are demonstrably independent, in the sense that the source cited is not a World Bank source or a PRSP. It turns out that only nine of the eighty-seven sources cited have this feature. Since two of those are produced by other multilateral agencies rather than by a national government or agency only seven of the eighty-seven can be argued to have been both produced independently of the Bank and in a manner which provides some institutional assurance of being reflective of national perceptions. Only ten of the sources are explicitly labelled as PRSPs…It is possible that the World Bank documents or PRSPs cited draw on an independent and previously established national poverty line. However, there is no way of doing of knowing whether this is so.’
AN ACHIEVEMENT INTERPRETATION?

• Thrifty Food Plan: $5.17 USD per day per person in 2011 (Family of two adults and two children, 6-8 and 9-11)

• Joseph Rowntree Foundation, “Decent Standard of Living” in the UK, GBP 44.18 or $62.57 per day per person (Family of two adults and two elementary-school going children, 2019 level expressed in $ 2011 PPP)

• S. Subramanian, poverty line for a household of five in Tamil Nadu, India: Rs. 72.35 (2014 level expressed in 2011 Rupees) or $4.83 ($ 2011 PPP)

• Other exercises for specific countries (e.g. Canada, Jamaica, Netherlands, Ireland, Flanders), global exercises by R. Allen, M. Moatsos etc.

• Family Size and Composition, Urban-Rural differences in needs, costs and resources, Gender-specific Requirements and Intra-household allocation and other issues
MYTH 2: SAME MEANING EVERYWHERE

- What Exactly IS Purchasing Power Equivalence?
- PPPs infected by irrelevant Commodities and Countries
- Poverty-Related PPPs?
- Intra-national variations in cost of avoiding poverty for those actually facing it
- The only way to identify the relevant form of “sameness” is with reference to an achievement.
MYTH 3: SAME MEANING OVER TIME
<table>
<thead>
<tr>
<th>Update:</th>
<th>1979 &quot;India line&quot;</th>
<th>1990 &quot;Dollar-a-day&quot;</th>
<th>2001 1.08/day</th>
<th>2008 1.25/day</th>
<th>2015 1.90/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty lines used</td>
<td>1 (India)</td>
<td>8 countries</td>
<td>10 countries</td>
<td>15 countries</td>
<td>15 (same lines as 2008)</td>
</tr>
<tr>
<td>Method</td>
<td>India’s poverty line (46th pctile)</td>
<td>Inspection</td>
<td>Median</td>
<td>Mean</td>
<td>Mean</td>
</tr>
<tr>
<td>Poverty line (ICP base year USD)</td>
<td>$0.56</td>
<td>$1.01</td>
<td>$1.08</td>
<td>$1.25</td>
<td>$1.90</td>
</tr>
<tr>
<td>Poverty line in 1985 USD</td>
<td>$1.12</td>
<td>$1.01</td>
<td>$0.80</td>
<td>$0.69</td>
<td>$0.91</td>
</tr>
<tr>
<td>Poverty line 1985 IND Rs.</td>
<td>Rs. 4.11</td>
<td>Rs. 3.84</td>
<td>Rs. 4.65</td>
<td>Rs. 4.11</td>
<td></td>
</tr>
</tbody>
</table>
Figure 1: Equivalent Poverty Line in 2011 PPP for $1.25 2005 PPP for developing countries

Source: GCIP, WDI. Data is for 117 developing countries, excluding Sudan, Turkmenistan, El Salvador and Tajikistan, as their equivalent poverty lines are outliers (>10 or <1.2).
MYTH 4: TREND INDEPENDENT OF LEVEL
WORLD EXCLUDING CHINA
SSA POVERTY HEADCOUNT RATIO ESTIMATES ($2011 PPP), 1981-2015

Source: World Bank (Povcalnet)
SOUTH ASIA POVERTY HEADCOUNT RATIO ESTIMATES ($2011 PPP), 1981-2015

Source: World Bank (Povcalnet)
REGIONAL COMPOSITION AT DIFFERENT LINES
MYTH 5: THERE IS NO ALTERNATIVE
• Highly Unstable

• Fixing IPL as $1.90 (2011) until 2030 avoids the appearance of a problem but not the reality of a problem. Latest ICP base year year not intrinsically privileged.

• Increasingly unclear what meaning, if any, is possessed by IPL as time passes.

• Is this really as good as we can do?
• ‘Recommendation 15 proposes that the Bank should partner with other agencies to collect data aimed at constructing a basic-needs estimate of extreme poverty. …We recognize that the extent to which specific national lines can be construed as representing “societal agreement” varies, but feel that it would be paternalistic and disrespectful to question the choices of the world’s poorest countries in terms of what constitutes poverty for them.’
THE ALTERNATIVE APPROACH

- Achievement Based Approach (e.g. Capabilities, full costing of “basic needs”)
- Fix a Common Conception of *Reference Achievements* (Capabilities) at Global Level
- “Absolute in the Space of Capabilities, Relative in the Space of Commodities” (e.g. shelter requirements: capabilities, characteristics and commodities)
- Does away with confusions arising from inappropriate price indices (PPP and CPI)
- Contexts and Variations Matter in the translation from Capabilities to Commodities, but adopt a population-based approach. How finely meshed to make the grid (e.g. intra-national and household type variations) is an open question.
- Need for a participatory element; a “Normative” conception informed by “Consensual” and “Behavioral” elements. Not just linear programming!
BEING DONE NOW (IMPLICITLY)!

- International Civil Service Commission post adjustments
- Private Sector Consultancy Firms (e.g. Mercer)
Post Adjustment

Classification Memo

A memo, which goes to organizations and agencies, contains revised monthly multipliers due to cost-of-living survey results and exchange rate fluctuation as well as inflation.

Please note that the Consolidated Post Adjustment Circular for March 2019 (CIRC/PAC/531) is subject to change pending further exchange rate changes effective on or before 15 March 2019.
HELP DETERMINE FAIR ALLOWANCES FOR ALL YOUR ASSIGNEES, WHEREVER THEY COME FROM

Calculate cost of living allowances for your expatriate assignees in over 370 locations using factual and objective price information. Examining more than 200 goods and services, our surveys are conducted by professional researchers in each location. Carefully chosen vendors reflect only those outlets where your expatriates can buy goods and services of international quality.

Our Cost of Living Reports are based on the multinational approach to cost of living, which assumes expatriates spend the same in the host location, regardless of home country. City-to-city indices help set appropriate allowances.

Multinational Methodology

The Multinational approach to Cost of Living develops cost-of-living indices and differentials based on a blended international spending pattern. The methodology assumes a convergence of spending patterns among expatriates from different nationalities. With weighting of goods and services the same for all locations, this approach compares prices of similar brands and from similar retail outlets in both the home city and host city.

Cost of Living Reports Key Features

- Based on an international basket of goods and services reflecting realistic spending habits established through years of extensive expatriate research.
- Accurate, current, frequently updated data.
- Distinct Cost of Living (COL) indices and price information for different types of expatriate shoppers.
- Full list of stores and sources where prices are collected ensures transparency.
- Accommodation and Education costs included in the reports.
- Business Travel Expenses are included to provide guidance for per diems.
- Estimate allowances instantly using our Cost of Living Allowance Calculators.
- Additional calculators that allow you to use data for your specific needs.
- Special cities surveyed upon request.
- Methodology that lets you determine competitive purchasing power for all your assignees, wherever they come from.
BOTH

- Improve both national and international poverty identification criteria *together*, based on idea of common evaluative standards but different contexts.
- Better survey design coordination is complementary (Atkinson Report)
- Can start with pilot project.
“Relativity” and Non-Income Dimensions. Neither is really an independent concern (acknowledged by Atkinson report).

All of the ideas can be related to a common reference point, the achievements (capabilities) that are deemed to be essential to possess. This is the relevant evaluative standard.

The indicators relevant to assessing who has what (common) capabilities can be contextually dependent (e.g. the specific package of immunizations received by a child, always assessed by contribution to health and survival).
A UNIFIED SOLUTION

- For the first time, anchor in a clear evaluative standard (achievement interpretation, e.g. capabilities)
- Simultaneously address weaknesses of national, regional and global poverty estimation
- Can begin work now.
- Not inconsistent with 2030 Agenda (“End Poverty In All its Forms Everywhere”). Surely that does not meant “End Whatever We Choose to Call Poverty in All its Forms Everywhere”).
- Time to end “Alive in Wonderland” approach based on obfuscation through technical means.